Yorkshire Building Society
Annual Report and Accounts 2024

PROUD OF OUR PAST. HERE FOR YOUR FUTURE.

Side-by-side with our borrowers and savers for over 160 years.

YORKSHIRE BUILDING SOCIETY

160 YEARS

CONTENTS

PERFORMANCE AT A GLANCE

Member value

Statutory profit before tax	£383.7m	£450.3m in 2023
Core operating profit[1]	£345.7m	£449.9m in 2023
Cost to core income ratio[1]	51%	42% in 2023
Common Equity Tier 1 ratio	18.1%	16.7% in 2023
Leverage ratio	6.6%	6.2% in 2023
Liquidity coverage ratio[2]	202.7%	158.2% in 2023
Average savings rate differential[3]	0.90pp higher than market average	1.01pp higher in 2023
Net Promoter Score (NPS®)[4]	+64	+63 in 2023

[1] See the Glossary definitions for alternative performance measures.

[2] The LCR metric quoted represents the total for the Group as at 31 December 2024. The December 2023 comparative has been updated so as to be on a like-for-like basis.

[3] YBS Group average savings rate compared to Rest of Market average rates. Source: CACI's Current Account and Savings Database (CSDB), Stock. Data period January 2024 – December 2024.

[4] Net Promoter Score and NPS are trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc. Data period January – December 2024, based on 22,873 responses. Following a change in the calculation methodology for Group NPS, the comparative period has been restated on a consistent basis.

Introduction Strategic Report Governance Financial Statements Other Information

Place to call home

Gross lending	£9.7bn	£9.2bn in 2023
Gross mortgage lending market share[5]	3.8%	3.9% in 2023
Growth in mortgage balances[6]	6.2%	3.6% in 2023
New residential mortgages provided	41,000	44,000 in 2023

Financial wellbeing

Savings accounts opened	537,000	693,000 in 2023
Savings balance market share[7]	2.5%	2.3% in 2023
Growth in shares balances	10.6%	12.0% in 2023
Average savings rate paid[8]	4.21% over 2024	3.43% over 2023

Climate-related disclosures

Carbon footprint[9]	+4%	-6% in 2023
Landfill diversion[10]	97.0% of waste	98.7% in 2023

[5] Based on Bank of England total industry gross lending. Data period January – December 2024.

[6] Growth in mortgage balances excludes fair value adjustments for hedged risk on loans and advances to customers.

[7] Source: YBS analysis of BSA Household savings. Data period January – October 2024.

[8] Source: CACI's Current Account and Savings Database (CSDB), Stock. Data period January 2024 – December 2024.

[9] The change in carbon footprint compares 2024 to 2023 emissions categories where data is available for both years and is calculated on a market-basis. YBS has changed its approach to reporting emissions from gas backed by renewable certificates to align with current best practice, meaning market-based emissions from gas usage are no longer reported as zero. The carbon footprint has increased due to an increase in emissions from employee commuting and working from home. This is due to an increase in the total number of colleagues employed by the Society.

[10] Landfill diversion rate represents the proportion of waste generated by the Society that is recycled or recovered for energy. The decrease is due to a reduction in the total volume of waste generated by the Society.

Introduction Strategic Report Governance Financial Statements Other Information

Annemarie Durbin

WELCOME FROM THE CHAIR OF THE BOARD

It is my pleasure to welcome you to the 2024 Annual Report and Accounts for Yorkshire Building Society.

As a member-owned organisation, the Board plays an important role in ensuring that the Society is operated with your interests at the heart of our decision making.

In our 160th year, it was a privilege to succeed as the Society's latest Chair. I am following the rich heritage of former Board Chairs and Directors who have been good stewards for the Society over its long history.

I am delighted to be part of an organisation that continues to fulfil our purpose to provide genuine help for the real-life issues our members face.

A strong sense of purpose providing value for members and customers

On the 5th of September, we commemorated the 160th anniversary of Yorkshire Building Society (YBS). For 160 years our purpose has been to deliver for our members and make a real difference.

Yorkshire Building Society was founded in 1864 in Huddersfield by a dentist, a shoemaker and a plumber. At the end of our first year, £2,143 was saved with us and we lent £3,953 to six borrowing members. In 2024, our assets reached £65.5 billion, our savings balances grew to £52.0 billion and we provided 41,000 new residential mortgages.

Although a lot has changed in terms of the size and scale of our activities, in the ways that matter we remain the same. The principles on which we were founded remain as true today as they did in 1864.

We're here to help people have a place to call home, support financial wellbeing and deliver value for our members. In recent years, with the economic environment bringing more challenges for many, our purpose has been even more relevant to members and customers.

As I got to know the Society, it became clear this is an organisation with members and customers at its heart. During the year, I have visited our call centres and branches and spoken to customers, members and colleagues, as well as brokers who help people access our mortgage products.

One visit was to our Tenby branch where I met Roz Oak, a customer consultant who has worked at the branch since it opened 45 years ago. As she says, it's the people, both colleagues and customers, that make Tenby so special. This applies to all of our branches and agencies up and down the country. Our branches and agencies play an important role at the heart of the local communities in which we operate.

On behalf of the Board, I want to thank our dedicated colleagues who embody the Society's values every day. I have seen first-hand how much they care about serving our members and customers.

While we know many customers like to visit a branch, or speak to us on the phone, we are also making sure digital options are available for all our products. For example, during 2024, you may have noticed that it is much easier to open and fund accounts via our mobile app and to engage with us online. We want you to be able to contact us in the way you choose.

A commitment to our customers and communities

Our commitment to having a positive impact goes beyond our customers, products and services, and into our charity partnerships.

This year I have spent time with FareShare, a partner who amplifies our purpose through their work on improving life skills, resilience and employability. I am very proud of the work they are doing with our support. The Society is raising £1 million to enable FareShare to support 2,500 people through their Building Skills for the Future employability programme.

In addition, I am pleased that Citizens Advice advisors are located in 40% of our branches and have helped 5,600 people in 2024, who together could receive over £3.1 million in additional income if they act on advice.

A focus on strength and sustainability

The Board plays an important role in representing members' interests and overseeing the Society's success. As you would expect, the Society's financial strength and resilience is our priority. We take seriously the trust members place in us as their savings and/or mortgage provider, and our responsibility to operate as a sustainable, resilient organisation. In this context I am pleased to report that the Society has a Core Equity Tier One ratio of 18.1% and a Liquidity Coverage Ratio of 202.7%. Along with the Society's continued strong profitability these are key indicators of the ongoing financial strength, stability and sustainability of your Society.

Last year, in Our Strategy, the management team set out some clear ambitions for the Society over the next five years, and another key responsibility for the Board is overseeing their delivery. Our ambitious plans will see us build on our customer-centred culture and provide our services through more channels. We will continue to offer good value savings and mortgage products, supporting our loyal members and customers and people who may struggle to get support elsewhere.

Our Board

During 2024 John Heaps, the former Chair, stepped down from the Board in April, followed by Alison Hutchinson, the Vice Chair and Senior Independent Director, in December, both having served over nine years on the Board. Jennelle Tilling also stepped down as a Non-Executive Director at the end of the year. We thank each of them for their valued contributions to the Society.

During the year we also welcomed Peter Bole and Janet Pope as Non-Executive Directors to the Board.

Tom Ranger joined the Board as our Chief Financial Officer, following the retirement of Alasdair Lenman. David Morris, our former Chief Commercial Officer also stepped down from the Board. We thank both Alasdair and David for all they have done over the years.

A solid performance and an ambitious future

The Society's performance in 2024 is in line with expectation, strengthens our financial position and will support our growth aspirations. As mentioned, all our capital and liquidity ratios remain very healthy.

Although events beyond our control have the potential to impact our ability to deliver on our purpose, we monitor the external environment closely and take action when necessary. One of the priorities of Our Strategy is to continue to invest in our risk management capabilities and the control environment as we grow.

Uncertainty, both nationally and internationally, has been a feature of the external environment over the last few years. The reduction in interest rates, as inflation fell, toward the end of 2024 eased pressures slightly. However, there is still the risk of external shocks that could impact how consumers feel about their financial resilience and wellbeing.

The Society's mortgage and savings balances have grown strongly in the past few years and we intend to continue on a similar trajectory. As we grow, we will become more efficient and be able to reach, and support, more people.

We will continue to look for new ways to provide value to our members, alongside above-market average savings rates and purpose-led mortgage and savings products. We will champion our members' long-term interests and, as we have in 2024 with our *Home Improvements report*[11] - which identified a range of solutions to enable more people to buy a home – use our voice to help shape a future where people find it easier to achieve their goals.

I very much look forward to working alongside our Board, and our dedicated colleagues, to deliver even greater value for our members and customers for many years to come.

Annemarie Durbin
Chair of the Board

11 https://www.ybs.co.uk/w/home-improvements-report-2024

Susan Allen, OBE

INTRODUCTION FROM THE CHIEF EXECUTIVE

It is my pleasure to present the 2024 Annual Report and Accounts for Yorkshire Building Society.

For over 160 years, the Society has focused on providing Real Help with Real Life, for generation after generation, and this purpose continues to guide our activity today.

As a building society, we're different. All the profits we make are reinvested for the benefit of our members, into our organisation, the products and services we offer, and our communities.

Here to support our members and customers

Since we last reported, there are welcome signs that the UK economy is starting to recover. Interest rates have fallen from their peak and inflation is stabilising, but we know that many of our members and customers still face financial challenges.

Our research shows owning a home is becoming harder for people to achieve[12] a and, it is estimated that more than 18% of UK adults have less than £100 in savings[13].

This all reinforces the importance of the support we provide for our members and customers. We are committed to finding new ways to respond directly to evolving customer needs.

In 2024, we offered several innovative products that really make a difference, helping people find a place to call home and build their financial wellbeing.

Our £5k Deposit Mortgage helped more than 350 people buy their first home. It has been heartwarming to hear from customers what a difference this has made.

Recognising the importance of saving regularly, we created a £50 Regular Saving account and supported 17,600 people to keep saving or even more importantly establish a savings habit. Our research shows that having a regular savings habit, no matter how small, improves life satisfaction[14]. The benefits of saving are far more than financial.

We will continue to innovate with unique solutions that provide Real Help with Real Life.

[12] Based on data collected with Opinium Research – surveying 1,000 UK First Time Buyers (looking to purchase in the next 3 Years). Completed 18 July 2024 - 26 July 2024

[13] Based on data collected with Opinium Research – surveying 2,000 UK adults nationally representative of the UK population. Completed 3 – 12 May 2024.

[14] Understanding the role of savings in promoting positive wellbeing" – a research report from the Personal Finance Research Centre (PFRC), University of Bristol commissioned by the Building Societies Association and sponsored by Yorkshire Building Society, July 2024.

Introduction Strategic Report Governance Financial Statements Other Information

The first year of Our Strategy

Our Strategy is all about providing Real Help with Real Life. Our continued growth allows us to help more people and provide even more support each year.

In 2024, we focused on simplifying processes, investing in digital capabilities, and further enhancing our governance and controls. We have made good progress but we know there is still more to do. Investment in these critical areas is key to our long-term success.

A common root cause of customer complaints are manual processes which are complex for our colleagues to navigate. A priority in 2025 is to improve our processes and make things easier and more efficient for members, customers, and colleagues.

The Society's overall Net Promoter Score (NPS), which is a measure of how willing our customers and brokers are to recommend us to others, continues to be strong, +64 in 2024 (2023: +63). Within the feedback, the great customer service provided by colleagues in our branches and contact centres is one of the most common themes, alongside continual improvement in our digital services. I am pleased with the progress we have made, powered by our brilliant people. Our diverse workforce, enabled by our ambitious culture, will drive the success of our customer-focused strategy. I am grateful to all our colleagues for their hard work and commitment.

Strong links to our communities

As a building society, we've been making a difference to the people in our communities for 160 years. It's what we were created to do. Our community programme is focused on supporting people with their financial wellbeing, and there is a lot to be proud of in 2024.

Our partnership with FareShare has helped 657 people to build skills for the future to support them to find work, with 66 participants already securing paid employment.

Our *Money Minds* sessions have delivered financial education to 20,000 people across various age ranges.

Our award-winning partnership with Citizens Advice provided 5,600 people with free, impartial advice, covering anything from financial to legal issues, to help them find a way forward.

Minimising our impact

We remain committed to supporting the UK's transition to a low carbon economy by minimising our climate-related impact. We have taken action to improve our financed and operational emissions reporting however we have seen an increase in our overall operational carbon footprint due to an increase in our colleague numbers.

We are working on reducing our impact and a particular highlight for me in 2024 was starting the installation of solar panels at our head office car park. We expect this will reduce our operational carbon emissions by over 100 tonnes a year which will help us reach our target of Net Zero across our own operations by 2035.

We also recognise the importance of supporting our members and customers to reduce their carbon footprint. In 2024 we were pleased to launch our partnership with Snugg[15] who offer tools and solutions designed to help homeowners reduce their energy consumption and carbon footprint.

Our performance remains solid

In our 160th year, our solid performance continued. We achieved strong levels of growth in both mortgages and savings. Mortgage balances increased by £2.9 billion and retail savings balances by £5.2 billion.

We continue to help people find a place to call home and are pleased to have increased our gross and net lending.

The successful growth in our retail savings business over recent years has not only supported our mortgage growth but also allowed us to accelerate our repayment of TFSME[16] funding reducing the refinancing risk on our balance sheet. We repaid the final portion in Q3 2024, well in advance of its maturity next year.

The stable, and more recently falling, interest rate environment led to an anticipated reduction in net interest margin, to 1.16% (2023: 1.31%).

On an underlying basis, operating costs have increased by 10.2% compared to last year. This reflects increased investment in our change programme, the impact of inflationary pressures, and the costs associated with our growing operational scale. We also continue to invest in our branch network for the benefit of our members and are committed to ensuring our colleagues are fairly rewarded. As we deliver Our Strategy, it is important that we invest in the capabilities we will need, but also maintain tight control over our costs to enable continued investment in transformation.

Our profits help further strengthen our reserves and support our growth ambitions. Our strong capital and liquidity position allows us to continue investing to make a real difference for our members and customers. Core operating profit for 2024 was £345.7 million, a decrease of £104.2 million on the previous year, and statutory profit before tax was £383.7 million (2023: £450.3 million).

Delivering for our members, together

This year, I welcomed new colleagues to my Executive team (see Our Board and Executive team on page 49).

I am confident that the combined skills and experience of the whole team will benefit the Society greatly. We are united behind Our Strategy and committed to our enduring purpose of providing Real Help with Real Life.

Everything we achieved in 2024, combined with our ambitious plans, positions us well to transform the Society to deliver even more value for our members and customers for generations to come.

Thank you for your continued support.

Susan Allen, OBE
Chief Executive

[15] https://www.ybs.co.uk/building-a-greener-society

[16] TFSME, Term Funding Scheme with additional incentives for Small- and Medium-sized Enterprises.

THE EXTERNAL ENVIRONMENT

The Society's operations, and the extent to which we can deliver value to our membership over the long term, can be impacted by factors beyond our control.

For this reason, the external environment in which we operate is monitored closely and continuously. Identifying and understanding risks and opportunities as they emerge is how we can best prepare for, and adapt to, the changing external context.

Economic and political overview

The economic landscape in the UK has shown signs of stabilising in 2024. Pressures on energy costs and global supply chain issues are not as strong as in previous years, and the economy has returned to modest growth. The rate of Consumer Price Index (CPI) inflation has reduced from the elevated levels witnessed in 2022 and 2023 and fell below the Government's 2.0% target in Q3 2024, although in Q4 2024 CPI increased back above 2% to 2.5% in December 2024. In contrast to the significant rate hikes in 2022 and 2023, the Monetary Policy Committee (MPC) elected to maintain Bank Rate at 5.25% for most of the year. As inflationary pressures eased, the MPC reduced the Bank Rate by 0.25% in both August and November, closing the year at 4.75%.

The Chancellor of the Exchequer delivered the budget in October 2024 which focused on aligning day-to-day spending with Government revenue, allowing for borrowing to be spent on future capital investment. Tax increases of £40 billion were announced to support increased spending on public services, which will be achieved mainly through an increase in employer national insurance contributions. The budget has the potential to impact the future path of inflation, although currently there is a lack of consensus as to what extent.

Overall, the broad consensus is that the UK economic environment will be relatively benign in the near term and steady growth in Gross Domestic Product (GDP) is expected. The UK labour market has showed signs of cooling, though earnings growth is still anticipated to exceed inflation. The market expectation is that the Bank of England will continue to reduce the Bank Rate gradually throughout 2025.

The broader outlook remains uncertain, the potential impacts on the political and economic landscape of the result of the US election and the policies of the new Labour Government in the UK, will continue to be monitored. Broader considerations include the ongoing conflict in Ukraine, the resolution of the situation in the Middle East and the impact of potential US tariff increases on international trade. These developments can have significant impacts on inflationary pressures, supply chains and the cybersecurity threat environment.

The UK mortgages market

The year opened with a degree of optimism returning to the market, following a more subdued last couple of years, which had been characterised by high levels of inflation and rising interest rates creating affordability barriers for existing and prospective borrowers alike.

An improvement in headline inflation rates began to drive an increased expectation of interest rate cuts, with swap costs reducing and customer rates beginning to follow the path downwards. Activity picked up markedly at the beginning of the year in both the residential and buy to let markets, although this reversed somewhat as the year progressed. In the second quarter, customer rates increased again in line with swap costs as financial markets reduced their expectations around the speed of future Bank Rate cuts.

The prevailing high interest rate environment remained a barrier for prospective buyers along with existing homeowners seeking to remortgage. Homeowners with an existing mortgage demonstrated a higher propensity to remain with their existing lender likely due to affordability constraints, resulting in a reduced range of options for those reaching the end of their fixed rate term. The size of the remortgage market reduced as a result of this dynamic. In addition, the historical popularity of five-year fixed rate mortgages means that there remains a segment of the market which has yet to reprice on to higher rate products, given the sharp increase in customer rates since early 2022.

August 2024 saw the first Bank Rate cut as UK inflation reached the UK Government target of 2%, which acted as a stimulus to market activity. Annual house price growth of 3.4% contrasted with the prior year which saw a fall in prices[17]. As we move into 2025, with further reductions being made to Bank Rate appearing likely, there are reasons for cautious optimism in terms of buyer activity and overall market size. This may be particularly evident in the first quarter of the year due to the recently announced stamp duty changes which will likely temporarily elevate lending volumes in Q1 2025 as purchasers are incentivised to complete transactions ahead of the deadline in April 2025.

The UK savings market

With Bank Rate having remained stable throughout the first half of 2024, the dynamics of the retail savings market have shifted compared to the previous year. A stable benchmark rate led to an observed easing in competitive intensity, with market-leading rates gradually decreasing since their peak in late 2023. The current market expectation is that Bank Rate will be reduced further over 2025 as inflationary pressures continue to ease.

Whilst cost-of-living pressures continue to weigh on the personal finances of many, the savings market has continued to grow, with inflationary pressures having eased and real incomes having increased slightly. The convergence between the interest rates offered for fixed-term and instant access products may have begun to shift customer preferences as the premium available for locking funds away has been eroded over time.

For Individual Savings Accounts (ISAs), there were important developments throughout 2024. New guidance and mandatory changes to tax-free savings brought several benefits to consumers. Although the first part of the ISA season saw lower flows compared to the previous year, customer activity picked up rapidly with the start of the 2024/25 tax year. The heightened levels of activity can be attributed to increased awareness of the tax implications of saving in a higher rate environment, with many opting to top-up their ISAs early to avoid taxable earnings.

For savings providers, the upcoming maturities of the Bank of England's funding scheme, TFSME, could play a role in the degree of competitiveness in the retail savings market. Large repayments were made by banks and building societies across 2024.

Overall, the savings market in 2024 remained competitive though less intensely than 2023. Customer behaviour and the competitive environment looking forward are likely to be heavily influenced by the speed and scale of anticipated Bank Rate decreases and the actions taken by savings providers in response.

Regulatory overview

Relevant updates from the regulatory environment:

Advice Guidance Boundary review

At YBS, we believe improving financial wellbeing is in everyone's interests and that is why we were proud to have played a leading part in UK Savings Week in September 2024 and sponsoring a report into understanding the role of savings in promoting positive wellbeing.

The Financial Conduct Authority (FCA) and HM Treasury (HMT) are jointly carrying out a holistic review of the boundary between financial advice and guidance. The Review seeks to build a clearer 'advice and guidance framework' by examining the regulatory boundary between regulated financial advice and other forms of support, thereby potentially closing the existing so-called 'advice gap' under the current regime.

By conducting the review, the FCA and HMT intend to provide more clarity to firms to ensure they can provide consumers with better support whilst managing the risk of inadvertently straying into the regulated 'holistic advice' or personal recommendation space. The review is a key opportunity to rethink the way that advice is provided to financial services consumers. Whilst YBS does not offer investment advice, the review's intention is for consumers to have timely and affordable help when making important financial decisions in order to make the most of their money; this could prompt an increased use of savings accounts.

FCA Multi-Firm Review of the treatment of customers in vulnerable circumstances

The FCA are conducting a review into how firms are acting to understand and respond to the needs of customers in vulnerable circumstances. The review will look at firms' understanding of consumer needs, the skills and capability of staff, product and service design, communications, and customer service, and whether these support the fair treatment of customers in vulnerable circumstances. The FCA will also look at the outcomes consumers in vulnerable circumstances receive and whether they are as good as the outcomes of other consumers.

The FCA will conduct consumer research and gather information from firms, including YBS, to make the assessment. The review follows the introduction of the Consumer Duty in 2023, which sets high standards of consumer protection across financial services and requires firms to put their customers' needs first. The findings from the review are expected in 2025.

[17] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/privaterentandhousepricesuk/december2024

Rental Rights Bill

The Renters' Rights Bill will transform the experience of private renting, by ending Section 21 'no fault' evictions. The Bill will give renters greater security and stability so they can stay in their homes for longer and avoid the risk of homelessness. The Bill will also empower tenants to challenge rent increases and will apply a Decent Homes Standard to the private rented sector to ensure homes are safe, secure and hazard free. However, new clear and expanded possession grounds will be introduced so that landlords can reclaim their properties when they need to.

The expectation is that the Bill will become law during the first half of 2025. YBS is monitoring the progress of the Bill due to the impact on our Buy To Let Mortgage customers.

Basel 3.1

The Basel 3.1 framework was developed by the Basel Committee on Banking Supervision in the wake of the 2007-2009 Global Financial Crisis to strengthen the regulation, supervision, and risk management of Banks. Several of the proposed reforms will have a significant impact on banks and building societies, including affecting the amount of capital they are required to hold. On 17 January 2025, it was announced by the Bank of England, in consultation with HM Treasury, that the implementation of the standards will be delayed until 1 January 2027. The delay is to allow for more clarity to emerge about the plans for its implementation in the US.

Separately, the Prudential Regulation Authority (PRA) reviewed its approach to Banking supervision and are considering what changes they can make to support the Government's call for economic growth, whilst maintaining their primary objective of promoting safety and soundness of firms.

Payment Contract Termination Changes

In July 2023, the UK Government committed to changing the requirements on payment services providers such as banks and building societies, when closing customer accounts. HM Treasury subsequently issued a policy statement updating the Government's plans to reform the rules relating to the closure of customer accounts. The proposed changes follow the publication of an in-depth investigation by the FCA which highlighted issues of potential political 'de-banking' i.e. closing a bank account due to a customer's political beliefs or views. The planned reforms will increase the notice period that firms must give to customers when closing their account from the current period of two months to 90 days. Alongside the increased notice period, firms will also be required to give customers a sufficiently detailed and specific explanation so that they can understand why their account has been closed. The passing of the final regulations is still awaited as it was delayed by the general election. Whilst it is sometimes necessary to close customer accounts, YBS does not take these decisions lightly and they are certainly not based on a customers' political beliefs or views.

The Renters' Rights Bill will transform the experience of private renting, by ending Section 21 'no fault' evictions.

Introduction Strategic Report Governance Financial Statements Other Information

OUR PURPOSE AND STRATEGY

Our business model

The Society operates a simple business model. As a member-owned mutual we exist to provide those saving with us a safe place to keep, and earn interest on, their deposits.

These savings balances are the primary source of funding for the mortgages we lend, enabling customers to secure a property that they can call home. Alongside savings deposits from our members, the Society accesses the wholesale markets for additional funding and to provide diversity and stability to our business.

We always act in the long-term interests of our membership. As we do not have external shareholders, the level of profit the Society generates is required to be such that our financial position remains secure, that sufficient capital is generated to support our growth plans, and that we can continue developing products and services that fulfil the needs of our members and customers.

Our business model

How our business is funded

- Savings balances from members and customers are held, after being deposited through our branches or online (c.81%).
- Our capital reserves, predominantly comprising profits generated from previous years (c.5%). Capital provides protection and flexibility against the possibility of losses or unforeseen events.
- Additional funding is raised through the wholesale markets by issuing bonds or debt securities (c.14%). This provides diversification and prevents overreliance on any one source of funding.

How this funding is used

- Providing residential mortgages to owner-occupier and buy-to-let customers (c.74%) and providing commercial mortgages through our specialised lending channel (c.3%).
- The Society holds cash and Treasury Investments (c.23%). The purpose of holding sufficient High Quality Liquid Assets (HQLA) is to ensure that we can meet our obligations as they fall due, to comfortably exceed the minimum thresholds prescribed by regulators, and to support financial stability as invested assets also provide income and risk diversification.
- Our lending strategy is to balance our lending across segments which serve a large proportion of the market, as well as specifically targeting segments of the market where borrowers are currently underserved or face difficulties finding a place to call home. Being selective about the segments in which we choose to compete can be a source of value generation – value which can then be sustainably returned to our members.

How our income is earned

- Income, in the form of interest, is received from our mortgage customers, as well as from the liquid asset investments held.
- The interest received is offset by the interest which is due to our depositors and investors to arrive at net interest income.
- A small proportion of our income (less than 1%) is non-interest income, generated from secondary lines of business such as commission earned in relation to insurance products.

How we spend and invest

- Our reward and remuneration policies are designed to attract and retain the skilled workforce we need to achieve the Society's goals.
- To remain competitive, disciplined cost management is essential. Over the long term we aim to improve our cost efficiency, accepting that additional investments will be made in the pursuit of our strategic objectives.

How we manage our long-term stability and sustainability

- We prioritise the robustness of our systems and frameworks which are in place for the monitoring of risks. We ensure that our liquidity and capital positions are sufficient and above regulatory requirements.
- We invest in our strategically important capabilities. Strategic investment ensures that we evolve alongside the expectations of the market and its customers.
- A high standard of corporate governance is maintained, as is compliance with laws and regulations.
- Appropriate provisioning is held in the event that credit losses are realised.
- The Society embraces our social and environmental responsibilities and regularly engages with our wider stakeholder groups.

Our purpose

Yorkshire Building Society exists to provide our members and customers with Real Help with Real Life. This purpose is supported by our priorities:

- **Delivering Member Value**
- **Providing a Place to Call Home**
- **Improving Financial Wellbeing**

We do this by Helping First Homes Happen, Standing with our Savers, and providing financial education, whilst ensuring our mutual ethos always delivers value for our members.

Having these core elements directs our focus to the areas we can make the greatest difference.

Delivering member value

Our members are our priority, and it is our duty to ensure that the decisions we make set up the right foundations for the future to allow sustainable value to be returned year after year.

We continue to receive external recognition for the products and services that we provide, and in 2024 we were named a Which? Recommended Provider for savings; an independent accreditation based on market research, detailed customer surveys and a robust analysis of our policies. We are amongst the highest scoring UK financial services brands on Trustpilot, and our overall Net Promoter Score has again improved year on year, from +63 to +64.

As we transform our business to provide the products and services our customers and members need, it is essential that we protect the strength of our financial position. The decisions we make strike a careful balance between the considerations of rewarding our members and our overall organisational sustainability.

We always strive to improve the standards of our service, and we recognise that there are opportunities to improve. We, therefore, actively seek out feedback on how we can continue to change for the better.

Providing a place to call home

Our *Place to Call Home* priority covers existing homeowners who are looking to refinance with us, as well as first-time buyers who are seeking to purchase their first property and next time buyers. The Society also lends to the buy-to-let sector, allowing landlords to provide rental accommodation.

We have managed to increase our gross lending in 2024, including providing 41,000 new residential mortgages (2023: 44,000). Through our common-sense lending decisions and targeted product development, we strive to support homeowners and buyers facing challenges getting onto, or moving up, the property ladder.

In support of Helping First Homes Happen, we launched our innovative £5k Deposit Mortgage which allows first-time borrowers to be considered with a deposit of £5,000 (up to a loan value of 99%). At the same time, we launched our new First Home Saver – a savings account to help borrowers build the deposit they need. These two products work hand-in-hand to help people move closer to achieving their ambitions to own a home.

We also introduced a digital home-buying education tool for first-time buyers through our new partnership with Doshi. This free online learning programme supports easy understanding of the mortgage process through engaging, bite-size guidance and aims to build the knowledge of those taking that first step on to the property ladder.

Aside from the new mortgage propositions that we launched in 2024, we widened our lending criteria for new builds to help more borrowers secure their first home. Our ambitions under Our Place to Call Home priority are met through the development of innovative products, informed by research, which highlights the most significant challenges that first-time buyers face.

Our Home Truths report, published in 2023, highlighted that first-time buyers are waiting longer than ever to buy their own home, often because of the need to raise increasingly larger deposits. The current economic climate and cost-of-living challenges mean that many, particularly those unable to access financial support from family, have had to postpone their property buying aspirations. House prices and higher interest rates have not only made borrowing more expensive but have created additional barriers for those saving for their first home. The purpose of our £5k Deposit Mortgage is to provide targeted support for this challenge and it has already brought home-buying within the reach of more people, some of whom may have previously felt it was unattainable.

In 2024, we commissioned a study to generate awareness that an increasing number of prospective first-time buyers are considering abandoning their home ownership aspirations, despite the potential significant long-term financial benefits. We hope that findings from our research will influence industry-wide reform and support borrowers who have historically been underserved, and we welcome the UK Government's pledge to build 1.5 million new homes over their time in office.

Improving financial wellbeing

As a building society, we recognise the role we play in helping people build financial wellbeing both now and for the future. We continue to develop new ways to support the financial health of our customers, whether through education, raising awareness or delivering community programmes that give back.

In 2024, we became one of the first savings providers to sign up to the Money and Pensions Service (MaPS) Savings Charter, publicly demonstrating our ongoing commitment to helping people build greater financial resilience and wellbeing through saving.

We have ensured more customers' needs are met, however they choose to interact with us by giving our frontline colleagues all they need to provide essential support. We also introduced online booking for savings appointments to make it even easier for our customers to open an account with us.

We continue to Stand with Savers. In 2024, we paid 0.90 percentage points more than the rest of the market on our savings accounts; equivalent to £430.2m additional interest for our savers[18]. We also launched a £50 regular saver to help first-time savers and encourage good savings habits. This was part of our activity and commitment to UK Savings Week in September, which actively promotes the benefits of regular saving and building financial resilience.

We developed a campaign that sought to highlight the fact that the UK has over £360 billion sitting in current accounts or low paying savings accounts earning 1% or less. This work aimed to encourage people to switch accounts to make their money work harder.

The need for financial literacy has become more important than ever, and establishing strong foundations is integral to the development of healthy savings habits. We published a report drawing attention to the savings and spending challenges faced by young people, and why it is important they receive a quality financial education.

We believe that investing in our communities is key in improving financial wellbeing.

More information on our community activities can be found in the Our ESG priorities section.

Our strategy

To deliver our purpose, in 2023 we launched a new strategy with four distinct pillars that will set us up for greater success by 2030. They reflect the external environment, our current capabilities and what we feel we need to focus on to better support both our existing members, customers and colleagues, and to attract new people we can help with their savings and mortgage needs.

Double reach and deepen impact | **Create joyful experiences** | **Cultivate an ambitious culture** | **Build a future ready Society**

1. Double reach and deepen our impact

Establishing this pillar has helped us to support more people through our Financial Wellbeing and Place to Call Home priorities, examples of which can be seen in the Purpose section above. The introduction of new savings and mortgage accounts, combined with campaigns to educate, and community programmes that have a positive impact on communities, supported this pillar to extend our reach and deepen our impact.

As a result, we are proud to have been able to increase the savings balances we look after by £5.2 billion (vs. 2023) and increased our lending by £2.9 billion.

A key focus of this pillar for 2025 relates to borrowers. We are aiming to further deepen relations with our mortgage customers, by improving our customer retention offerings, demonstrating the benefits of remaining a customer with us and finding new ways to reward borrower loyalty.

[18] YBS Group average savings rate compared to Rest of Market average rates. Source: CACI's Current Account and Savings Database (CSDB), Stock. Data period January 2024 – December 2024.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

2. Create joyful experiences

The second pillar sees us aspire to **create joyful experiences for our customers** that are simple and free from stress, whether they are interacting with us in person, online, or by phone.

This includes a number of changes in 2024 to significantly improve the experiences of customers. We completely redesigned the savings section of our website, based on a survey of more than 600 people, improving the readability of the content to make it much easier for customers to understand the choices available to them.

We recognise the importance of providing channel choice and have moved further toward our customers being able to do everything they need on their mobile, such as adding the ability to download and save statements on our app, streamlining online account opening and making it easier and clearer to make one-off deposits to savings accounts. We have also introduced the option for existing customers to submit their ID digitally when opening a new account.

We have met more mortgage borrowers servicing needs by extending live chat to YBS members and adding chatbot topics that do not need identity verification, such as redemptions, payments, and online access requests. We have also successfully delivered our Video Mortgage Advice pilot, providing us with an opportunity to understand how we could potentially use video customer calls in other areas of the business, to create even more joyful experiences for our customers.

3. Cultivate an ambitious culture

The third pillar ensures we make a real effort to promote an ambitious culture within the Society that enables us to move together at pace. Our four existing behaviours sit within this pillar, to guide our actions on a day-to-day basis. They remain a key component of how we will unlock our cultural potential.

We care about people

We say it straight

We reach for better

We make it happen

We know it takes time to build what we are aiming to, but we also want to preserve what makes our existing culture so special. Beyond our existing behaviours, we have introduced some significant changes to enable us to make further progress.

To ensure we have the skills we need, now and in the future, we launched new 'Future Skills' learning on Relationship Management, Adaptability, Data Analytics and Insights, and Digital Literacy. We also onboarded 36 new apprentices, created CEO Awards to recognise outstanding role models of our Behaviours and have helped colleagues to make real connections to Our Strategy with the introduction of new events and communications.

4. Building a future-ready Society

Lastly, the fourth pillar focuses on **building an organisation that is ready for what is to come**. This includes improving our ability to scale as well as simplify some of our processes and procedures that we have not yet optimised. It also sees us focusing on improving the maturity of our governance, risk, and controls procedures. Our refreshed strategy will see us grow even further and ensuring that we are well prepared for the future and even better at serving the generations to come will support our growth ambitions.

In 2024 this pillar focused on growth-ready foundations. We reshaped how we manage change to help us deliver at pace, improved our processes so colleagues are better able to solve customer problems and made good progress on some of our large-scale projects, such as the replacement of our Treasury Management System, to better serve the needs of the Society in the future.

OUR ESG PRIORITIES

In 2024 the Board approved a new Board-level Environmental and Social Purpose Committee, effective from the 1 January 2025

Chaired by newly appointed board member Janet Pope, the Committee will oversee the Society's sustainability agenda, strengthening our ESG governance and the sustainability expertise of the Board.

We also appointed a new Lead Strategy and Sustainability Officer, Fiona Cannon OBE, who will lead a Strategy and Sustainability function, bringing together Our Strategy, Environmental Sustainability and Social Purpose teams. The existing executive-level Environmental, Social and Governance committee also expanded its membership to include all ExCo members. Following these changes, we'll be taking the opportunity to review and enhance our current approach to ESG.

In 2024, we continued to deliver against our existing priorities. Working alongside two of our purpose priorities of providing a Place to Call Home and Improving Financial Wellbeing, we have a further two responsible business priorities: Investing in our People and Building a Greener Society. Collectively, these four priorities, underpinned by Operating Responsibly, form our Environmental, Social and Governance (ESG) strategy. The priorities represent the topics of the most material relevance to the Society and our stakeholders.

Place to Call Home and Financial Wellbeing – supporting our Communities

Our community programme is designed to support people towards greater Financial Wellbeing, in turn helping them have a Place to Call Home. This section expands upon the role that our community investment plays in fulfilling this element of our purpose. The programme covers those in financial hardship, supporting people into employment and upskilling all on financial education.

Our colleagues play an important role in the delivery of our community programme. In 2024, 35% of colleagues used some or all of their 31 hours volunteering allowance to collectively contribute 11,700 hours to their communities, up 80% and 5,200 hours on 2023.

Financial hardship

Over the last three years, our Citizens Advice partnership has helped 10,700 people unlock over £5.5million potential additional income through 45 of our branch locations. We won the Gold 'Customer Service Improvement Award' for our partnership at the 2024 Collaboration Network Awards.

The Society funds the Yorkshire Building Society Charitable Foundation which is an independent, registered charity with its own Board of Trustees[19]. The Foundation's Small Change Big Difference® Fund is funded by Society members and customers opting to donate the annual pence of interest from their savings accounts or to round up their mortgage payments to the nearest pound once a year. In 2024, the Fund supported member and colleague nominated charities focused on alleviating poverty or saving lives, donating £385,000 to 388 charities (2023: £285,000, 257 charities). The Foundation surpassed a milestone £10million in donations since 1999.

[19] All trustees are independently appointed by the Yorkshire Building Society Charitable Foundation's existing board with external trustees serving an initial term of 3 years. This can then be extended for a second term, with a maximum tenure of 7 years. Internal trustees have an unlimited term but must remain an employee of Yorkshire Building Society while on the board. Their details can be found on the Foundation's page on the Charity Commission website.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

Employability

In 2024, we raised £364,000 towards FareShare's Building Skills for the Future programme, thanks to colleague fundraising, member donations and a contribution from the Society. All funds will go towards supporting, preparing and equipping people for employment, with 660 people already benefitting from the programme in 7 locations during 2024, with 66 going on to secure full time employment.

Following a £1 million investment over three years from the Society, the Yorkshire Building Society Charitable Foundation launched the Building Bradford Skills Fund in 2024 to support charities in some of the city's most deprived areas to address specific skills and employment challenges Bradford faces.

During 2024 we scaled up our support to young people in Bradford, establishing a new work immersion programme in our re-designed Bradford offices. In 2024 we supported 113 pupils and are scaling this to support 1,000 year 10 students in 2025.

We were also pleased to announce in 2024 that we are championing the city by supporting Bradford City of Culture 2025. We hope to use this platform to celebrate the city and help people grow their skills and careers while giving them confidence in their finances.

Financial education

The need for financial literacy has become more important than ever and establishing strong foundations is integral to the development of healthy savings habits. We published a report drawing attention to the savings and spending challenges faced by young people and why it is important they receive a quality financial education. We have also contributed to the Government's review of the Curriculum and Assessment, to call for financial education to be made mandatory in primary schools in England.

Our financial education programme, Money Minds, teaches children, young people and adults about money and reached 20,000 people (2023: 16,000) with face-to-face sessions in 2024. We've continued to refresh our materials for adults to coincide with UK Savings Week, to help people to understand the importance of budgeting and our extended support to young people with our online Money Minds offering, had 2,500 downloads in 2024. We believe investing in our communities is key to improving financial wellbeing.

More information on all our community activities can be found in our upcoming ESG Report.

Investing in our People

Our people are our greatest asset in providing the brilliant level of service valued by our customers and members. It is vitally important to us that all our colleagues feel valued, listened to, and fairly rewarded for their contribution to the Society.

Following an investment of over £3 million into Yorkshire Drive, our head office in Bradford, we officially opened our newly redesigned internal spaces at the end of April. The new spaces now boast additional collaboration, meeting and event spaces, as well as accessibility improvements such as installing accessible compliant desks, lowering refreshment stations, and increasing the number of multi-faith, ablution, wellbeing and social facilities for colleagues.

Colleague engagement

It is important all our colleagues have the opportunity to have their voice heard. We There are a number of ways we engage with and listen to colleagues at all levels of the Society.

Our overall colleague engagement is measured through an annual survey. This allows us to benchmark against other financial organisations, but, more importantly, the comments received inform action planning conversations at both a local, and Society-wide level.

87% of colleagues completed the annual survey in 2024 and the Society's overall engagement score was 8.6 (2023: 8.6). This maintained our position in the top quartile for engagement amongst financial organisations[20]. Looking at colleague engagement through an employee net promoter score (eNPS) lens, we scored 65 (2023: 68), which places us in the top 5% of financial organisations.

Additionally, we have regular engagement with colleagues through shorter surveys, and host a variety of forums, events, masterclasses, team discussions and more to make sure our colleagues' voices are heard. This includes twice yearly Board listening sessions and regular working lunches and 'Ask Me Anything' sessions with our Executive Committee. All Board and Committee papers ensure they include details of how colleague views have been considered to inform any recommendations, together with any potential implications for colleagues.

[20] Benchmark sourced from Peakon and only includes financial organisations that use their platform.

Learning and development

To make our organisation as successful and future ready as we can and to ensure we achieve everything we know we are capable of achieving – for our customers, communities, and our colleagues – we pride ourselves on developing colleagues. We encourage everyone in the Society to be open to ongoing learning and development, and we enable colleagues to grow in their roles and seek progression.

We aim to connect our colleagues with the wide variety of opportunities we have in the Society, and in 2024 32% of vacancies were filled with internal candidates, with 45% for higher grade roles (Grade D and above).

In 2024 we prioritised focus on four skills; data analytics, digital literacy, relationship management and adaptability, and across all our learning opportunities permanent colleagues spent an average 62 hours learning in the year (2023: 33 hours).

We also supported 90 colleagues to actively study for an apprenticeship (including 50 on Data and Digital programmes, and 10 on the Senior Leader master's pathway), continued to promote our mentoring scheme with Pushfar, and launched our evolved leadership development programme Leadership Essentials to further embed our People Leader Responsibilities.

Prioritising health and wellbeing

The importance of our colleagues' wellbeing is reflected in our benefits offering, which includes discounted access to critical illness cover, private medical insurance, and health and dental cash plans, which can be purchased via monthly salary deductions over a 12-month period.

We have also made enhancements to our Family Leave policy to support colleagues, such as introducing paid carers' leave.

We closely monitor key wellbeing metrics, including levels of sickness and absence to identify trends and ensure that our colleagues have access to the right level of support. Our colleague sickness rate in 2024 was 4.26% (2023: 4.23%).

Promoting Diversity, Equity and Inclusion (DE&I)

Inclusive workplace

We aim to be a leading organisation that embraces diversity, champions equity and creates an inclusive environment where all individuals regardless of their background or identity feel valued, empowered and supported.

We want to be representative of the communities in which we live and serve, with DE&I ambitions that support this from an ethnicity, gender and socio-economic perspective. Agreed by the ESG Committee, our DE&I strategy supports these ambitions and is monitored through our DE&I Forum, with James Heslip, Chief Audit Officer as our Executive Sponsor for DE&I.

Our Board Diversity Statement can be found in the Board Governance and Nominations Committee report.

In 2024 we introduced a refreshed recruitment process and balanced shortlists, mutual mentoring and career showcase events to support colleague development, as well as launched the Accessibility Passport which supports new starters and colleagues with workplace adjustments.

Our five established colleague networks (Accessibility, Ethnicity, Parents & Carers, Proud and Women's) and two groups (Family Foundations and ManKind), have a combined membership of over 760 from across the Society, providing a safe place for their members to discuss issues that directly impact them.

Monitoring our DE&I progress

Our Gender Pay Gap has steadily declined since 2020 and over the last 12 months we've maintained the mean pay gap at 23.4% (2023: 23.4%) and seen a slight increase in our median pay gap to 24.7% (2023: 23.8%). Whilst our Gender Pay Gap for 2024 has remained relatively static, we maintain our commitment to hiring and promoting women into our senior roles. Women now account for 47% of our senior roles, achieving our Women in Finance target of 50/50 gender split (+/- 5%).

At YBS we have a flexible working culture, with many of our colleagues choosing to work part time, and this is especially true of women in our branch and customer service roles. We're proud to support our colleagues to achieve balance between their work and personal lives and because of this we're likely to always have a larger number of women working part time in our frontline roles. We're committed to reducing our gender pay gap but we recognise that we're always likely to have some differences.

In 2024 we retained our place within the Top 30 employers for Working Families, were re-accredited Disability Confident Leader Level 2 and continued our work in connection with the Race at Work Charter commitments.

Empowering high performing diverse talent

We are pleased to be a member of Progress Together, a not-for-profit organisation working to improve social mobility across financial services. In 2024, we were one of four organisations to pilot a development programme specifically aimed at leaders from lower socio-economic grounds.

Participants, including three of our colleagues, started a leadership programme supported by an external mentor, and will have the opportunity to complete a six-month secondment at one of the other organisations throughout the 12-month programme.

Building a greener society

The Society recognises the vital role the financial services sector plays in supporting the transition to a low carbon economy. This report demonstrates the Society's commitment to effectively govern, manage, and monitor the risks and opportunities arising from climate change in line with its obligations under the Prudential Regulation Authority's Supervisory Statement 3/19 (SS3/19). The report structure follows the requirements of the Taskforce for Climate-related Financial Disclosure (TCFD).

Additionally, this report provides information in line with the Society's obligations under:

- The Companies (Strategic report) (Climate-related Financial Disclosure) Regulations 2022.
- The Companies (Directors' report) (Energy and Carbon report) Regulations 2018.

Climate governance

YBS' work on Building a greener society is supported by the below governance structure. In October 2024 Janet Pope was appointed to the Board as a Non-Executive Director and from 2025 will be chair of the new Environmental and Social Purpose Board sub-committee.

Further information on this appointment can be found in the Corporate Governance report.

YBS Board

Role: Ultimate accountability of financial risks for climate change and associated responsibilities.
The Board delegates to the following Committees.

YBS Executive Committee

Role: Delegates authority to Environmental, Social and Governance Committee.	**Key 2024 activities:** Invested in capacity in the Environmental Sustainability team. Received climate change training from Cambridge Institute for Sustainability Leadership.

Board Risk Committee (formerly Group Risk Committee) Board-level committee		**Executive Risk Committee** Executive-level committee	
Role: Provides climate risk oversight and sets Group risk appetite.	**Key 2024 activities:** Receives six-monthly formal updates on climate-related work and progress.	**Role:** Management of the governance framework for climate risk.	**Key 2024 activities:** Approved update to Environment and Climate Change Risk Policy and received a 'deep dive' session on climate change risk.

Audit Committee Board-level committee		**Asset and Liability Committee** Executive-level committee	
Role: Non-financial disclosure in relation to environment, social and governance agenda.	**Key 2024 activities:** Approved first publication of financed emissions from residential mortgages alongside climate disclosures. Approved annual ESG Report.	**Role:** Focus on financial risks arising from climate change.	**Key 2024 activities:** Reviewed updates on the Society's progress on financial risk management of climate change.

Retail and Commercial Credit Risk Committee Executive-level committee		**Environment, Social and Governance (ESG) Committee** Executive-level committee	
Role: Management of the credit risks associated with climate risk within the YBS Group.	**Key 2024 activities:** Monthly monitoring and annual review of Credit Risk Appetite, which includes climate risk measures across Retail, Buy-to-let and Commercial Lending.	**Role:** Delegated authority from Executive Committee to support the Board in overseeing the environmental strategy.	**Key 2024 activities:** Received regular updates on progress and approved publication of financed emissions and supply chain emissions for the first time. Received update on the Society's Net Zero plan for Scope 1 and 2 emissions. Approved new annual ESG targets. Approved the Society's new environmental and climate change ambition plan. Updated Terms of Reference.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

Throughout 2024, the Chief People Officer was Executive Committee sponsor for overarching ESG Reporting. In December 2024, this was passed to the Chief Financial Officer as part of the establishment of a new Strategy and Sustainability function. The new function follows the establishment of the Environmental and Social Purpose Committee, a new Board level sub-committee. These changes to our structure will allow us to refresh our approach and take appropriate action to further integrate environmental sustainability within Our Strategy and business model.

Senior management accountability

The accountability for the senior management function remains shared between our Chief Financial Officer (CFO) and our Chief Risk Officer (CRO) as defined under their additional responsibilities.

Chief Financial Officer

The CFO is responsible for managing the physical and transitional financial risks stemming from climate change. This includes accountability for leading the development and implementation of:

- Identification, measurement, monitoring and reporting of the financial risks of climate change, in line with our risk appetite including our risk exposure limits and thresholds.
- Scenario analysis (including a catastrophe modelling approach) to determine long-term financial risks and assess the impacts on our balance sheet.
- Disclosing the financial risks of climate change to the PRA.

Chief Risk Officer

The CRO has accountability for ensuring the development and implementation of:

A governance framework to ensure that the Board understand and assess the financial risks from climate change which affect the Society, and address and oversee these risks within our overall business strategy and risk appetite.

Steering group and working groups

Following on from 2023's improvements to the Society's climate governance structure, the Steering Group and Working Groups have evolved to meet current need. 2025 will bring further evolutions of the governance structure to support the Society's strategy.

Setting ESG strategy and direction

ESG Committee

Environmental Sustainability Steering Group

The Steering Group brings together directors from across the Society to challenge and review the approach taken in delivering the climate strategy.

Climate Risk Working Group	**Property & Environmental Sustainability**	**Supply Chain & Environmental Sustainability**
Utilises subject matter experts to deliver tactical and strategic change with regards to understanding and reducing our Financed Emissions and exposure to climate-related risks, with a focus on lending policies and new products.	Monthly, dedicated bilateral between the Property and Environmental Sustainability teams drives actions that help reduce the environmental impact of the Society's estate, energy usage and facilities.	Focussed bilateral sessions between the Supply Chain and Environmental Sustainability teams has strengthened supply chain data availability and quality.

Delivering updates on progress and metrics

Strategy

Our work on environmental sustainability is in its early stages. Through 2024, the Society's climate commitments helped drive progress across the organisation. We recognise that more action is required to support our ambitions and our current commitments are likely to evolve as a result.

	Climate commitment	Update
1	**Achieve Net Zero Scope 1 and Scope 2 emissions by 2035, and Net Zero Scope 3 operational emissions by 2050.**	YBS has made progress against its Net Zero targets. **See Metrics and targets for further information.**
2	**Maintain a 100% renewable operational energy supply in line with RE100 requirements. YBS will move towards non-burning green energy and install heat pump systems in all properties where this is feasible.**	YBS procured renewable energy and has launched a change project to understand and action installation of heat pump heating systems (or similar); the project is currently being scoped.
3	**Add only hybrid or electric vehicles to our fleet from 2025, working towards a full electric fleet as soon as operationally possible.**	The Society changed approach for managing fleet vehicles for employees, and as such will no longer have any by the end of 2025. Future maintenance van contracts will be assessed in light of this commitment.
4	**Improve climate change resilience across all areas.**	The Society has strengthened its governance structure, incorporated climate risk into policies and delivered climate change training. **For further details on YBS' risk management approach, see Risk management.**
5	**Target and maintain a minimum annual landfill diversion rate of 97%.**	YBS maintained its minimum landfill diversion rate, and in 2025 the Society will interrogate its waste data further to assess what improvements to our waste streams can be made.
6	**Implement further policies to prevent lending or investing in economic sectors that have a heightened climate risk and/or are environmentally damaging.**	YBS avoids lending to high-risk sectors from an environmental perspective. In 2024, the Retail & Commercial Lending Policy was updated to strengthen this position.
7	**Launch a customer Net Zero transition plan, increase understanding of our financed emissions, and support our customers with their Net Zero transition.**	The Society has made good progress on understanding its financed emissions, disclosing residential and commercial lending emissions for the first time.
8	**Support customers to make better environmental choices by helping them understand climate change and how it impacts housing.**	Improvements have been made to the environmental information on YBS' website, and the Society has continued to host the Energy Saving Trust tool throughout 2024. At the end of 2024 a new trial partnership with Snugg was launched.
9	**Launch a member-focused Net Zero transition plan, which will include green savings product initiatives.**	The Society will undertake a formal review of the 'green' savings market in 2025.
10	**Continue to make progress towards alignment on our Taskforce for Climate-related Financial Disclosures with best practice and create a platform on the YBS website to showcase our progress and future plans on climate thinking.**	YBS continues to aim for TCFD best practice and plans to enhance activities during 2025. YBS will also remain flexible as to adapt to new regulatory obligations as they are brought into force. In 2024, the Society's environment webpage was refreshed, including a new reference to our trial partnership with Snugg.

YBS' climate-related financial risks

The table below discloses the climate-related risks expected to impact the Society over the short, medium and long-term[21].

'Physical' risks arise from changes to the environment that may damage the integrity of a property, including acute weather events (e.g., flooding) and chronic changes to local environments (e.g., coastal erosion). The Society is taking steps to understand the potential impacts of physical risks on the mortgage portfolio, and for the first time publishes a flood risk heat map of the residential mortgage book.

See Metrics and targets.

'Transition' risks arise from changes in the wider economy as it moves toward a low-carbon state, including changes to climate policy and regulation, technology developments, and shifting consumer attitudes.

Risk	Nature	Risk description	Time horizon	Strategy
Credit risk	**Physical**	Increased severity and frequency of extreme weather events can impact collateral value and pressure households with higher costs, increasing the probability of default and the loss given default.	**Long-term**	Physical risk (flood risk, subsidence & coastal erosion data) and transition risk (EPC) data is collected quarterly on the back book. Physical risk data is collected and projected across future climate scenarios of differing levels of greenhouse gas concentrations. Building insurance is required under mortgage terms.
	Transition	Government policy to facilitate a transition to a low-carbon economy, such as minimum energy efficiency requirements, may impact collateral value, impacting the loss given default. Macroeconomic downturn from a disorderly transition will place pressure on borrower affordability, increasing the probability of default.	**Short to medium-term**	
Operational risk	**Physical**	Extreme weather may cause damage to our offices, branches, or supply chain, preventing us from operating as usual. Employees' homes may be impacted, reducing productivity, and customers' homes may be impacted, driving call volumes.	**Long-term**	The transition risks associated with Operational Risk are captured in the Society's ICAAP, and further work is needed to address the physical risks associated with Operational Risk
	Transition	As the UK transitions to a low-carbon economy, some of our suppliers may cease trading or have to materially change the service they provide us, impacting our ability to operate as usual.	**Short to medium-term**	
Capital risk	**Physical and Transition**	Extreme weather events and transitional policies may generate credit defaults and operational losses required to be absorbed by the Society's capital. Increased exposure to higher climate related assets may require additional capital buffers.	**Medium to long-term**	Climate change risk forms part of the Society's annual Pillar 2a risk assessment within the ICAAP.

[21] Short-term: 0 – 5 years; Medium-term: 5 – 15 years; Long-term: 15+ years.

Risk	Nature	Risk description	Time horizon	Strategy
Regulatory risk	**Transition**	UK central and devolved governments continue to alter the course of the climate policy landscape, impacting obligations on lenders, landlords and homeowners.	**Short to long-term**	YBS undertakes regular horizon scanning activities to mitigate against this risk.
Market risk	**Physical and Transition**	Markets react to physical and transition events, such as extreme weather or Government policy, resulting in repricing of financial assets and liabilities. This repricing may also occur due to macroeconomic reactions from a transition to a low-carbon economy.	**Medium to long-term**	The Society is embedding climate considerations across these risk categories, including increasing reference to climate consideration in policies. Further work is required to quantify the impact of climate change on these categories.
Funding and Liquidity risk	**Physical and Transition**	Physical and transition risk factors have the ability to reduce saving balances held on the Society's Balance Sheet, the eligibility of loans for securitisation and costs of issuance of regulated mortgage-backed securities.	**Medium to long-term**	

YBS' climate-related financial opportunities

The table below discloses the climate-related financial opportunities that could impact the Society over the short, medium, and long-term. The Society recognises that progress is dependent on technological and public policy changes, without which the effectiveness of these opportunities may be limited.

Opportunity	Description	Time horizon	Impact to YBS
Supporting our customers, members, and colleagues	Raising awareness and support on how members and customers can reduce their own carbon footprint. Educating our customers, members, and colleagues about climate change and how homes are impacted can improve climate resilience of the mortgage portfolio and YBS-owned property.	**Short to medium-term**	Reduced energy use from YBS' offices and branches, helping the Society reach Net Zero in Scope 1 and 2. Improved climate resilience in the mortgage book could mitigate climate-related financial risks and/or reduce financed emissions.
New products and propositions	Developing products and propositions that are aligned to a Net Zero economy, for example, by providing solutions to support energy efficient homes.	**Medium to long-term**	In the future, a suite of new products and propositions could help YBS attract a customer base in a lower carbon economy. Products that encourage low-carbon homes could help reduce financed emissions.
Engaging our supply chain	Improved relationships, data and resilience of YBS' supply chain in the face of climate change.	**Short to medium-term**	Improved data from YBS' supply chain will improve reporting of Scope 3 emissions and ensure readiness for any impacts to service due to climate change.
Reputation for social purpose	Being prepared for climate change and its impacts to customers, members and colleagues has a strong connection to YBS' purpose of providing Real Help with Real Life.	**Short to medium-term**	Maintaining YBS' reputation for having a strong social purpose will continue to drive consumer and colleague interest and trust in the brand.
Collaboration	Working with others provides greater insight into the solutions required to adapt and mitigate climate change.	**Short to medium-term**	Delivers insight and fruitful working relationships that can bring benefits to members and customers. Working with others can deliver insight into new technological and public policy change.
Improvements to data quality	Thorough climate reporting requires access to good quality data, which can enable good decision-making for the benefit of members and customers.	**Short to medium-term**	Access to good quality data enables assessment of YBS' current position and development of a clear transition plan to meet climate aims.

Collaborating with others

YBS recognises that climate change presents a challenge that requires collaboration across multiple stakeholders. The Society has continued its partnerships with the Yorkshire and Humber Climate Commission, the Building Societies Association Green Finance Taskforce, and the Green Finance Institute. Through these, the Society has been able to support a variety of workstreams and lobbying activities that promote effective home decarbonisation. This included the Society publishing a white paper on home improvements[22] which was presented at Westminster in October.

The Society is keen to share knowledge with others and was pleased to support the Asset and Liability Management Association in upskilling others in the industry around climate risk. Internally we have created climate change training for all colleagues and established a Climate Champion Network who support the delivery of Our Strategy.

Further information on these collaborations will be provided in the Society's 2024 ESG Report.

The resilience of YBS' strategy – scenario analysis

To quantify the risks associated with climate change, the Society conducts climate scenario modelling on its retail and commercial lending portfolios. Following the requirements of the 2021 Climate Biennial Exploratory Scenarios (CBES) from the Bank of England, modelling longer term[23] out to 2050. The climate change model is built upon the Society's current credit stress testing models, adding the impact of physical and transition risks associated with climate change while retaining the core methodology for calculating losses.

Scenario	Overview
Early Policy Action	The transition to a carbon-neutral economy starts early and is gradual and moderate. Carbon prices and other policies are introduced slowly and the increase in global warming stays below 2°C, in line with the Paris Agreement. (RCP 2.6[24]).
Late Policy Action	The global climate goal is met but the transition is delayed until 2031 and is more sudden and substantial. This results in a material short-term macro disruption, with an economic recession, falls in property and equity prices, and changes in interest rates. (RCP 6.0).
No Additional Policy Action	No policy action beyond that which has already been enacted is delivered. The transition is insufficient for the world to meet its climate goal, leading to severe physical risks, materially lower trend growth rates, and impact on asset prices. (RCP 8.5).

[22] www.ybs.co.uk/w/home-improvements-report-2024

[23] Short-term: 0-5 years, medium-term 5-15 years, long-term 15+ years.

[24] Representative Concentration Pathways (RCP) are a recognised series of greenhouse gas concentration trajectories. The higher the RCP, within a given scenario, the greater the concentration of greenhouse gases in the atmosphere. RCP provide the basis for the extent of the severity of physical risks throughout the scenario timelines.

Introduction Strategic Report Governance Financial Statements Other Information

The Society's climate model

The climate change model operates by adjusting the probability of default and the losses given default within the existing YBS stress testing model, in response to both physical and transition risk.

Climate-related risks have the following impact:

Physical risks impact:

- The valuation of property, and therefore the loss given default, based on assessment of indirect, long-term risk of physical damage as the market price changes and consumers face costs of additional insurance and to resolve physical damage.
- The valuation of the property due to direct physical damage if the property gets flooded, impacting: The loss given default; the loan-to-value, and therefore indirectly the probability of default.
- The probability of default directly due to additional financial strain on the borrower from the cost of repairs.

Transition risks impact:

- The affordability of the mortgage and by extension the probability of default.
- The valuation of the property due to rising requirements and consumer expectations on energy efficiency.
- Through macroeconomic transition impacting the probability of default on the portfolio.

The model shows that over the long-term, physical risks have the largest potential for losses versus transition impacts. Transition impacts are the more immediate risk for the Society as physical risks do not manifest fully until close to 2050. The nature of the transition impacts the volume of losses with the model showing a disjointed or rushed transition to be the most detrimental.

The Society is cautious of the limitations within climate modelling, which could impact the outputs. The modelling approach, data inputs and assumptions vary significantly to transitional financial modelling. However, the Society is continuously reviewing its output and capabilities and in 2024 enhanced the model to align to the Society's 4th Generation Stress Testing model, and this will influence 2025's climate scenario analysis. Modelling of climate change impacts continues to be complex with a high degree of uncertainty. Despite this, the Society is well positioned to face the challenges posed by climate change, due to its geographically diverse lending portfolios, and prudent LTV profile. The Society will, as appropriate, continue to feed climate risk exposures into its strategic decision making.

Risk management

How YBS identifies and assesses climate-related risks

Climate scenario analyses are a foundational step in the Society's process for identifying and assessing climate-related risks. The three scenarios discussed in Strategy are used to simulate potential future states dependent on the scale of action in tackling climate change. The conclusions of the scenario analysis are used to facilitate discussion in selected fora across the Society. While climate-related risks are incorporated into the Society's ICAAP, further actions are required to embed the scenario analysis within Our Strategy. In particular, in 2024 the following working groups and committees assessed the following:

Group	Discussion
Climate Risk Working Group	Energy performance certificates (EPCs) and the distribution across mortgage book portfolio to help understand transition risk. Flood risk 'heat maps' to understand distribution of physical risk across residential mortgage portfolio.
Asset and Liability Committee	Scenario analysis updates and discussion on financial risk management of climate change.
Environmental, Social and Governance Committee	Potential new regulatory regimes, such as the International Sustainability Standards Board's IFRS S2.
Retail and Commercial Credit Risk Committee	An overview of climate change and associated risks.
Executive Risk Committee	Undertook a climate change masterclass training and discussion.

How YBS manages climate-related risks

The Society defines climate as a cross-cutting risk within the Enterprise Risk Management Framework and requires all Tier 1 Risk Policy Owners[25] to embed appropriate climate-related considerations within their risk policies. In 2024, the Environmental Sustainability team has worked closely with these Risk Policy Owners to consider how climate is addressed within policies, guides, or business standards. Additionally, the Environmental and Climate Change Risk Policy[26] includes the Society's approach to managing climate risk with regards to governance, and responsibilities relating to identification, assessment, and management of climate risks. All risk policies at the Society are reviewed at least annually and approved by their relevant executive and board risk committee.

The Society's Credit Risk team alongside Environmental Sustainability have reviewed climate-related Key Risk Indicators to ensure the Society has appropriate limits to monitor the physical and transition risks pertinent to our lending portfolios. These measures are reviewed and updated as required on an annual basis.

During the year, the Society's climate risk scenario analysis fed into our credit risk, risk appetite and key risk indicator review.

How YBS identifies and assesses climate-related opportunities

YBS utilises existing processes to identify and assess climate-related opportunities, such as the product development process, as well as employing the expertise of those that attend working groups and committees, such as the Climate Risk Working Group. The Climate Champion Network has also played a key role in identifying opportunities across the Society, including in the Branch Network.

How YBS manages climate-related opportunities

Climate-related opportunities are managed through various functions and governance structures across the Society according to need. The ESG Committee is central to managing those opportunities and giving a directive steer on how to manage opportunities according to the Society's purpose priorities and climate strategy.

[25] Tier 1 Risk Categories include: Strategic Risk; Retail and Commercial Credit Risk; Capital Risk; Funding and Liquidity Risk; Market Risk; Model Risk; Treasury Risk; Operational Risk; Compliance and Conduct Risk.

[26] www.ybs.co.uk/your-society/inside-your-society/corporate-governance/policies

Metrics and targets

Our targets

To support the Society's climate strategy, three Net Zero ambitions are currently in place, supported by the Society's Climate Commitments set out in *Strategy*. The baseline year for these targets is 2023.

Target: To reach Net Zero in Scope 1 and 2 emissions by 2035.

Ambition: To reach Net Zero in Scope 3 Operational emissions by 2050.

Ambition: To reach Net Zero in Scope 3 Financed emissions by 2050.

In 2024, the Society reduced its Scope 1 emissions by 4% and Scope 2 emissions remained flat against the 2023 baseline. There was an increase of 5% in Scope 3 Operational emissions (excluding Supply Chain) against the 2023 baseline. The overall change in carbon footprint between 2023 to 2024 when comparing like-for-like emissions profile was +4% (-6% in 2023), when calculating on a market basis. The reasons for this are set out in the Streamlined Energy and Carbon report. The Society continues to improve its reporting of Financed Emissions, and for the first time sets out the emissions linked to commercial lending.

Streamlined energy and carbon report (SECR)

In line with the Society's obligations under The Companies (Directors' report) (Energy and Carbon report) Regulations 2018 and to demonstrate progress in understanding and reducing the Society's energy use and carbon footprint, below contains the Society's SECR report[27].

Assurance

Ricardo Energy & Environment, YBS' external carbon footprint verifiers, have carried out a limited level assurance review of these figures. This review assessed data collection and calculation methodologies against the applicable requirements. Based on the process and procedures conducted, they have concluded that there is no evidence that the 2024 Greenhouse Gas (GHG) assertion: is not materially correct and is not a fair representation of greenhouse gas data and information, has not been prepared in accordance with the ISO 14064-1 *Specification with guidance for the validation and verification of greenhouse gas assertions* and the GHG Protocol Corporate Standard. This statement is valid for the carbon footprint verification review for the periods from 1 January 2024 to 31 December 2024.

Methodology

Our approach to calculating greenhouse gas emissions and environmental impact within the Group aligns with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol). Emissions are reported in metric tonnes of carbon dioxide equivalent (tCO2e), while energy usage is quantified in kilowatt hours (kWh). The Society ensures the accuracy and completeness of the data collected and uses the most up to date UK Government GHG Conversion Factors for Company Reporting with the exception of certain hotel stays and 'market-based' renewable electricity tariffs. All emissions and energy usage is UK-based apart from a small percentage of GHG Scope 3 business travel. The intensity metric that the Society uses to normalise emissions for annual comparison is tCO2e per person (FTE). Furthermore, the methodology of measuring water consumption has been updated to encompass the total sum with anomalies removed where required, compared with summing only positive readings as had been done in 2023. This means that in the 2023 restatement there was a reduction in emissions due to water consumption and discharge. 2023 Q4 data for gas, electricity and water consumption have also been updated to reflect the most up-to-date billing for this period, where estimates had been used in 2023 reporting. 2024 September to December gas data is based on estimates, as is 2024 June to September water data. Both estimates are based on the usage from the same period in previous years. These will be updated in future reporting when actual data is available.

Resetting the baseline

The Society has reset the baseline for energy use and emissions tracking to 2023, due to the significant increase in the availability of data in this year. This new baseline year applies to the whole carbon footprint and aforementioned targets across all scopes.

[27] In previous years the Society's SECR was published within the Directors' report. In 2024, the Society decided to include it alongside the rest of the climate-related reporting in the Strategic report for ease of navigation and to reflect the strategic nature of the report.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

Energy use and emissions report

As per the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard ('GHG Protocol')[28], energy usage and emissions from our business activities are classified as follows:

Internal Energy Usage (kWh)	2024	2023[29]
Heating	3,760,518	4,077,089
Emergency fuel usage	64,412	31,730
Company owned vehicle transport (Maintenance)	4,324	7,706
Scope 1 Total	**3,829,254**	**4,116,525**
National Grid Electricity Consumption	8,148,043	8,183,654
Onsite Solar Electricity Generation Consumption	137,233	150,157
EV Owned and Leased Vehicle Usage	987	201
Scope 2 Total	**8,286,263**	**8,334,012**
Business Transport - expensed mileage	553,151	517,020
Hire Cars	2,618	3,618
Scope 3 Total	**555,769**	**520,638**
Total Energy Use	**12,671,286**	**12,971,175**

[28] Greenhouse Gas (GHG) emissions data is calculated in accordance with the Greenhouse Gas Protocol, a widely recognised accounting framework for measuring and managing emissions. Our methodology has been prepared using guidance from ISO 14064-1 standard specifications.

[29] 2023 Q4 data for gas, electricity and water consumption have been updated to reflect the actual usage for the year.

Carbon Footprint

The Society's carbon footprint is as follows. The footprint is disclosed as both location-based and market-based emissions, where market-based reflect the contractual arrangements chosen by YBS, for example, choosing to purchase renewable energy, which can be reported as having zero emissions.

As at 31 December 2024		2024 Location tCO_2e	2024 Market tCO_2e	2023 Location tCO_2e	2023 Market tCO_2e
Scope 1	Generation of heat (gas consumption)[30]	**688**	**688**	746	746
	Vehicles used on Society business	**1**	**1**	2	2
	Refrigerant gases	**32**	**32**	3	3
	Biodiesel (back-up generators)	**0.23**	**0.23**	0.11	0.11
	Total Scope 1	**721**	**721**	**751**	**751**
Scope 2	Electricity consumption	**1,687**	**-**	1,695	-
	Electricity for owned vehicle	**0.20**	**0.20**	0.04	0.04
	Total Scope 2	**1,687**	**0**	**1,695**	**0**
Scope 3	**Category 3:** Well-to-tank – Electricity	**374**	**-**	376	-
	Category 3: Well-to-tank – Gas	**117**	**117**	124	124
	Category 3: Transmission and distribution losses - Electricity and gas consumption	**149**	**149**	147	147
	Category 3: Well-to-tank Transmissions & Distribution losses - Electricity	**32**	**32**	32	32
	Category 5: Water supply and treatment	**5**	**5**	8	8
	Category 5: Waste disposal	**5**	**5**	9	9
	Category 6: Business travel – Air Travel	**66**	**66**	110	110
	Category 6: Business travel – Colleague owned vehicles for business use	**39**	**39**	40	40
	Category 6: Business travel - Train	**34**	**34**	34	34
	Category 6: Rented/Leased vehicle	**95**	**95**	85	85
	Category 6: Taxi	**1**	**1**	1	1
	Category 6: Business travel – Hotel	**19**	**19**	24	24
	Category 6: Well-to-tank for business travel	**53**	**53**	56	56
	Category 7: Employees Commuting[31]	**2,265**	**2,265**	2,132	2,132
	Category 7: Home Office	**1,205**	**1,205**	1,089	1,089
	Total Scope 3 (Categories 3, 5, 6, 7)	**4,459**	**4,085**	**4,267**	**3,891**
Total Carbon Footprint		**6,867**	**4,806**	**6,713**	**4,642**

[30] YBS has changed its approach to reporting emissions from gas backed by renewable certificates to align with current best practice, meaning market-based emissions from gas usage are no longer reported as zero.

[31] 2023 employee commuting emissions have been recalculated based on improved accuracy.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

Whilst emissions from gas and electricity usage have decreased, the Society's Scope 3 emissions have increased slightly. This is predominantly due to an increase in employee commuting and home office emissions, in part due to an increase in colleague numbers.

The Society purchases biodiesel for its back-up generators. As such, the GHG Protocol allows the biogenic portion of the resulting emissions to be reported outside of Scope. The non-biogenic portion is reported within Scope 1 emissions.

Outside of scope biogenic emissions	2024 biogenic content (tCO_2)
Biodiesel (back-up generators)	**15.76**

Scope 3

Additionally, for the first time, the Society has published its supply chain emissions, as of 31 December 2023. Due to the nature of the data set that is input into the supply chain emissions calculation, these emissions have been published a year in arrears. It is expected that over the coming years, data from our supply chain will be variable for a number of reasons, including due to an increase in supplier reporting of emissions.

As at 31 December 2023		
Category 1: Purchased goods and services	**Total emissions (tCO_2e)**	**16,110**
Category 2: Capital goods	**Total emissions (tCO_2e)**	**4,725**

The Society's financed emissions are as follows. Similarly, it is necessary to publish these emissions a year in arrears. Future emissions data is also likely to be variable as UK housing stock decarbonises and as calculation frameworks develop.

As at 30 November 2023		
Category 15 Investments – Retail Portfolio	**Total Emissions (tCO_2e)**	**662,265**
	Physical Intensity ($kgCO_2e$)	45.26
	PCAF data quality score	3.83
Category 15 Investments – Commercial Portfolio[32]	**Total Emissions (tCO_2e)**	**30,795**
	Physical Intensity ($kgCO_2e$)	71.99
	PCAF data quality score	3.62

[32] Due to data constraints the Society has calculated its Commercial portfolio lending emissions utilising loan data from November 2023 and EPC data from November 2024. This has allowed the Society to increase its coverage of EPCs due to data enhancements in 2024 giving a better reflection of financed emissions of the portfolio in November 2023.

The Society is working to improve its understanding of Scope 3 emissions categories. In 2024, the Society worked to disclose all material emissions categories, which has been achieved. The table shows YBS' current status for each category. Future actions will include consideration of the implications of the data set, which will help inform the next steps around reducing emissions.

Scope 3 emissions category	Detail
1. Purchased goods and services	Published for first time in 2024. 2025: Planned improvements to access, quality and coverage.
2. Capital goods	Published for first time in 2024. 2025: Planned improvements to access, quality and coverage.
3. Fuel & energy related activities	Published
4. Upstream transportation & distribution	Not yet calculated. Initial understanding of the available data. Currently captured within our Supply Chain emissions.
5. Waste generated in operations	Published, except for the emissions from waste customer communications (e.g., letters)
6. Business travel	Published
7. Employee commuting & working from home	Published
8. Upstream leased assets	Not yet calculated. Initial understanding of the available data. Currently captured within our Supply Chain emissions.
9. Downstream transportation and distribution	Not yet calculated. Initial understanding of the available data. Currently captured within our Supply Chain emissions.
10. Processing of sold products	Not applicable
11. Use of sold products	Not applicable
12. End of life treatment of sold products	Not applicable
13. Downstream leased assets	Not yet calculated. Initial understanding of the available data. Currently captured within our Supply Chain emissions. 2025: Planned improvements to reporting, separating from Supply Chain.
14. Franchises	Not applicable
15. Investments	Emissions from residential and commercial lending calculated and published.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

Intensity ratio

From 2024, the Society will report an intensity ratio based upon number of employees only. Reporting an income-based intensity ratio would be less reflective of the Society's underlying emissions given that Category 15 Financed Emissions are excluded from the ratio, and that levels of income can change due to a variety of factors including the prevailing interest rate environment which do not necessarily translate to a change in emissions.

	2024			2023		
Colleague intensity ratio	Colleagues (FTE)	GHG Emissions tCO_2e	Intensity ratio tCO_2e/person	Colleagues (FTE)	GHG Emissions tCO_2e	Intensity ratio tCO_2e/person
Location	**4,923**	**6,867**	**1.4**	4,773	6,713	1.4
Market		**4,806**	**1.0**		4,642	1.0

Explanation of carbon footprint and energy saving measures

Scope 1

Scope 1 emissions encapsulate those from burning gas or fuels for heating the Society's property and those emissions generated from internal combustion engine vehicles owned and operated by the Society. In 2024, YBS' gas contract came up for renewal and the Society chose to continue procuring renewable gas backed by Renewable Gas Guarantee of Origin (RGGO) certificates for the next three years. The Society has also begun the journey of degassing its estate and is currently exploring the right options for transitioning to electric heating across offices and branches. This work will be a multi-year project so that the Society fully understands what the best solutions are for the estate.

Scope 2

Scope 2 emissions account for all direct electricity usage in the Society's property and for charging electric vehicles owned and operated by the Society. Similarly to gas, in 2024, YBS' electricity contract was renewed, agreeing a continual supply of renewable electricity for the next three years, backed by Renewable Electricity Guarantee of Origin (REGO) certificates, allowing the Society to report zero emissions from electricity on a market-basis. The Society has also taken steps to reduce its grid electricity demand through installation of solar panel arrays at two of its sites. The Society has continued its rollout of LED lighting, meaning that circa 98% of Society owned and operated buildings are now with LED light fittings.

Scope 3

Scope 3 emissions arise from the Society's indirect business activities. The Society continues to improve its Scope 3 reporting, and as such there has been an increase in the total Scope 3 emissions in 2024 compared to 2023. An increase in YBS' employee commuting and home office emissions has been seen, partly due to an increase in colleague numbers. Additionally, the Society has for the first time published its supply chain emissions and commercial lending emissions, as of the year end 2023

For more information about how the Society's supply chain emissions are calculated please see the upcoming ESG Report.

Understanding the transition risks of our lending book: Energy performance certificates (EPCs)

EPCs record the energy efficiency of a property and act as a proxy for understanding the emissions the property generates. They also provide insight on how a property's energy efficiency could improve via retrofit activities. Therefore, understanding the Society's EPC data aids understanding of transition risk exposure, for example, should new retrofitting or energy efficiency regulations be introduced, and also raises awareness of transition opportunities.

Retail lending portfolio – EPC Data

In 2024, we have EPC data for 60% of our retail portfolio of which 45% are EPC C or above. Of those with a valid EPC, 98% have the potential to be an EPC C or above, demonstrating the scale of change possible within residential property and the need for good quality and scaled retrofit supply chains to meet nation-wide demand.

There are several known limitations to EPC data, which the Society discussed in its 2023 Building a greener society report[33].

	2024				2023			
	Owner occupied		Buy-to-let		Owner occupied		Buy-to-let	
EPC	Current	Potential	Current	Potential	Current	Potential	Current	Potential
A	552	15,908	33	1,549	397	14,922	21	1,491
B	19,662	72,937	2,713	24,742	18,415	71,800	2,531	23,371
C	36,125	35,538	16,001	12,403	32,127	35,157	14,129	11,884
D	51,699	2,480	16,747	770	52,611	2,507	16,403	761
E	15,373	263	3,885	47	17,040	258	4,285	50
F	3,063	44	99	1	3,371	41	145	3
G	703	7	34	0	731	7	47	1
No EPC		101,953		11,124		98,972		11,497
% with EPC		56		78		56		77

Commercial lending portfolio – EPC Data

The Society is disclosing for the first time its EPC data within its commercial lending portfolio, covering both buy-to-let and commercial investment properties, following improvements in internal EPC data that allowed for a better representation of the Society's position. EPC data for our buy-to-let lending is sourced from our third-party provider however, for commercial investment properties, the Society sources this internally from the non-domestic EPC register. It is important to note that the non-domestic EPC register, while having a similar energy efficiency label (i.e. A – G) the data within the reports, compared to the domestic EPC register, differs.

	2024		2024
	Buy-to-let		Investment
EPC	Current	Potential	Current
A	10	227	8
B	765	1,694	72
C	1,716	1,865	305
D	1,217	215	355
E	298	19	148
F	9	1	37
G	6	0	45
No EPC		1,614	640
% with EPC		71%	60%

[33] 2023 Annual Report and Accounts

Understanding the physical risks of the mortgage book: Flood risk

The most significant physical risk arising from climate change that impacts UK homes is flooding. Whilst distressing for homeowners, flooding can also bring about financial risks as discussed in Strategy. Understanding the proportion of the mortgage book that is exposed to significant flood risk is therefore vital for the Society to mitigate against the risks of climate change.

The Society's flood risk data covers c.96.8% of our retail lending portfolio and is provided at an individual property level where data is available. The data is provided across four time periods (present day, 2030, 2050 and 2080), across differing ranges of climate change scenarios.

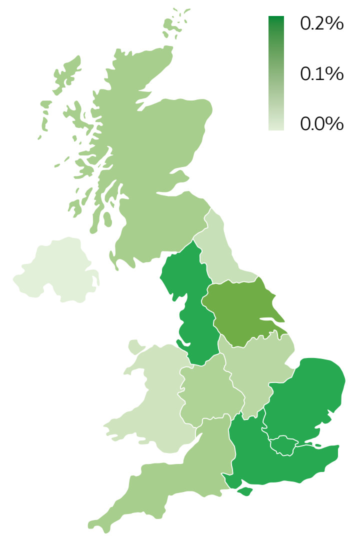
For further detail on the Society's climate scenario analysis please see the Strategy section of the Building a Greener Society report.

When analysing the evolving nature of flood risk across varying climate scenario pathways, we find that a property with negligible risk of flooding at the present day will continue to do so going forward. It must be noted that this analysis is based on climate modelling and assumptions of increases in greenhouse gas concentrations in the atmosphere and therefore cannot be taken as fact. The analysis across the book at varying degrees of climate change is to highlight potential impacts and identify potential risk areas.

Our flood risk data from a third party, Hometrack, presented below. The map shows the Society's exposure to very high flood risk split by region as of 31st October 2024. Future actions will be focused on determining an appropriate response to manage this risk.

Region	% of total mortgage lending[34]	% of total mortgage lending at very high risk[35]
East of England	4.4	0.2
Greater London	19.5	0.2
North West	10.3	0.2
South East	22.1	0.2
Scotland	6.5	0.1
South West	6.7	0.1
West Midlands	7.6	0.1
Yorkshire and the Humber	8.6	0.1
North East	3.6	0.0
East Midlands	6.7	0.0
Northern Ireland	0.8	0.0
Wales	3.3	0.0

% of exposure to very high flood risk 2024



Understanding YBS' broader environmental impact

The Society is also taking steps to understand its broader environmental impact and gathers data such as the landfill diversion rate. In 2024, 97% of the Society's waste was diverted from landfill.

[34] Due to rounding percentages do not add up to 100%.
[35] Rounding to 1 decimal place.

Monitoring climate-related opportunities

There are a number of climate-related opportunities available for the Society's members, customers and colleagues. In 2024, the following numbers of people accessed those opportunities:

Opportunity		Number in 2024
New products and propositions	**Energy-related additional loan** An additional loan at reduced rate for purposes of installing energy efficient retrofit solutions.	**30 customers**
New products and propositions	**New build enhanced affordability proposition** Affordability criteria that can offer customers a better rate on new build homes that are more energy efficient.	**240 customers**
Supporting our customers, members and colleagues	**Energy saving trust tool** Tool accessed via YBS website to assess energy efficiency of home and how to improve.	**21 people (Available to anyone accessing our website)**
Supporting our customers, members and colleagues	**Climate change awareness training** Training touches on how climate change impacts the world, the UK, YBS, individuals and homes. It was launched in October 2024.	**481 YBS colleagues and agency staff**

Climate metrics in remuneration

For details of how climate metrics and progress is embedded in our remuneration schemes. Please see the Director's remuneration report.

Operating Responsibly

As a mutual, we have a duty to operate responsibly. Having robust governance and procedures in place allows us to meet regulatory requirements, and protect customers, colleagues, and the Society from potential risks.

Risk management

Responsible management of our operations underpins our commitment to being a purpose-led business. The *Risk Management report* details our Enterprise Risk Management Framework, as well as articulating the principal risks to which we are exposed and how they are mitigated.

Human rights

Inherent within our purpose of Real Help with Real Life is a commitment that the way we conduct our business should not negatively impact the human rights of others. This includes how we interact with our customers, colleagues, and communities as well as the way we manage our supply chain. The Society's Modern Slavery Act Transparency Statement, which describes the steps put in place to prevent slavery and human trafficking in our supply chain, or any part of our business, can be found on our website.

Anti-bribery and anti-corruption

The Society is bound by the laws of the UK, including the Bribery Act 2010, and is regulated by the Financial Conduct Authority; both of which convey responsibilities for identifying and managing risks in respect of fraud, bribery, and corruption. The Society takes a zero-tolerance approach to such risks and enforces compliance via systems, processes, and our internal control framework. These include mandatory annual colleague training and awareness initiatives, a whistleblowing procedure, and regular reviews of our Financial Crime Policy, which includes our Anti-Bribery and Anti-Corruption Standard, our approach to the management of risks under the UK Corporate Criminal Offence of Failure to Prevent the Facilitation of Tax Evasion legislation, and other related policies.

ENGAGING WITH OUR STAKEHOLDERS

The Society's key stakeholder groups are set out in the table below. These are groups that either have an interest in, or are impacted by our operations.

We actively consider the needs of these groups in the course of our decision-making, and we make use of a variety of means to ensure that we continue to meet the changing expectations they have of us.

Key stakeholders	Who they are	How we listen and engage	What they expect from YBS	Material ESG topics identified
Members and customers	■ Members ■ Mortgages and savings customers ■ Commercial lending customers ■ Registered providers of Social Housing	■ Member events (Your Time to Talk sessions, in-branch events) ■ Annual General Meetings ■ Our Member Panel, My Voice, and regular surveys on customer experience and brand ■ Direct engagement through specialist teams (face-to-face, online web chat, telephone calls, letters, emails, and social media)	■ Offer good value and flexible savings accounts and mortgages ■ Deliver helpful, effective, approachable, friendly, and efficient service ■ Invest in the products and services they need to gain better financial wellbeing or secure a mortgage ■ Run a strong, secure, and sustainable business in their long-term interests ■ Demonstrate action to support a wider societal purpose ■ Provide adaptable support to customers in vulnerable situations ■ Invest in transforming our digital offering	■ Sustainable homes ■ Flexible access to products and services ■ Home ownership ■ Business resilience ■ Data privacy and information security ■ Community impact ■ Financial resilience ■ Financial inclusion ■ Vulnerable member support ■ Responsible lending ■ Alignment to purpose

Key stakeholders	Who they are	How we listen and engage	What they expect from YBS	Material ESG topics identified
Colleagues	■ All colleagues ■ Contractors ■ Agency colleagues	■ Colleague Forum, which is attended by a Non-Executive Director for Workforce Engagement ■ Focus groups and surveys ■ Chat Pack strategy updates ■ Colleague events and virtual conferences ■ Intranet (live Q&As, news, blogs) ■ People Experience Forum ■ Direct engagement through leadership teams ■ Colleague listening groups with Non-Executive Directors ■ Colleague networks	■ Provide a forum where views are heard both in terms of their experience at YBS and also business strategy ■ Treat people with empathy, respect, and fairness ■ Encourage and support their development and training ■ Provide fair reward and remuneration policies ■ Support a good work-life balance ■ Care about their physical, mental, and financial wellbeing ■ Provide an inclusive culture where diversity is valued and celebrated	■ Business resilience ■ Responsible operations ■ Alignment to purpose ■ Pathway to net-zero ■ Impact of climate change ■ Diversity, equity, and inclusion ■ Colleague health and wellbeing ■ Talent attraction and retention ■ Community impact ■ Data privacy and information security
Government and Regulators	■ Central and local Governments ■ Financial Conduct Authority ■ Prudential Regulation Authority ■ Information Commissioner's Office ■ Payment Systems Regulator	■ Direct engagement through specialist teams (face-to- face, telephone calls, letters, emails) ■ Engaging with consultations, including through industry bodies ■ Monitoring, engaging, and complying with regulatory change and reporting	■ Act within the law and regulation and in the interests of our customers ■ Operational resilience ■ Swiftly and proactively resolve customer issues ■ Be financially strong and secure by maintaining adequate resources including capital and liquidity ■ Act with integrity and transparency	■ Business resilience ■ Responsible operations ■ Pathway to net-zero ■ Impact of climate change ■ Sustainable homes ■ Diversity, equity, and inclusion ■ Data privacy and information security ■ Financial inclusion ■ Responsible lending
Investor Relations	■ Wholesale investors ■ Ratings agencies	■ Direct engagement through face-to-face meetings and events ■ Annual Report and Accounts ■ Regulatory News Service announcements ■ Investor reporting	■ Offer appropriately priced debt securities in the wholesale markets which adequately reward them for the level of risk ■ Operate in a prudent manner, protecting our financial sustainability and ability to service our debt ■ Act responsibly in wholesale markets ■ Provide regular information and updates on Our Strategy, financial performance, and principal risks ■ Share details of our funding strategy and the expected volumes of securities being issued ■ Demonstrate good ESG practices, validated by non-financial ratings agencies	■ Business resilience ■ Responsible operations ■ Pathway to net-zero ■ Impact of climate change ■ Diversity, equity, and inclusion ■ Sustainable homes ■ Financial resilience ■ Financial inclusion ■ Responsible lending
Partners	■ Brokers ■ Agency proprietors ■ Suppliers ■ Trade unions ■ Industry bodies	■ Direct engagement through specialist relationship management teams (face-to-face meetings and events, telephone calls, letters, emails)	■ Be simple and straightforward to deal with ■ Collaborate as trusted partners to achieve mutual success ■ Deliver helpful, effective, approachable, and efficient service ■ Demonstrate action to support a wider societal purpose	■ Business resilience ■ Responsible operations ■ Supply chain engagement ■ Data privacy and information security
Communities	■ The local, regional, and national communities in which we operate ■ Charities and community groups	■ Charitable partnerships ■ A range of initiatives to support the Bradford community at a local level ■ Financial education initiatives including Money Minds	■ Invest resources in support of the social economic welfare of communities ■ Demonstrate action to support a wider societal purpose ■ Provide an inclusive culture where diversity is valued and celebrated	■ Sustainable homes ■ Flexible access to products and services ■ Home ownership ■ Community impact ■ Financial resilience ■ Financial inclusion ■ Talent attraction and retention ■ Diversity, equity, & inclusion

OUR FINANCIAL REVIEW

Mortgages performance

Mortgages	2024	2023
Gross lending	**£9.7bn**	£9.2bn
Net lending	**£2.9bn**	£1.6bn
Growth in mortgage balances	**6.2%**	3.6%
Market share of residential gross lending[36]	**3.8%**	3.9%

Helping people secure a place to call home remains one of our core purpose priorities. Our total gross lending was £9.7bn in 2024 (2023: £9.2bn).

Following a subdued 2023, we saw an increase in size of the retail lending market this year. We achieved a share of gross lending broadly consistent with last year of 3.8% (2023: 3.9%). Particularly strong growth was delivered in the first half of the year, and levels of lending were managed to a lower level in the second half.

Our net lending performance improved this year at £2.9bn (2023: £1.6bn), driven by a number of factors:

- Increased gross lending as noted above,
- a lower level of maturities in 2024 compared to 2023, which was particularly high,
- improved retention, both at maturity and during the product term.

We experienced an improvement in retention, in part as a direct result of the market environment; relatively high customer rates both disincentivised, and in some cases made it more difficult for, customers to leave their product mid-term to move to an alternative mortgage provider.

More information on the external mortgage market can be found in The external environment section, and more information on Our Place to Call Home priority can be found in the Our purpose section.

Savings performance

Savings	2024	2023
Shares balance growth[37]	**10.6%**	12.0%
Shares balance growth[38]	**£4.9bn**	£5.1bn
Average savings rate differential to the market average[39]	**0.90pp**	1.01pp
Market share of retail savings balances[40]	**2.5%**	2.3%

The Society has delivered strong growth in the year, with shares balances having increased £5.0bn (2023: £5.1bn increase) representing a growth rate of 10.6% (2023: 12.0%).

In addition to sustaining a high rate of growth, the amount of value returned to our members through savings rates to remain substantial. This is demonstrated through the differential in our average savings rate compared to the rest of market average, which remained high, at 0.90% (2023: 1.01%) despite a lower rate environment, equivalent to £430.2m, additional interest for our savers (2023: £441.1m).

The savings market in 2024 saw a more stable Bank Rate environment in the first half of the year followed by decreases in the second half of the year. We always consider our response to Bank Rate changes carefully, and we have adopted a balanced approach in order to support both new and existing members.

We experienced another successful ISA season at the commencement of the new tax year, driven by our market-leading Loyalty Six Access ISA, as well as our competitively priced Double Access ISA and fixed ISA range. We also launched new Reward ISAs for those members whose 2023 Loyalty ISA matured, and high levels of retention were achieved.

We continually look to add new, targeted products to our range of savings products. In March 2024, we launched our First Home Saver product, which was exclusively designed to support first-time buyers. This product offered a rewarding interest rate on deposits of up to £500 per month. In tandem with our £5k Deposit Mortgage product, which launched at the same time, these propositions aim to address the challenges faced by prospective borrowers.

[36] Based on Bank of England total industry gross lending. Data period January – December 2024.
[37] For the calculation of Shares Balance Growth refer to the Balances Sheets on page 132.
[38] Shares balance growth movement calculated using the Shares balances rounded to the nearest £0.1bn, per the Summary Balance Sheet on page 41.
[39] YBS Group average savings rate compared to Rest of Market average rates. Source: CACI's Current Account and Savings Database (CSDB), Stock. Data period January 2024 – December 2024.
[40] Source: YBS analysis of BSA Household savings. Data period January – October 2024.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

This was followed in September by the launch of our £50 Regular Saver, offering an attractive rate, designed to illustrate the benefits of starting a healthy savings habit. We will continue to explore opportunities to deepen the impact we have on the lives of our members and customers.

More information on our Financial wellbeing priority can be found in the Our purpose section.

Financial performance

The figures below are consolidated amounts in respect of Yorkshire Building Society and its controlled entities ('the Group').

This year's results represent a normalisation of profitability for the Society's balance sheet. We expected a lower level of profitability in 2024 as a result of a number of factors. These include moving from an increasing to a decreasing interest rate environment, the maturity of higher margin fixed-rate mortgage products written during the pandemic, and increased competition leading to savings and mortgage margin compression. Our costs have increased year on year through both strategic investment and an uplift in our ongoing operating costs.

The financial performance strengthened our capital and liquidity positions, which remain significantly above regulatory requirements. We have delivered these results at the same time as continuing to sustainably grow mortgage and savings balances, and offering competitive rates to reward our members. Our effective management of liquidity enabled us to repay the remaining £1.0bn of the Bank of England's funding scheme, TFSME, comfortably ahead of its refinancing window in 2025.

	2024	2023
Statutory profit before tax	**£383.7m**	£450.3m
Core operating profit	**£345.7m**	£449.9m
Net interest margin	**1.16%**	1.31%
Cost to core income ratio	**51%**	42%
Management expenses ratio	**0.58%**	0.56%
Liquidity coverage ratio ('LCR')	**202.7%**	158.2%
Liquidity ratio	**24.6%**	23.3%
Common equity tier 1 capital ratio	**18.1%**	16.7%
Leverage ratio (UK)	**6.6%**	6.2%

Alternative performance measures are defined within the Glossary on page 223.

Summary Income Statement £m		2024 Statutory	2024 Remove non-core items	2024 Core	2023 Statutory	2023 Remove non-core items	2023 Core
Net interest income	i	**736.5**	**(2.4)**	**734.1**	786.0	(2.3)	783.7
Fair value gains and losses	ii	**36.2**	**(36.2)**	**-**	(5.5)	2.2	(3.3)
Net realised gains		**0.2**	**-**	**0.2**	1.6	-	1.6
Other income and expenses	iii	**(21.1)**	**(0.2)**	**(21.3)**	4.3	-	4.3
Total income/core income		**751.8**	**(38.8)**	**713.0**	**786.4**	**(0.2)**	**786.2**
Management expenses		**(366.6)**	-	**(366.6)**	(332.7)	-	(332.7)
Impairment of financial assets		**(0.2)**	-	**(0.2)**	(4.0)	-	(4.0)
Movement in provisions	iv	**(1.3)**	**0.8**	**(0.5)**	0.6	(0.2)	0.4
Profit before tax/core operating profit		**383.7**	**(38.0)**	**345.7**	**450.3**	**(0.4)**	**449.9**

The notes below explain the adjustments made to statutory profit before tax to arrive at core operating profit:

i) Historical fair value credit adjustments on acquired loans.
ii) Removed fair value volatility i.e. gains and losses on derivatives, and on non-core equity investments.
iii) Profit/(loss) on the sale of fixed assets and on the disposal of intangible assets.
iv) Non-core elements of the restructuring provision.

Core operating profit

Our financial performance is reviewed regularly by our Board using a number of measures, including statutory profit before tax and core operating profit. Core operating profit is an alternative performance measure which excludes items such as fair value volatility and material one-time charges that do not reflect the Group's day-to-day activities. Our Board considers core operating profit to be an appropriate measure of the underlying performance of the business.

Statutory profit before tax in 2024 was £383.7m (2023: £450.3m) and core operating profit was £345.7m (2023: £449.9m). The main difference between statutory profit before tax and core operating profit is a £36.2m gain on fair value (2023 £2.2m loss) relating to swaps not in hedge accounting relationships.

Net interest income

Net interest income was £736.5m in 2024, decreasing by £49.5m year on year (2023: £786.0m), and represents a reduced net interest margin of 1.16% (2023: 1.31%). Margin compression in the mortgages and savings book and the non-repeated benefit of a rising Bank Rate in 2023, coupled with falling interest rates in the second half of 2024, has resulted in net interest income reducing to more normalised levels. The downward pressure on net interest income was partially offset by the increase in balance sheet size and performance of our structural hedge which contributed £376.7m of gross interest income in 2024 (2023: £215.7m). Gross structural hedge contributions represent the income earned from the fixed receipts on the internal product hedges within the structural hedge portfolio.

In prior years, agency commission was shown as a reduction to net interest income (2023: £22.1m cost). Following a reclassification to better reflect the contractual agreement, this cost is now included in net fees and commission. On a like for like basis, net interest income in 2023 would have been £808.2m.

Fair value gains and losses

A fair value gain of £36.2m was recorded in 2024 (2023: £5.5m loss). A key driver of the year-on-year change in fair value gains and losses relates to derivatives not in hedge accounting relationships, including mortgage pipeline swaps which have historically not been assigned into hedge accounting, as well as shorter-term swaps to hedge fixed-rate savings balances. To utilise hedge accounting more efficiently and minimise the impact of fair value volatility on the income statement, two new designations were implemented in the year, a savings macro fair value hedge and a mortgage pipeline macro cash flow hedge. Although the movement in swap rates is characteristically volatile, changes to swap rates in 2024 were more pronounced than in recent years, resulting in a greater impact on the fair value of the interest rate swaps not designated in the accounting hedge.

More detail on the fair value gains and losses in the period is available in Note 5.

Other income and expenses

The net of other income and expenses in the year was a cost of £21.1m (2023: £4.3m income) and includes income from our secondary lines of business, including commission from insurance brokering. Agency commission expense of £23.3m is also included in the other income and expenses line, following a reclassification to better reflect the contractual agreement, with this item previously categorised within net interest income.

Management expenses

Overall management expenses were £366.6m in 2024 (2023: £332.7m). The majority of this increase relates to people costs due to higher than typical pay awards to colleagues, required to maintain our competitive position in the labour market, and an increase in headcount, reflecting an increase in our operational scale.

We also incurred a one-off property impairment charge of £4.6m. A change to the Bank of England Levy Framework which replaces the previous Cash Ratio Deposit scheme has also contributed £8.0m toward a greater level of costs. This levy previously had the effect of supressing net interest income as liquidity was ring fenced and could not be deployed elsewhere in the business.

The delivery of enhancements to customer experience has accelerated our investment in change activities which totalled £69.7m in 2024, an increase of £5.9m from £63.8m in 2023. The year-on-year increase includes investment in a number of key strategic areas including governance, regulatory and control functions. We plan to continue to invest in our strategic capabilities at elevated levels in the near term to deliver Our Strategy.

Our cost to core income ratio has increased to 51%, up 9 percentage points on 2023; this increase is predominantly due to the reduction in income, rather than the increase to the cost base.

Impairment of financial assets

A total net impairment charge of £0.2m (2023: £4.0m charge) was recorded in the period.

More information on the impairment of financial assets can be found in Notes 2 and 7 to the financial statements.

Provisions

A charge of £1.3m in the period relates to provisions which include customer redress, restructuring and other specific items (2023: £0.6m release).

Summary Balance Sheet

£bn	2024	2023
Liquid assets	**14.6**	12.8
Loans and advances to customers	**49.7**	46.8
Fair value adjustment for hedged risk on loans and advances to customers	**(0.5)**	(0.6)
Other assets	**1.7**	2.0
Total assets	**65.5**	**61.0**
Shares[41]	**52.0**	47.1
Wholesale funding and other deposits[42]	**7.3**	7.8
Subordinated liabilities	**1.5**	1.6
Other liabilities	**0.7**	0.8
Total liabilities	**61.5**	**57.3**
Members' interest and equity	**4.0**	3.7
Total members' interest, equity, and liabilities	**65.5**	**61.0**

Strong levels of growth were achieved in both mortgages and savings balances in the year. The rates of growth were more equally balanced than during the last couple of years where net savings flows exceeded mortgage net lending in an asymmetrical manner. As at December 2024 the Society's retail loan to deposit ratio stands at 94.0% (2023: 98.2%).

Liquidity

Liquidity levels remain robust and with significant headroom above regulatory and internal requirements with a liquidity balance sheet ratio standing at 24.6% (2023: 23.3%), and a Liquidity Coverage Ratio at 202.7% (2023: 158.2%). Strong savings inflows in the year have helped to facilitate the final repayment of TFSME borrowing. A prudent approach to liquidity management is maintained with our investment portfolio consisting mainly of exposures to the Bank of England and the UK Government, in line with our balance sheet strategy.

High-quality liquid assets ('HQLA') balances stood at £13.7bn as at 31 December 2024 (2023: £10.7bn). Cash reserve balances comprised £5.6bn, £5.3bn was held in AAA rated assets and the remainder £2.8bn held in assets rated between AA+ and A.

Loans and advances to customers

The rate of mortgage book growth achieved was 6.2% (2023: 3.6%). The credit quality of our mortgage book is monitored using a number of indicators on a regular monthly basis. An important indicator is the percentage of outstanding retail mortgage balances in arrears by three months or more (including possessions). The quality of our retail mortgage loan book has remained strong; the proportion of loans meeting these criteria now stands at 0.43% by value (2023: 0.39%).

The industry average for retail mortgage arrears is measured as the number of accounts in arrears by three months or more (including possessions). At 0.50% (2023: 0.50%) our performance continues to remain better than the industry average of 0.97% (2023: 0.87%).

More information on arrears can be found in the Directors' report and in Note 31 to the financial statements.

Whilst no material deterioration in the credit performance of our mortgage book has been observed, risks are present, and the level of arrears will continue to be monitored closely through our established risk management processes. There also exists the potential for affordability and cost-of-living challenges to influence our mortgage book through future house price movements.

In support of our purposeful lending strategy, we have seen an increase to our indexed LTV proportion of the book; 9.4% of our residential mortgage book has an indexed LTV >85%, compared to 4.1% in December 2023. As of December 2024, the average indexed loan to value of our mortgage book is 50.9% (December 2023: 49.0%).

As a proportion of gross mortgage exposure, ECL coverage is 0.1% (December 2023: 0.1%). Cost of risk, as calculated by expressing the impairment charge for the year over the average balance in the period was 0.01% (2023: 0.01%).

[41] Shares in the summary balance sheet includes the fair value adjustment for hedged risk on shares of £1.0m.
[42] Within 'wholesale funding and other deposits' are £0.9 billion of retail savings deposits not classed as shares (2023: £0.6 billion).

Wholesale funding

Wholesale funding markets were relatively stable in 2024, which allowed us to successfully issue two covered bonds and one residential mortgage-backed security (RMBS). The RMBS was launched through the new White Rose Master Issuer, the single special-purpose vehicle which streamlines and simplifies the issuance process. These issuances represent a continuation of the strategy to maintain a presence in our key issuance markets and ensure access to a diverse range of funding.

During 2024, we repaid the final £1.0bn of the Bank of England's funding scheme, TFSME. This demonstrates our prudent approach to refinancing in anticipation of heightened competition for funds as market-wide maturities draw nearer.

Capital

Introduction to capital

The Society holds regulatory capital to provide financial sustainability for its members and other creditors by protecting against unexpected losses.

Regulatory capital resources encompass general reserves, fair value reserves through other comprehensive income, and subordinated liabilities, all of which are subject to regulatory adjustments and IFRS 9 transitional arrangements up to 31 December 2024.

The capital disclosures included in this report have been prepared in accordance with the UK Capital Requirements Directive V (UK CRD V), bound by regulatory requirements from the UK Capital Requirements Regulation (CRR). The disclosures have been prepared on a consolidated Group basis, including all subsidiary entities, unless otherwise stated.

The Society is subject to regulatory capital requirements established by the Prudential Regulation Authority (PRA) in the United Kingdom. The Society has complied with the PRA's regulatory capital requirements during the year.

Further details of the Society's capital position can be found in the 2024 Pillar 3 Disclosures.

The ratios, deductions, and definitions have been provided in accordance with CRD V regulations.

Management of capital (audited)

Capital risk is managed via a Board-approved Capital Policy and risk appetite framework. The Society manages capital to comply with regulatory requirements and risk appetite levels to support our strategic objectives for sustainable growth.

The Asset & Liability Committee ('ALCO') is the Society's governance committee with responsibility for capital management. Under its delegated Board authority, it retains responsibility for monitoring the Society's capital adequacy and recommending/approving actions, as appropriate.

The Society performs an Internal Capital Adequacy Assessment Process (ICAAP) at least annually to ensure that we hold sufficient capital and have adequate governance and controls to manage the risks to capital arising from our business model. The ICAAP considers severe but plausible stress scenarios.

In addition, the Society performs Reverse Stress Testing (RST) to understand the possible scenarios and risk drivers that could lead to the potential failure of the Society, and to assess whether sufficient mitigations are in place.

Capital ratios

As part of the Society's work to strengthen its governance, risk, and control capabilities, we have been undertaking focused work to improve the maturity of our control environment to support the robustness of disclosures and regulatory reporting. The implementation of these enhancements has been reflected in the Society's year-end capital disclosures and has contributed to an increase in the CET1 ratio in 2024.

The Society's CET1 ratio at year-end 2024 stood at 18.1%, showing an increase from the prior year (2023: 16.7%). The Society's UK leverage ratio increased to 6.6% (2023: 6.2%). The CET1 ratio remains comfortably above regulatory requirements and risk appetite.

Work has now concluded regarding the Society's upgrade of capital reporting, which significantly contributed to the increase in the Society's 2024 year-end CET1 ratio; 1.1% of the year-on-year increase can be attributed to this work.

MREL (Minimum requirement for own funds and eligible liabilities)

The Minimum Requirement for Own Funds and Eligible Liabilities (MREL) is a regulatory requirement designed to make sure institutions have sufficient loss absorbing and recapitalisation capacity in the event of a resolution scenario. The MREL requirements can be met by regulatory capital resources and MREL eligible resources, such as Senior Non-Preferred (SNP) liabilities.

The Society's MREL RWA ratio at year-end stood at 24.6%, compared to the prior year's position of 24.2%. This remains the binding MREL ratio for the Society.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

Capital outlook

The Society remains committed to maintaining a robust capital position, aligned with regulatory requirements and evolving market conditions. The implementation of Basel 3.1, and the leverage ratio framework (LREQ), is a significant focus for the Society.

The Basel 3.1 reforms, aimed at enhancing the risk sensitivity and increasing the transparency of capital requirements, will take effect across the UK in 2027. These updates will lead to adjustments in the calculation of RWAs, particularly in areas such as credit risk, counterparty credit risk, and operational risk.

The Society is well-positioned to comply with these enhanced requirements, having historically maintained a conservative approach to capital management. The Society continues to hold capital levels comfortably above regulatory minimums and the implementation of Basel 3.1 is not expected to materially affect the Society's ability to meet these obligations.

In addition to risk-based capital requirements, the leverage ratio framework, which measures capital relative to the total exposure of the Society, including off-balance sheet items, will play an increasingly prominent role in our capital planning.

As the Society moves closer to LREQ status, we will become subject to a minimum regulatory requirement of 3.25%, plus the UK's countercyclical leverage buffer. On 10 September 2024, the PRA announced their review of the leverage ratio requirement thresholds. The Society has received permission of a modification by consent to disapply the Leverage Ratio - Capital Requirements and Buffers part of the PRA Rulebook until 30 June 2026.

The Society's strong capital position assumes compliance with the minimum leverage ratio requirement. We continue to monitor the impact of LREQ on our balance sheet and capital buffers to support our strategic objectives while remaining compliant with regulatory demands.

We anticipate our capital adequacy and leverage ratios to remain strong, driven by prudent management, rigorous stress testing, and conservative risk appetite. This will support the Society in adapting to the evolving requirements of Basel 3.1 and LREQ while maintaining sustainable growth.

	2024 £m	2023 £m
Common Equity Tier 1 (CET1)		
General reserve	**3,981.5**	3,702.9
Fair value through other comprehensive income reserve	**(19.3)**	(10.2)
Cash flow hedge reserve	**7.0**	0.4
Common Equity Tier 1 prior to regulatory adjustments	**3,969.2**	**3,693.1**
Common Equity Tier 1 regulatory adjustments		
IFRS 9 transitional arrangements	**-**	-
Pension fund adjustments	**(23.8)**	(27.8)
Intangible fixed assets	**(16.1)**	(18.4)
Prudent valuation adjustment	**(9.3)**	(7.7)
Cash flow hedge reserve	**(7.0)**	(0.4)
Total Common Equity Tier 1 capital	**3,913.0**	**3,638.8**
Tier 2		
Subordinated liabilities	**195.5**	267.9
Collective provisions for impairment	**-**	-
Total Tier 2 Capital	**195.5**	**267.9**
Total capital (audited)	**4,108.5**	**3,906.7**
MREL Resources (unaudited)		
Secondary Non-Preferential Liabilities	**1,147.7**	1,313.0
Tier 2 MREL Eligible	**68.2**	37.1
Total MREL Resources (unaudited)	**5,324.4**	**5,256.8**
Risk weighted assets (unaudited)	**21,673.5**	21,756.1
Common Equity Tier 1 capital ratio*	**18.1%**	16.7%
Tier 1 ratio*	**18.1%**	16.7%
Total capital ratio*	**19.0%**	18.0%
Total MREL Resources ratio*	**24.6%**	24.2%
CRR Leverage ratio*	**6.1%**	5.8%
UK Leverage ratio (excluding claims on central banks)*	**6.6%**	6.2%

* Ratios are unaudited.

RISK OVERVIEW

The environment in which we operate and the nature of the risks that we face are continually evolving.

Effective risk management is fundamental to ensure that we maintain the trust of our members, customers and regulators.

How we manage risk

We categorise the emerging and evolving risks that we face into nine principal risks, defined in our Enterprise Risk Management Framework (see the *Risk Management report*). This ensures that we identify, assess and manage these risks carefully and consistently.

The most significant emerging and evolving risks are reviewed regularly through our senior risk committees and are considered during our business planning processes.

We continue to monitor the effectiveness of, and invest in, our risk management capabilities to ensure timely and appropriate action is taken to protect the interests of the Society and its members and customers.

Our robust risk management framework, strong capital position, diverse funding sources, and high liquidity levels lead us to be confident in our financial and operational resilience.

Our top emerging and evolving risks

Emerging or evolving risk	Principal risk(s)	Commentary
Our strategy and the external environment	■ **Strategic risk** ■ **Market risk** ■ **Funding and liquidity risk**	Our core markets of savings and mortgages are highly competitive. It is therefore vitally important we operate a responsible and sustainable business on our members' behalf. We control our costs tightly and ensure investments are prioritised to the areas that will deliver most for our members and customers. We ensure that our products are carefully priced, and we are disciplined in our approach to hedging so that we do not exceed the Board-approved risk appetite. We stress-test our liquidity position regularly and our liquidity ratios continue to remain significantly within the Board-approved risk appetite.
Cyber security threats	■ **Operational risk**	The cyber security threat to the UK financial services industry continues to grow, originating from both organised crime groups and nation state operators. 'Threat actors' are becoming ever more invasive and sophisticated in their approaches, with ransomware and the exploitation of vulnerabilities key threats. Resilience to such threats, and an ability to respond effectively in the event of an attack, remain essential. We continue to invest in and enhance our cyber threat monitoring and response capability to protect the Society and our members and customers, and to maintain the confidence of our regulators.
Fraud	■ **Operational risk** ■ **Compliance and conduct risk**	Criminals are becoming ever more sophisticated in targeting consumers. Typical frauds in financial services include phishing, identity theft, account takeovers and scams. We continue to invest in and upgrade our fraud prevention and monitoring controls to help protect our members from becoming victims of fraud.

Emerging or evolving risk	Principal risk(s)	Commentary
The impact of the economy of our customers	■ **Retail and commercial credit risk**	While the economic pressures on UK households have started to ease, with the rate of inflation and the Bank of England base rate both falling over the year, we nonetheless remain alert to potential economic impacts on our customers. Mortgage borrowing costs are much higher than they were five years ago so household finances for many customers will remain strained. For new lending, we use a sophisticated model which uses a stressed interest rate and is reviewed at least every six months. Our lending criteria aim to balance the level of purposeful risk we take with lending responsibly to deliver good customer outcomes, minimise arrears and comply with the Consumer Duty regulations. And, for existing borrowers, we have been strengthening our service for those who may be experiencing financial difficulty, including introducing new forbearance options.
IT resilience	■ **Operational risk**	Reliable and cost-effective IT infrastructure is vital to deliver the level of service our members, customers, colleagues and regulators expect. As IT components age, their health and value deteriorate and the risks they pose to security and resilience increase. We therefore continue to modernise and simplify our IT infrastructure to ensure it remains resilient and secure.
Attracting and retaining the right people	■ **Operational risk**	Attracting and retaining the right colleagues to deliver Our Strategy is vital, and we continue to experience competition for certain skillsets; digital, cyber security, change management and data analytics skills are particularly in demand. Effective resource planning, forecasting, and succession planning remain priorities. We have also further improved our people policies for our colleagues who are carers or parents.
The use of sophisticated models	■ **Model risk**	We use sophisticated models to help manage our financial risks. These use historical data and assumptions based on the past to provide future estimates to assist with running the business and in understanding our risks. Any approach that seeks to predict the future carries inherent risk. Our Model Risk Committee reviews the specific risks associated with the models regularly. We also ensure that our model risk framework meets regulatory requirements.
Transforming our business	■ **Operational risk**	We are transforming our business to support the next phase of our growth plans and deliver Our Strategy. This involves implementing new systems, automating business processes and developing new ways of working. Managing this change carefully is critical to ensure it will be completed on time, at the planned cost and deliver the forecast benefits. We have therefore refreshed our change risk management framework which includes stronger governance and oversight controls.
The regulatory environment	■ **Compliance and conduct risk** ■ **Funding and liquidity risk**	The regulatory environment in which we operate continues to evolve, with new rules for borrowers in financial difficulty and 'authorised push payment' scam reimbursement commencing in 2024. Monitoring and maintaining our regulatory compliance positions is one of our highest priorities. We continue to have open and constructive dialogue with our regulators, and work with them and industry bodies to contribute to the regulatory agenda.
Climate change	■ **Retail and commercial credit risk** ■ **Operational risk**	The main risks from climate change for the Society arise in the physical risks to our customers' properties, such as from flooding, subsidence and coastal erosion, and those posed by the transition to a lower-carbon economy, such as changes in energy efficiency regulation. We continue to develop our environmental and climate change risk management capabilities, to ensure that we align with industry good practice and meet reporting and disclosure requirements.

Introduction Strategic Report Governance Financial Statements Other Information

OUR BOARD AND EXECUTIVE TEAM

Details of our Board and Executive Team are set out in the following section.

For information regarding our Board and any changes during 2024 see the Corporate Governance report.

The following Non-Executive Directors stepped down from the Board in 2024:

- John Heaps, former Board Chair, in April 2024.
- Alison Hutchinson, former Vice Chair / Senior Independent Director, in December 2024.
- Jennelle Tilling, Non-Executive Director, in December 2024.

The following Executive Directors stepped down from the Board in 2024.

- Alasdair Lenman, former Chief Finance Officer, in April 2024.
- David Morris, former Chief Commercial Officer, in September 2024.

Committee Membership Key:

- AC — Audit Committee
- BGNC — Board Governance and Nominations Committee
- BRC — Board Risk Committee (Group Risk Committee to 31 December 2024)
- RC — Remuneration Committee
- E&SPC — Environmental and Social Purpose Committee (from 1 January 2025)

Introduction Strategic Report Governance Financial Statements Other Information

Governance > **Our Board and Executive Team**

Chair
of the Board

Annemarie Durbin

BComm LLB MSc

BGNC Chair

Joined our Board in 2023 as Board Chair Designate, becoming Board Chair in 2024.

Background and career

Annemarie Durbin has 35 years' international business and banking experience, including retail, commercial, corporate and institutional banking. She spent the majority of her executive career with Standard Chartered, a FTSE 100 international bank, culminating in membership of the Group Executive Committee. She held a variety of global and business roles, including being CEO and Executive Director of Standard Chartered's publicly listed entity in Thailand and CEO in the Philippines. Annemarie has also held a range of non-executive positions, including WH Smith Plc, Santander UK plc and was Chair of Cater Allen Limited. Annemarie is also an executive coach and mentor.

Skills and experience

Annemarie is a highly experienced executive with a strong background in banking, leadership and talent, transformation, and corporate governance. She also has significant experience in relation to remuneration, including as a Remuneration Committee Chair, and extensive experience in respect of audit, risk and responsible banking from her membership of the relevant Committees at Santander UK plc.

Other roles

Non-Executive Director, Chair of Remuneration Committee and member of Nomination Committee at Persimmon Plc. Non-Executive Director, Chair of Remuneration Committee and member of Management Engagement, Audit and Risk and Nominations Committees at Petershill Partners LLC.

Independent
Non-Executive Director

Guy Bainbridge

MA (Cantab), ACA

Whistleblowing Champion. Vice Chair (from 1 January 2025)

AC Chair BGNC BRC

Joined our Board in 2019.

Background and career

Guy worked in the audit profession for 36 years with KPMG, including 24 years as a partner. He was also a member of KPMG's UK Board for seven years and its European Board for five years. He was the Lead Audit Partner for a number of banking clients including Barclays, ING and HSBC.

Skills and experience

Guy is a banking expert and brings recent and relevant experience of the UK banking sector. He has comprehensive knowledge of the regulatory environment in which we operate.

Other roles

Non-Executive Director and Chair of the Audit Committee at ICE Clear Europe Limited and a Non-Executive Director, Chair of the Audit Committee and a member of the Corporate Governance & Nominating Committee at Manulife Financial Corporation.

Independent
Non-Executive Director

Peter Bole

MA Chartered Accountant

AC

Joined our Board in 2024.

Background and career

Peter is currently Chief Financial Officer for esure Group where he has played a key role in the digital transformation programme. Prior to joining esure, he held the role of Chief Financial Officer at Tesco Bank and also at Virgin Money, where he went on to become the Group Integration Director. He has also previously held senior roles at RBS Insurance, Standard Life and Deloitte.

Skills and experience

Peter has over 25 years' experience in finance leadership roles across several strong consumer businesses within the Banking and Insurance sectors. He has significant experience throughout his career with organisations experiencing periods of growth and transformation.

Other roles

Chief Financial Officer of esure Group.

Independent
Non-Executive Director

Angela Darlington

BSc, FIA

Non-Executive Director for Workforce Engagement

BRC Chair AC BGNC

From 1 January 2025

Joined our Board in 2022.

Background and career

Angela spent 20 years working for Aviva PLC in a variety of senior roles – culminating in her serving as Chief Executive Officer (CEO) of UK Life, where she was responsible for leading the UK Insurance business and a member of the Aviva Leadership Team. Prior to her CEO roles, Angela was the Group Chief Risk Officer for Aviva PLC for four years, responsible for leading the Risk Function at Group level.

Skills and experience

Angela has significant experience of the financial services sector with a deep technical expertise in relation to risk as well as the ability to contribute to a wider strategic agenda.

Other roles

Independent Non-Executive Director of Rothesay Life (including member of the Risk Committee, Audit Committee, Governance and Nominations Committee and Customer and Conduct Committee), Member of Council for the London School of Hygiene and Tropical Medicine (including Chair of the Finance and Development Committee.

Introduction Strategic Report Governance Financial Statements Other Information

Independent Non-Executive Director

Debra Davies

BA Hons, Business Studies

RC Chair BRC E&SPC From 1 January 2025

Joined our Board in 2023.

Background and career

Debra has over 30 years of experience as a senior executive in financial services. She spent a large part of her executive career with American Express, in a variety of senior roles including leading the UK Business, leading Product Marketing globally and rolling out the American Express business across 55 Countries in Europe, the Middle East and Africa. She has strong general management skills having led large, complex businesses and multicultural, multifunctional, geographically dispersed teams. She also represented the Company's interests in significant Joint Ventures in the Middle East, Belgium and Switzerland where she was the Chair of Swisscard. She has held a range of non-executive and committee Chair roles with AXA UK plc and Credit Suisse international.

Skills and experience

Debra has a strong background in profit and loss leadership, customer service, marketing, technology transformation and digital innovation, as well as Partnership development and management. Her experience spans business to consumer and business to business across many countries and cultures.

Other roles

Non-Executive Director and Senior Independent Director at AXA UK plc, Chair of the Remuneration Committee and member of the Audit and Risk Committees. Non-Executive Director of Intrum AB, Chair of the Transformation Committee.

Independent Non-Executive Director

Dina Matta

BSc, BA (Double Hons) Engineering and Business Studies

RC

Joined our Board in April 2021.

Background and career

Dina began her career in strategy and technology consulting prior to joining HSBC/Midland Bank in London. She subsequently worked with UBS, British Telecom and ING Bank in a transformation capacity within their retail, corporate and wholesale business divisions. More recently, Dina joined the European Bank for Reconstruction and Development in October 2021 as the Vice President and Chief Transformation Officer overseeing the Bank's digital transformation with direct responsibility for the Bank's data management, technology and administrative service departments as well as the bank wide transformation office.

Skills and experience

Dina is an engineer and economist and has over 30 years' experience in transformation, operations and technological innovation working across industries both in Europe and the US.

Other roles

Vice President and Chief Transformation Officer for the European Bank for Reconstruction and Development.

Independent Non-Executive Director

Mark Parsons

BA, FCMA

Senior Independent Director (from 1 January 2025) . Board Consumer Duty / Member Champion.

AC BRC BGNC E&SPC From 1 January 2025

Joined our Board in 2020.

Background and career

Mark was Chief Executive of Coventry Building Society from 2014 until his retirement in April 2020. Mark has significant experience working within retail financial services including roles at Barclays and Abbey National, as well as time at PricewaterhouseCoopers. At Barclays he was the Chief Financial Officer for Retail and Business Banking and also served as the Deputy Chief Executive of Barclays UK Retail Bank.

Skills and experience

Mark has over 35 years' experience in financial services and has a range of executive experience across finance, human resources, product, retail management, risk management and investor relations.

Other roles

Non-Executive Director of Fairstone Capital Group Limited.

Independent Non-Executive Director

Janet Pope

BSc Econ, MSc Economics, MBA

RC E&SPC Chair From 1 January 2025

Joined our Board in 2024.

Background and career

Janet joined Lloyds Banking Group in 2008 to run the savings business and from 2012 to 2023 was Chief of Staff and latterly Chief Sustainability Officer, a Group Executive Committee role. Previously she held roles as Chief Executive at Alliance Trust Savings, EVP Global Strategy at Visa International and spent 10 years at Standard Chartered Bank where she held a variety of roles including Retail Banking MD for Africa.

Skills and experience

Janet's background is retail banking and corporate governance. She is a highly experienced banking executive with a track record for driving successful strategy, retail banking and diversity improvements. She also has extensive non-executive experience in government departments, charities and the private sector.

Other roles

Chair of Charities Aid Foundation (CAF) Bank and Chair of Nominations and Remuneration Committee. Trustee of StepChange Debt Charity and The Camden School for Girls.

Executive Director

Susan Allen
BA Hons (Econ), ACIB, ACT, OBE
Chief Executive Officer

Joined the Society and our Board in 2023.

Background and career

Susan has held a number of senior executive roles in some of the UK's largest retail banks, including Barclays, Santander and Royal Bank of Scotland, leading and successfully delivering significant transformation and customer centric change. Prior to joining YBS she was Head of Customer Transformation at Barclays where she was responsible for leading and supporting all colleagues in frontline teams to deliver a differentiated customer experience.

At Santander Susan was responsible for all of Santander's UK Retail and Business banking businesses, supporting 15 million customers and with a nationwide network of branches and customer contact centres, following her role as Chief Transformation Officer. Susan is also a former Board member of UK Finance.

Skills and experience

Susan has more than 30 years of experience in financial services across a wide range of different businesses. She has been a proud champion of diversity and inclusivity throughout her career. She is also a member of the Building Societies Association Council.

Other roles

Director of TheCity UK and member of the Board of Trustees for the Alzheimer's Society. Member of the Building Societies Association Council.

Executive Director

Tom Ranger
BA Hons
Chief Financial Officer

Joined the Society and our Board in 2024.

Background and career

Tom joined YBS from Santander UK plc, where he worked for sixteen years, the last seven of which he was UK Group Treasurer. In addition to his executive role, he was a Non-Executive Board Director of Santander Financial Services plc and Senior Officer of Santander International's Jersey Branch. Tom started his career at Northern Rock plc in 1999, moving to Alliance & Leicester in 2007, just prior to their acquisition by Banco Santander SA plc in 2008.

Skills and experience

Tom has over 25 years' experience in financial services with significant expertise across UK retail banking, specifically within finance and specifically Treasury, including markets, funding, capital and liquidity management, balance sheet management and planning, interest rate risk, pensions, stress testing and investor relations.

Tom is also Chair of Accord Mortgages Limited.

Introduction Strategic Report Governance Financial Statements Other Information

Chief Officer

Richard Bowles
MSc, BSc
Chief Risk Officer

Joined the Society in 2024.

Background and career

Richard has held a range of Risk leadership roles across many of the major banks, including Lloyds Banking Group and TSB. Prior to joining YBS Richard was Chief Risk Officer at Coventry Building Society. He is responsible for ensuring that there are appropriate procedures and capability for the management of all the Society's risks, whether planned or unplanned. In addition to Risk, he is also responsible for the Legal, Compliance and Secretariat functions as well as regulatory relationships.

Skills and experience

Richard has over 15 years' experience in retail banking and brings a broad range of risk management experience and a proven track record for delivering major transformation.

Chief Officer

James Heslip
BA Hons, MSc
Chief Internal Audit Officer

Joined the Society in 2016.

Background and career

James has been with YBS since 2016 in roles including the Group Lead for Compliance Advisory, Senior Manager in our Mortgage Advice Team and most recently as the Director of Compliance, MLRO and DPO responsible for second line oversight of Compliance and Conduct risk and management of the key regulatory relationships. Prior to this he has had roles in each of the three lines of defence at Financial Services institutions including Lloyds Banking Group and Aviva.

Skills and experience

James has a broad range of audit, risk and financial experience across each of the three lines of defence within the financial services industry. He is responsible for our 'third line of defence' in the Society's risk management model, including evaluating how we manage our capital, liquidity, credit, operational and regulatory risks.

Chief Officer

Fraser Ingram
MBA FCB
Chief Operating Officer

Joined the Society in 2023.

Chief Officer

Holly Rankin
FCIPD
Chief People Officer

Joined the Society in 2024.

Chief Officer

Thomas Simpson
BA Hons
Interim Chief Commercial Officer

Joined the Society in 2014.

Background and career

Prior to joining YBS, Fraser was Chief Digital and Innovation Officer at Virgin Money. Through his career he held a range of roles including Group Chief Operating Officer, Chief Information Officer and Innovation and Change Director. Before Virgin Money his roles included Chief Operating Officer at Kleinwort Benson and CIO of Citizens Bank in the USA.

Skills and experience

Fraser has a wide range of experience across businesses, functions and geographies – including business transformation, IT and change management.

Background and career

Prior to joining YBS, Holly has held roles at Barclays Bank, where she was Managing Director HR, and has previously held the roles of HR director, community banks and wealth at Lloyds Banking Group and Head of HR for the retail network at Santander UK.

Skills and experience

Holly has over 28 years' experience in human resources, including 16 years in financial services and brings a wealth of experience in shaping and leading strategic people plans, covering culture change, talent and succession, reward and leadership capability.

Background and career

Prior to becoming Interim Chief Commercial Officer, Thomas established and led the YBS Commercial Mortgages business for around 5 years, transforming risk, product, process, people and digital capabilities and leading the business expansion. Before this, Thomas held senior risk roles at Yorkshire Building Society, including as Compliance Director, MLRO, and DPO. At Deloitte LLP, he was Director of Risk and Regulation, leading a practice across the Midlands and the North of England. Prior to Deloitte, Thomas worked in strategy and transformation at Navigant Consulting as a Senior Consultant in Retail Banking.

Skills and experience

Thomas brings a broad range of skills and experience, gained during his time in industry and professional services including commercial and P&L leadership, strategy, risk management and transformation.

Introduction Strategic Report Governance Financial Statements Other Information

CORPORATE GOVERNANCE REPORT

A word from the Board Chair

I am pleased to present my first Corporate Governance report since becoming Board Chair in April 2024. It has been a privilege to join the Board of such a long established and purposeful organisation. The mutual values the Society holds dear have remained central to the work of the Board and decision making during the year.

The Board plays a vital role in representing the interests of our current and future members and ensuring we maintain high standards of corporate governance is key to the Society's ongoing success.

Our approach to corporate governance is based on the best practice set out in the principles and provisions of the UK Corporate Governance Code (the Code) published by the Financial Reporting Council (FRC). This report explains how we have complied with the Code in 2024, including the role of the Board and key activities in 2024.

Our Board

During 2024 we said farewell to two longstanding Board members. John Heaps (my predecessor as Board Chair) stepped down from the Board after the Annual General Meeting (AGM) in April 2024. Alison Hutchinson, our Vice Chair/ Senior Independent Director stepped down from the Board at the end of the year after over nine years of service. Jennelle Tilling also stepped down as a Non-Executive Director after three years' service. We thank each of them for their broad and diverse contributions over their respective years of service.

We were pleased to welcome Peter Bole and Janet Pope as Non-Executive Directors on our Board in September and October respectively. Peter has brought strong accounting knowledge and commercial experience, together with relevant UK retail banking experience and provides us with additional cover for our Audit Committee. Janet brings extensive experience in financial services with a particular focus on sustainability, responsible business and diversity and inclusion. She is also the first chair of our new Environmental and Social Purpose Committee which has been formed with effect from 1 January 2025.

During the year we were pleased to welcome our new Chief Financial Officer, Tom Ranger, to the Board following the retirement of his predecessor, Alasdair Lenman. We thank Alasdair for his service over the past seven years as both Chief Financial Officer and Interim Chief Executive for a period.

David Morris, our former Chief Commercial Officer also stepped down from our Board in September 2024.

Following the retirement of Alison Hutchinson, two of our longstanding Non-Executive Directors, Guy Bainbridge and Mark Parsons, assumed the roles of Vice Chair and Senior Independent Director respectively with effect from 1 January 2025.

Board composition and other roles

As a Board we strongly believe in the value of stimulating diverse perspectives in an inclusive environment.

We keep the diversity of our Board under review through our Board Governance and Nominations Committee and an update on our progress during 2024 is provided in the Committee's report.

Our Board Governance and Nominations Committee also keeps the skills and experience of the Board under review and, when reviewing our Board Skills Matrix, it was decided that we would benefit from more recent and practical cyber experience to support the Board. As a result we have appointed an independent Board Cyber Adviser who reviews all relevant information and will attend at least three Board meetings during 2025 to provide his independent perspective.

We believe in creating an environment where, over time, in society at large, there will be a broader, deeper and more diverse pool of talent to serve on boards in a non-executive capacity. To support this, the Board decided to appoint a Board Fellow in conjunction with an organisation called Empowering People of Colour (EPOC). We have identified our first Board Fellow who will attend Board meetings and be mentored by an experienced member of the Board during 2025. This individual is offering his services pro bono in exchange for the experience he will gain. The hope is that, following the fellowship period, this individual will be ready to join another organisation's board as a fully-fledged Non-Executive Director.

Succession planning

In 2024 we have been particularly focused on both Board and Executive succession to ensure we have the right composition not just now but in the future to support the delivery of Our Strategy.

Further details of our work during 2024 can be found in the Board Governance and Nominations Committee report.

Ambitious culture

Our Board and Executive Committee lead by example to cultivate and embed our Ambitious Culture. We have agreed a 'Board Charter' which sets out the high-level principles that we follow. This underpins the Society's four key behaviours: care about people, say it straight, make it happen and reach for better. As a Board we measure our performance against the Charter at the end of each meeting.

Further details on our Ambitious Culture can be found in the Strategic report.

Board effectiveness

As the Society continues to grow, serving more members and customers, it is important that the Board's governance practices continue to evolve. At the end of 2023, we undertook an externally facilitated Board effectiveness review. The outcome of this has informed our plans to build upon the Board's strong governance foundations as part of our Board Effectiveness Action Plan.

Taking into account corporate governance best practice, we have adjusted how our Board spends its time together to ensure that we are focused on the most important strategic trends and factors that will drive the Society's long-term financial strength, resilience and prosperity for our members over the short and long-term. This also means that each of the Board Committees has assumed additional oversight duties. Another important change arising from the review has been the creation of our new Environmental and Social Purpose Committee reflecting the Board's commitment to overseeing key areas relating to the environment, community engagement and social purpose.

Further details on our approach to Board and Committee effectiveness reviews, and the outcomes from the 2023 and 2024 reviews, can be found in the Board Governance and Nominations Committee and Corporate Governance reports.

Stakeholder engagement and member value

As a Board and a mutual we understand the importance of ensuring the Society delivers Member Value and that our stakeholder's voices contribute to Board decisions. Continuing to develop and strengthen our understanding of our member and colleagues changing needs is a key to our work as a Board and the delivery of the Society's Strategy. In addition to our dedicated Non-Executive Director Champions for Members and Colleagues, our Board members have spent time during the year with colleagues, members and customers through branch and call centre visits, Colleague Listening Sessions and Your Time to Talk Events for our Members. This is in addition to the Members, Markets and Competitors insight report that the Board receives at each Board meeting.

Further details on our stakeholder engagement can be found in the Corporate Governance report.

2025 and Beyond

Looking forward to 2025, the Board will continue to oversee the delivery of the Society's Strategy and ensure the Society is serving the interests of our members through promoting financial wellbeing, supporting our customers to have a place to call home and delivering member value. To support this, we will be embedding the work we have done to develop our Board and Committee governance framework and will continue to oversee the embedding of our ambitious culture across the organisation.

Annemarie Durbin
Board Chair

Introduction Strategic Report Governance Financial Statements Other Information

Corporate Governance Statement

For the 2024 financial year we have applied the principles and complied with the provisions of the Code published in July 2018 (available on the Financial Reporting Council's website frc.org.uk) as far as they apply to building societies (as set out in the Building Societies Association (BSA) Guidance available at bsa.org.uk) subject to the following:

- As a mutual organisation we do not have shares or shareholders therefore references to long-term shareholdings in relation to remuneration (Provision 36) do not apply. We do, however, seek to apply the provisions of the Code that reference shareholders as appropriate to our members and in accordance with the BSA's guidance.
- Provision 19 of the Code expects that the Chair should not remain in post beyond nine years from the date of their first appointment to the Board. However, to facilitate effective succession planning the period can be extended for a limited time, particularly in those cases where the chair was an existing Non-Executive Director on appointment. John Heaps, former Chair of the Board, reached nine years of service in November 2023 having joined the Board as Chair of the Board Designate in November 2014 before formally becoming the Chair of the Board at the Annual General Meeting in April 2015. Following careful consideration, and on the recommendation of the Board Governance and Nominations Committee, the Board agreed to extend Mr Heaps' term of office to the end of the Annual General Meeting (AGM) in 2024. Mr Heaps did not take part in the decisions in relation to his term of office. The decision to extend Mr Heaps' term of office beyond nine years, for a short, time-limited period, was specifically to support the succession of the Chair of the Board role and allow for an appropriate handover period with Annemarie Durbin after she joined the Board as Chair of the Board Designate in December 2023. This approach ensured the ongoing continuity and stability of the Board during this period and supported its ongoing effectiveness. Mr Heaps stepped down at the end of the AGM in April 2024.

Board leadership and the Society's purpose

Our Board and Committee architecture

Board

Chair: Annemarie Durbin

Collectively responsible for the long-term success of the Society.

Board Committees

The Board delegates certain matters to Board Committees so that they can be considered in more detail by those directors who have the most relevant skills and experience to do so.

Remuneration Committee	Audit Committee	Board Risk Committee	Board Governance and Nominations Committee	Environmental and Social Purpose Committee
		(Group Risk Committee to 31 December 2024)		(Established with effect from 1 January 2025)
Chair: Debra Davies	**Chair: Guy Bainbridge**	**Chair: Angela Darlington**	**Chair: Annemarie Durbin**	**Chair: Janet Pope**
Oversees the development and implementation of the Remuneration Policy for all colleagues.	Reports to the Board on financial reporting, internal controls and risk management systems, environment social and governance reporting, Internal Audit and External Audit.	Oversees Prudential Risk, Operational Risk and Conduct Risk, Risk Strategy, Appetite and Oversight.	Oversees Board governance, including composition, succession and appointment processes for the Board.	Oversees the Society's environmental and social purpose agenda.

The Terms of Reference for the Board and its Committees are available on our website.

Executive Committees

Executive Committee ('ExCo')	Executive Risk Committee ('ERC')
Chair: Susan Allen, Chief Executive	**Chair: Richard Bowles, Chief Risk Officer**
Oversees and directs the management of all aspects of the Society. All Chief Officers are members.	Oversees day to day risk management activity with delegated authority from the Board Risk Committee.

Committee Changes

At its meeting in December 2024, the Board agreed to:

- Establish an Environmental and Social Purpose Committee as a new Board Committee with effect from 1 January 2025 as set out above.
- Remove the Chair's Committee from the governance structure. The Chair's Committee was an ad hoc committee which dealt with any matters delegated by the Board and was no longer required as working practices have changed.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

Board and Committee Architecture Review 2024

The Committee changes set out above formed part of the outcomes of a detailed review of our Board and Committee Architecture undertaken in 2024. The review took account of the outcomes of our external Board and Committee effectiveness review in 2023 and built on the solid foundations in place to create a framework which supports the delivery of the Society's Strategy and ensures the right topics are covered at the right governance bodies to do so.

The Board is committed to ensuring that its time is devoted, as much as possible, to debating the key strategic choices and priorities which promote the Society's long-term interests and those of our members, whilst ensuring all legal, regulatory and other stakeholder requirements are met in the most effective way.

Each of the Committee Chair's has been engaged in the process and the review considered which key areas of strategic oversight should be delegated to the Board Committees.

The Committees Terms of Reference have been updated to reflect the outcomes of the review and are available on our website.

Climate and environment governance

As set out above, the Board has now established a new Environmental and Social Purpose Committee which will provide oversight of the environmental agenda.

Details of the work of the Committee will be included in the Annual Report and Accounts for 2025.

You can read more about our climate governance in the Strategic report.

Board's responsibilities

The Board is accountable to our members for acting in their best interests. Its role and responsibilities are set out in its Terms of Reference and include:

- Collective responsibility for the success, including long-term success, of the Society.
- Overall management of the Society within a framework of risk management (including approval of risk appetite).
- Establishing the purpose, values and strategy of the Society together with a sustainable business model.
- Oversight of the development of and approving the desired culture, monitoring how this has been embedded and setting the 'tone from the top'.
- Oversight of the Society's operations, supported by the work of relevant Board Committees in accordance with their Terms of Reference, including:
  - delivery of customer outcomes;
  - competent and prudent management;
  - sound planning and risk management;
  - adequate and effective internal controls;
  - adequate accounting and other records;
  - compliance with statutory and regulatory obligations;
  - adequate financial resources; and
  - appropriate risk aligned remuneration systems.
- Review of performance in light of the Strategy and Corporate Plan.

The Board retains certain key matters for its own approval which it does not delegate to any of its committees or any individual.

These are set out in a Schedule of Matters Reserved which can be found on our website.

Introduction Strategic Report Governance Financial Statements Other Information

Governance > **Corporate Governance Report**

Setting our purpose and generating long-term success

The Board is committed to delivering our purpose of providing Real Help with Real Life as well as creating long-term value for our members and other stakeholders through good governance and keeps the Society's purpose and long-term success under review. Some of the key elements that support the Board in its role include:

- **Strong and robust corporate governance framework:** the Board and Committee governance structure supports effective decision making ensuring it aligns with the Society's purpose and strategy. In 2024 this has been supported by the review of the Board and Committee Architecture to ensure an appropriate structure is in place to provide oversight of the delivery of the Society's Strategy.
- **Board composition:** ensuring the Board and its Committees remain fit for purpose, with the right skills and experience, enables it to continue to be effective and able to work for the long-term success of the Society for our members and customers. This is supported by strong succession planning and ongoing reviews of Board composition by the Board Chair and Board Governance and Nominations Committee.
- **Strategy:** ensuring the Society has a clear direction which enables it to address current and future opportunities and challenges.
- **People:** ensuring policies and procedures are consistent with the Society's Strategy, purpose and behaviours.
- **Culture:** an Ambitious Culture and strong behaviours which support the delivery of our purpose and strategy.
- **Fit for Growth:** ensuring that the Society is capability led.
- **Risk management:** ensuring continuous identification and review of principal business risks and how the risks could affect the Society's purpose and long-term success, taking into consideration the agreed risk appetite.
- **Compliance:** good corporate governance ensures that we meet legal and regulatory requirements and avoid any consequences of not doing so.
- **Stakeholder engagement:** engagement with and participation from key stakeholders, such as our members and colleagues, supports decision making and the long-term success of the Society for our members.
- **Brand and reputation:** a clear and effective framework of corporate governance provides confidence to our stakeholders, supporting a positive brand reputation.
- **Environment Social Governance (ESG) strategy:** our ESG commitments and goals support the delivery of our purpose and are now underpinned by the newly established Environmental and Social Purpose Committee.
- **Finance:** ensuring strong capital and liquidity management.

Further information on our priorities, purpose and behaviours can be found in the Strategic report.

Board activities in 2024

Board meetings and other related activities are planned in advance to ensure that the right matters receive the appropriate amount of time and attention. Each meeting agenda generally includes the following:

- Report from the Board Chair.
- Chief Executive report setting out the key updates in relation to performance, including anything which may be affecting or could affect the Society.
- Chief Financial Officer report.
- Member, Market and Competitor Update.
- Board Committee Updates.
- At least one key Strategic Topic for discussion / decision.

Examples of some of the key activities of the Board during 2024 are set out below together with key stakeholder implications:

Key

C Colleagues M&C Members & Customers
G&R Government and Regulators I Investors
P Partners CO Communities

Activity	Key stakeholder implications
Strategy discussions	
Delivery of Our Strategy and 2024 Priorities	C M&C G&R I P CO
Strategic Growth Options	C M&C G&R I P CO
Member Value	M&C
Key strategy updates, such as our Brand Strategy	C M&C G&R I
Budget, Corporate Plan and One Plan (our Transformation Plan underpinning the Corporate Plan and Budget)	C M&C G&R I P CO
Performance, Members, Markets and Customers (in addition to the updates considered at each meeting)	
Reviewed and approved the annual Consumer Duty Assessment.	M&C G&R

Activity	Key stakeholder implications
Finance, Capital, Liquidity and Risk	
Approved the Annual Report and Accounts for 2023	C M&C G&R I P CO
Approved the Half-Yearly report for 2024	C M&C G&R I P CO
Approved the Society's Risk Appetite for 2025	C M&C G&R I P CO
Oversight and approval of the annual Internal Capital Adequacy Assessment Process (ICAAP)	C M&C G&R I
Oversight and approval of the Internal Liquidity Adequacy Assessment Process (ILAAP)	C M&C G&R I
Reviewed the approach and approved the Operational Resilience Self-Assessment	C M&C G&R I P CO
People and Culture	
Discussed the position in relation to Workforce Engagement to satisfy itself that our colleague voice framework continued to be effective	C G&R
Approved the approach to the development and embedding of our Ambitious Culture	C M&C G&R
Governance	
Approved the outcomes of the Board and Committee Architecture Review	C M&C G&R I P CO
Approved the Board Effectiveness Action Plan including actions for 2024	C M&C G&R I P CO
Approved Non-Executive Director and Executive Director appointments on the recommendation of the Board Governance and Nominations Committee	C M&C G&R I P CO

During the year, the Board has continued to focus on the delivery of our new Strategy which was announced in 2023. This has included two strategy focussed sessions during the year which have covered areas including:

- approval of our One Plan (Transformation Plan);
- approval of the approach to developing and embedding our Ambitious Culture;
- the use and application of Artificial Intelligence, including relevant Board training; and
- our ongoing approach to mortgages, savings, commercial, non-commercial lending and strategic growth options.

Engagement with stakeholders

Our Board is committed to maintaining a strong relationship with its stakeholders and recognises the important contribution it makes to achieving the Society's purpose and delivering its strategy. This includes understanding the views, areas of interest and / or any concerns they may have as part of Board decision making.

Further details of how our Board engages with our members, customers and colleagues are set out in the following sections.

In addition, our Board also engages with other stakeholders such as debt investors, regulators, partners (such as brokers, agency proprietors, trade unions), industry bodies and communities as required. The Board considers updates in relation to regulatory matters and inputs as appropriate to the following:

- Response to consultations.
- Membership of industry bodies and involvement in industry conferences and forums.
- Regular updates in relation to key stakeholder activities, such as to our community interest strategy and resilience of key suppliers.
- Feedback from trade unions (through the Remuneration Committee).
- Visits to brokers.

All Board decisions take account of the potential impact on stakeholders with each report to the Board including, where appropriate, details of any consultation undertaken with key stakeholders together with any impact, or potential impact, a decision may have on relevant stakeholders. The performance information provided to the Board also covers key areas relevant to the Society's stakeholders.

For more details on how the wider Society engages with its key stakeholders see the stakeholder section in the Strategic report.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

Our members and customers

As a building society, we are owned by, and are there for the benefit of, our members. We are committed to ensuring the Society is run effectively on their behalf, both now and in the future, and this includes using their feedback to inform the Board's decisions. Examples of how we get this feedback from our members and customers include:

Annual General Meeting	Our Annual General Meeting ('AGM') provides the Board with the opportunity to present to our members details of how we performed during the previous year, our plans for the future and, where circumstances allow, to give them an opportunity to ask questions and provide feedback. In 2024 once again we were able to have members joining us in person and online with those online also being able to vote and ask questions. It is important that our members are able to have their say at our AGM so if they are unable to attend in person or join us online, we strongly encourage all eligible members to exercise their rights to vote. Members were also able to call, email or write with their questions and responses were issued in a timely manner. Voting at the AGM is one of the important ways in which our members can get involved and vote on important matters, including the directors who represent them on the Board. The UK Corporate Governance Code expects that if there is a vote of 20 per cent or more against any resolution put forward by our Board at the AGM, we should give details of how we will consult our members to understand the reason why. The Society has a process in place if this happens. There were, however, no votes of 20 per cent or more against any of the resolutions our Board put forward at the 2024 AGM.
Member Champion / Consumer Duty Champion	The Board has a Non-Executive Director Member Champion role to ensure the continued prominence of our members voice in discussions and support the Board in balancing the short and long-term interests of our members. Our current Member Champion is Non-Executive Director Mark Parsons who is also the Board's Consumer Duty Champion.
My Voice (Online community)	Our My Voice is our online community where members can interact with us and we can learn what is important to them so we can continue to improve and make sure we are getting it right. The community enables members to: ■ Share their views: take part in quick polls, surveys, and discussions with other members. ■ Be heard: have their opinions heard by the right people in our Society. ■ Help us improve: by telling us what we could do better and what they want us to keep doing. ■ Make a difference: understanding we are acting on their feedback and the difference they are making.
Your Time to Talk	We hold Your Time to Talk events to enable members to hear first-hand how we are looking after their interests. In June 2024 we held an online Your Time to Talk event where members were able to listen to a short presentation on Savings Tips and How ISAs can help. There was also an opportunity to ask questions in an interactive session with our senior team, including the Chief Commercial Officer, Director of Marketing and Digital Channels, Director of Savings, Director of Mortgages and Director of Retail Distribution and Transformation. In September 2024 we trialled a complementary approach to our Your Time to Talk events. We asked members to share with us questions on topics that matter most to them and received over 1,400 questions. We then hosted some Question and Answer sessions to respond to the questions which were used across a range of channels as part of our member engagement.
Operational visits	Our Board recognises the contribution visits to our operational areas make to the continued understanding of what is most important to our members and customers. During 2024 this has included: ■ Visits to our call centres where they have met customer facing teams. ■ As part of the October 2024 Board cycle, all Board members engaged in call listening. ■ Branch visits by individual directors which have provided the opportunity to speak to our branch colleagues, members and customers.
Other	Other areas of feedback include: ■ Standing Board agenda item in relation to Member, Customer and Market issues ■ Net Promoter Score ('NPS') tracking. ■ Member case studies. ■ Analysis of profile and behaviour of YBS customer segments. ■ Ad hoc research with members through online surveys or focus groups. ■ Ad hoc insight such as commissioned research.

Our colleagues

We are committed to ensuring we have an effective colleague voice framework so we can engage with, and listen, to colleagues at all levels across the Society.

One of our primary feedback channels is our quarterly Colleague Forum. This has colleague representation from across the Society, and Angela Darlington who is our Non-Executive Director for Workforce Engagement also attends. Angela has held this role since January 2024.

A key role of the Colleague Forum is to help inform better Board discussions and decisions, ensuring colleagues' views are heard and considered. It is designed to explore feedback from colleagues on specific Board topics as well as to capture any other timely feedback colleagues would like to share. Our Colleague Forum continues to be well attended by dedicated representatives from all areas of the Society who come thoroughly prepared to participate fully in discussions. The addition of Colleague Network Chairs as attendees continues to ensure we have a strong, diverse representation at each forum.

After each Colleague Forum, representatives share the outputs with their teams, and Angela provides a summary of colleagues' views to Board. Tina Hughes, Director of Marketing & Digital Channels, and Chair of the Colleague Forum, also shares the outputs with our Executive Committee and any actions are fed back at the next Colleague Forum.

The effectiveness of this feedback loop is an area that continues to strengthen, particularly as members of our Senior Leadership Team continue to rotate their attendance at each forum to directly hear colleagues' views.

Some examples of how Colleague Forum feedback is supporting colleagues across YBS include:

Improving our intranet

We received feedback at the Colleague Forum about our intranet and how it could be improved. This was fed back directly into Board and the Forum Chair played a key role in escalating the prioritisation for the improvements. In late 2023, we successfully moved our intranet to the Cloud and in July 2024 we upgraded to the latest version of the software. This has not only helped to modernise its look and feel, but it is much more engaging for colleagues and has brought improved functionality. Using the latest version also provides the foundations for future technical developments such as personalisation.

Small changes that make a real difference

Our Colleague Forum was engaged as part of our work to provide a great office environment at our Head Office site at Yorkshire Drive, and make the best of the space we have. The Forum was involved in ensuring the space would not only help attract and retain the best talent but also that it was somewhere that was truly inclusive and accessible for all colleagues and promoted wellbeing. This has included providing more space for collaboration and learning and accessible desks for those colleagues who need them.

At the beginning of 2024, we changed our sign in process at head office sites, so leaders had to vouch for colleagues who had forgotten their pass. Feedback at Colleague Forum highlighted frustrations amongst colleagues with this change. We shared this feedback with the Property team and the policy reverted back to the previous procedure, whereby any team member can vouch for someone who has forgotten their pass.

Another small change which has made a big difference is in relation to communications around the appointment of new Executive Committee members. We had several appointments in 2024, and although Society-wide announcements did happen, some colleagues felt we could have done more local communications within the relevant teams. This feedback has helped us share the importance of local communications as a follow-up to formal announcements.

Introduction Strategic Report Governance Financial Statements Other Information

Alongside the Colleague Forum, we have several other important communication channels where colleagues can share their views in confidence:

- We have a flow of regular engagement temperature check surveys to supplement a full engagement survey at year-end.
- All colleagues are encouraged to complete our annual Diversity, Equity and Inclusion survey.
- Board listening sessions continue to be held with colleagues to raise any questions they have directly with our Non-Executive Directors.
- Board members met with around 80 colleagues from various departments as part of the October 2024 Board cycle. The event provided the Board with the opportunity to hear directly about our colleagues lived experience at YBS and enabled colleagues to gain a clearer sense of the role and focus of the Board.
- Colleagues can attend working lunches and 'Ask Me Anything' sessions with our Executive Committee on a regular basis.
- We have a direct link to our Chief Executive via a mailbox with each message receiving a personal response.
- We have effective arrangements in place for reportable concerns to be raised under our Whistleblowing Policy, including a range of channels for individuals to report concerns anonymously should they wish their identity not to be revealed.

For further details see the Whistleblowing section.

All Board and Committee papers are structured to ensure they include details of how colleague views have been considered to inform any recommendations, together with any potential implications for colleagues. The Board also receives an annual assessment and update on our colleague voice framework.

Our culture

Our Board recognises the importance of our organisational culture and the profound impact it has on colleagues and customers, influencing the way we do things and outcomes throughout the business. Throughout 2024 the Board has approved the approach to and provided oversight of the work being undertaken to develop and embed our 'Ambitious Culture' to support the delivery of Our Strategy. A key part of this process has been to ensure that the voices of our colleagues have had a role in this process providing input to help shape our plans.

Work has been undertaken to define our Ambitious Culture and understand what needs to be done to drive it forwards. This has included defining the key characteristics that underpin what we mean by Ambitious Culture, ensuring our headline behaviours are aligned and identifying the key actions which will help create the right conditions for success.

Our culture and behaviours are promoted throughout the organisation by our Board and Executive Team and to support this, the Board and Executive Committee have agreed and adopted a Board and Executive Committee Charter. The Charter sets out the high-level principles they will work to, underpinning the Society's behaviours, to act as a guide and support their activities, discussions and decision making.

Work on our Ambitious Culture will continue into 2025 and the Board will continue to monitor and assess progress on how it is embedded throughout the organisation.

Whistleblowing

We are committed to making sure that anyone, including our colleagues, can be confident that any concerns raised with us will be taken seriously and treated as confidential. Nobody will be the subject of victimisation, subsequent discrimination or disadvantage for reporting their concerns, whatever the outcome.

We advocate a culture of openness, accountability, and integrity whereby individuals feel confident to report and raise genuine concerns, without the risk of experiencing any retribution as a result, even if the concern turns out to be mistaken.

The Society has a Whistleblowing Policy which sets out our approach to whistleblowing. Our whistleblowing processes are intended to ensure that the Society investigates and deals with disclosures fairly, promptly, and properly. This enables the Society to be informed at an early stage about fraudulent, immoral or malicious activities or misconduct, in order to enable appropriate actions to be initiated.

Our Board approves the Whistleblowing Policy on an annual basis and oversees its implementation. The Society also has a Whistleblowing Champion who is a key point of contact for individuals who wish to report concerns. The current Whistleblowing Champion is one of our Non-Executive Directors, Guy Bainbridge.

Directors' duties

Section 172 of the Companies Act 2006 describes the duties of company directors in respect to promoting the business and considering other stakeholders. This does not apply to the Society's Directors as we are a mutual building society not a company, but the UK Corporate Governance Code expects boards to report on how they have considered the matters set out in Section 172 in decision making.

Our Section 172 Statement is set out in the Directors report.

Conflicts of interest

Our Board has a Conflicts of Interest Policy for Directors and Chief Officers which sets out how we will review and, where appropriate, approve any conflicts or potential conflicts of interest. The Policy is reviewed on an annual basis by the Board Governance and Nominations Committee and recommended to the Board for approval.

Any interests and associated conflicts are recorded in a Register of Interests changes to which are monitored by our Board Governance and Nominations Committee.

If any director wants to take on a new external position it must first be approved by our Board, which will consider whether there could be any conflicts of interest and / or an impact on the time they commit to their role with the Society.

Division of responsibilities

Board roles and division of responsibilities

The roles and responsibilities of the Non-Executive and Executive Directors of our Board are set out below:

Non-Executive Directors		
Board Chair	**Vice Chair / Senior Independent Director***	**Non-Executive Directors**
■ Leadership of the Board. ■ Ensures the Board acts effectively, promoting high standards of corporate governance. ■ Leads annual review of the performance of the Board, its Committees, and directors. ■ Identifies ongoing development needs of the Board. ■ Leads the Board in the approval of the Society's Strategy, Corporate Plan, One Plan, Budget, Risk Appetite, Capital and Liquidity Plans and Culture.	■ Deputises for and provides support and guidance to the Board Chair. ■ Acts as an intermediary for other directors. ■ Leads the performance evaluation of the Board Chair. ■ Acts as the main point of contact for the Society's members should the normal channels of communication fail.	■ Responsible for bringing independent judgement to Board decisions and debate. ■ Use their own experience and skills to constructively challenge the Executive Team.

* As part of the review of Board and Committee Architecture it was agreed to separate the Senior Independent Director and Vice Chair into two separate roles with effect from 1 January 2025 taking into account the different areas of focus.

Executive Directors	
Chief Executive	**Executive Director**
■ Overall responsibility for managing the Society. ■ Implements the strategies and policies agreed by the Board, supported by the Executive Team, through a number of management and risk committees.	■ Responsible for the day-to-day management of specific areas of the business including maintaining the Society's financial strength and sustainability. ■ Brings associated skills and knowledge to the Board.

The Society has also appointed a Group Secretary in accordance with the Rules who is responsible for advising the Board Chair and the Board as a whole on all corporate governance matters.

Independence

All the Non-Executive Directors continue to be considered independent based on the guidance in the Code and as set out in the *Our Board and Executive Team* section. The Board Chair was considered to be independent on appointment.

Alison Hutchinson, Senior Independent Director / Vice Chair to 31 December 2024, reached 9 years of service on the Board in February 2024. It was agreed that she would remain on the Board for a short period beyond this time in order to provide a key point of stability and continuity during the process of transition for the Board Chair role to ensure both key roles did not change within the same timeframe. In accordance with the Code, the Board considered the ongoing independence of Mrs Hutchinson taking into consideration that she would serve on the Board for a short-time beyond nine years from her date of appointment. The Board agreed that she would remain independent in both character and judgement, had no other significant links with the Society and would continue to make and effective and valuable contribution. In accordance with succession plans, Mrs Hutchinson stepped down from the Board on 31 December 2024.

Attendance at Board and Committee meetings

The table below shows our directors and the scheduled Board and Committee meetings they attended during 2024 (where they were a member during the year) followed by the number of meetings the director was eligible to attend.

			Board Committees				
Director	**Board**	**Board Strategy**	**Chair's[1]**	**Audit**	**Board Governance and Nominations**	**Remuneration**	**Board Risk^**
Board Chair							
Annemarie Durbin[2]	8/8	2/2	No meetings required in 2024[1]	–	2/2	–	–
John Heaps[3]	4/4	–	No meetings required in 2024[1]	–	2/2	–	–
Non-Executive Directors							
Guy Bainbridge	8/8	2/2	–	4/4	4/4	–	4/4
Peter Bole[4]	3/3	1/1	–	0/1	–	–	–
Angela Darlington	8/8	2/2	–	4/4	–	–	4/4
Debra Davies	7/8	2/2	–	–	–	5/5	4/4
Alison Hutchinson[5]	8/8	2/2	No meetings required in 2024[1]	–	4/4	5/5	4/4
Dina Matta	8/8	2/2	–	–	–	5/5	–
Mark Parsons	8/8	2/2	–	4/4	–	–	4/4
Janet Pope[6]	2/2	1/1	–	–	–	–	–
Jennelle Tilling[7]	8/8	2/2	–	–	–	5/5	–
Executive Directors							
Susan Allen	8/8	2/2	No meetings required in 2024[1]	–	–	–	–
Alasdair Lenman[8]	4/4	–	–	–	–	–	–
David Morris[9]	5/5	1/1	–	–	–	–	–
Tom Ranger[10]	4/4	2/2	–	–	–	–	–

^ (Group Risk Committee to 31.12.2024)

1. Meetings only held when required to consider ad hoc matters specifically delegated to it by the Board. The Chair's Committee has been removed from the Board governance structure with effect from 1 January 2025.
2. Annemarie Durbin became Board Chair and Chair of the Board Governance and Nominations Committee on 23 April 2024.
3. John Heaps stepped down as Chair and a member of the Board on 23 April 2024.
4. Peter Bole joined the Board and became a member of the Audit Committee on 1 September 2024.
5. Alison Hutchinson stepped down from the Board on 31 December 2024.
6. Janet Pope joined the Board on 29 October 2024.
7. Jennelle Tilling stepped down from the Board on 31 December 2024.
8. Alasdair Lenman stepped down from the Board on 23 April 2024.
9. David Morris stepped down from the Board on 2 September 2024.
10. Tom Ranger joined the Board on 18 June 2024.

In 2024, in addition to the scheduled meetings set out in the table, the following formal ad hoc meetings were held:

- One meeting of the Board Governance and Nominations Committee.
- Two meetings of the Remuneration Committee.
- One meeting of the Board Risk Committee (formerly Group Risk Committee).

If a director cannot attend a meeting, they will receive the papers and provide any comments they have to the Chair of the meeting beforehand.

The Board Chair and Chief Executive are invited to attend all Committee meetings and the Chief Risk Officer is invited to attend all Board meetings.

If an urgent decision is needed when there is not a Board meeting a decision can be taken in writing (known as a written resolution) if there is approval from all directors (or members in the case of a committee). Our Rules set out the procedure for written resolutions and this was used during the year:

- Ten times by the Board.
- Two times by the Board Governance and Nominations Committee.
- Three times by the Audit Committee.
- Four times by the Remuneration Committee.

Directors' time commitment and other directorships

All Non-Executive Directors are expected to ensure that they have enough time for the responsibilities of their role and to support this:

- Availability and other commitments are reviewed and considered when recruiting and prior to appointing new Non-Executive Directors.
- Each Non-Executive Director has a letter of appointment which sets out the expected time commitment for the role.
- If a Director is intending to take on an additional external appointment this is reviewed and, if appropriate, approved before it is taken up. Our Board will consider the impact any additional role would have on the time they could commit to their role with the Society.
- A review of time commitment is also included as part of the one-to-one sessions held each year with individual directors.

Prior to appointment the significant commitments, including the time involved, for Non-Executive Directors is disclosed and reviewed. For 2024 this included:

- Peter Bole, Non-Executive Director – joined the Society in September 2024.
- Janet Pope, Non-Executive Director – joined the Society in October 2024.

There were no significant appointments which required approval for existing Non-Executive Directors, however, the Board Governance and Nominations Committee continued to monitor all commitments throughout the year through the Register of Interests.

None of the Executive Directors have held any non-executive directorships in a FTSE100 company during 2024.

During 2024 a review of the Board and Committee Architecture has been completed which was approved by the Board in December 2024. In conjunction with this an extensive review of Non-Executive Director time commitment and fees has also been undertaken, including an external benchmarking exercise. As a result of the review, and taking into account the increased requirements of the Non-Executive Director role and the outcomes of the time commitment and fees review, the non-conflicted members of the Board (ie. the Executive Directors and Board Chair) agreed a revised time commitment for all Non-Executive Directors (excluding the Board Chair) together with the associated fees effective from 1 January 2025. Revised letters of appointment have been issued to all Non-Executive Directors.

Introduction Strategic Report Governance Financial Statements Other Information

Composition, succession and evaluation

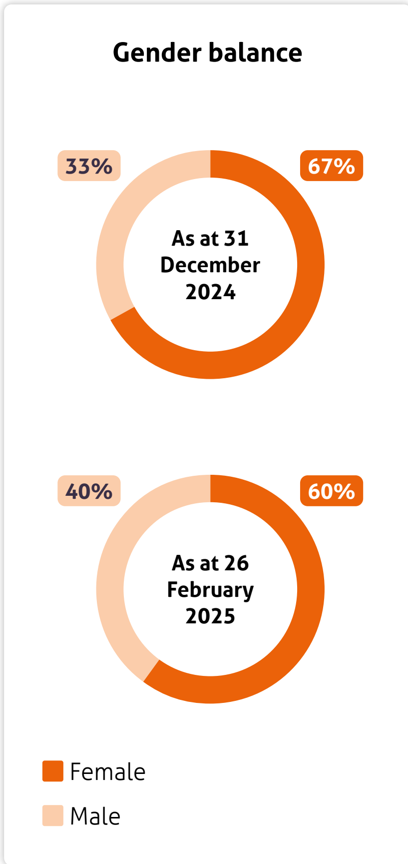
Election and re-election of directors

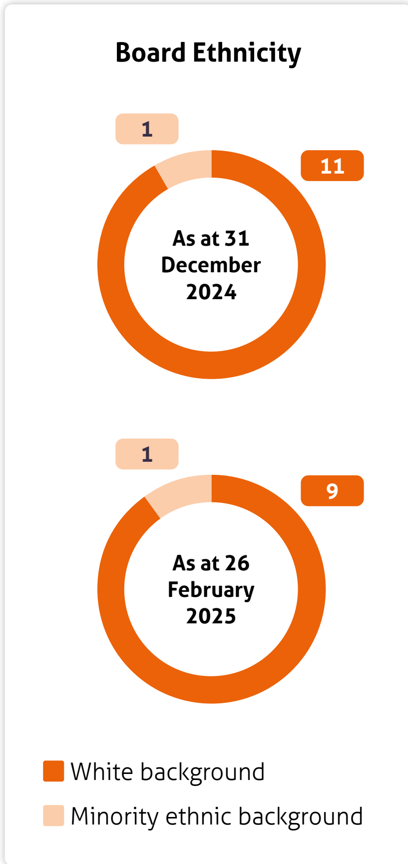
All of our directors are subject to election on appointment and annual re-election by our members at the AGM based on the best practice set out in the Code (our Rules require the re-election of our directors to take place at least once every three years).

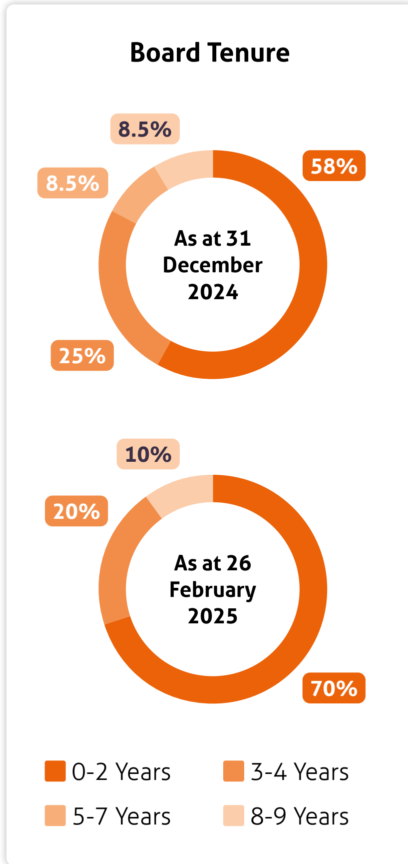
Details of each individual director's contribution are set out in the booklet accompanying the Notice of AGM sent to all qualifying members. The profiles in the *Our Board and Executive Team* section, and available on our website, also set out the skills and experience of individual directors.

Board composition

Details of the composition of the Board are set out below for both the period end, 31 December 2024, and 26 February 2025 noting that Alison Hutchinson and Jennelle Tilling stepped down from the Board on 31 December 2024.







Further information in relation to Inclusion and Diversity can be found in the Board Governance and Nominations Committee report.

Tenure

A summary of the tenure of the current Board is set out in the *Board composition* section.

Annual Board effectiveness review 2023

As reported in the Annual Report and Accounts for 2023, an external Board effectiveness review of the Board and its Committees was undertaken in 2023 facilitated by Lintstock Consulting. The outcomes were discussed by the Board at its meeting in January 2024 and were used to inform the Board Effectiveness Action Plan actions for 2024. Key themes for the 2024 Action Plan together with progress made during the year are set out below:

Theme	Background	Update
Succession planning	Continuing to ensure robust succession planning and induction is in place for all Board and Executive Committee roles.	Non-Executive, Executive and Chief Officer succession planning are a key part of the role of the Board Governance and Nominations Committee which reviews updates at each meeting and identifies any actions arising. Work has been undertaken to refresh the Board Skills Matrix in 2024 to support the Committee in its work.
Board and Executive Committee Ways of Working	Creating a Board and Executive Committee Charter setting out Ways of Working.	A new Board and Executive Committee Charter has been agreed in 2024 setting out key Ways of Working underpinning the Society's behaviours.
Board and Committee Architecture	Ensuring that there is space on Board and Committee agendas for high quality debate focussed on key strategic items.	A full review of Board and Committee Architecture has been completed during 2024 and the outcomes approved by the Board for implementation from 1 January 2025. Further detail on the review is provided earlier in this report.

Annual Board effectiveness review 2024

As an external review was completed in 2023, an internal effectiveness review process was undertaken in 2024. Taking into account the detailed external review undertaken by Lintstock together with the work being undertaken to deliver the Board Effectiveness Action Plan, it was agreed that an internal review would be completed in Quarter 4 2024. The purpose of the review was to focus on the actions identified and progress made against the recommendations from the external review.

The outcomes of the review were discussed at the Board meeting in January 2025 and there were no significant issues arising.

Further details will be provided in the *Annual Report and Accounts* for 2025.

For further details on the process followed for the Board and Committee evaluations please see the Board Governance and Nominations Committee report.

Board training and development

The Board has a formal Training Plan to ensure that there is an overarching plan in place for the Board as a whole which sets out the training and development requirements for the year. The Training Plan is agreed and overseen by the Board Governance and Nominations Committee on behalf of the Board and takes account of future strategy, key topics which would benefit from an external perspective, annual Board Effectiveness Review, Board Skills Matrix, succession plans and regulatory and governance expectations.

The Training Plan covers those development areas which are required for the Board as a whole, with individual training and development incorporated into personal development plans.

As part of the Board Training Plan, a range of topics are identified for external speakers / facilitators to provide the Board with an external perspective to support strategy discussions and Board decision making.

During 2024 key Board training and development topics included:

- Ways of Working
- Cyber Security
- External Markets and Environment
- Artificial Intelligence

The formal Board Training Plan is also complemented by self-directed and continual learning by directors together with operational visits such as colleague listening and branch visits.

In order to provide the Board with additional support, in 2024 the Board Governance and Nominations Committee agreed the appointment of an independent Cyber Security Adviser. Whilst the work completed to refresh the Board Skills Matrix identified that there was strong level of experience on the Board, it was agreed that the appointment would supplement those existing skills and ensure the Board has access to recent and relevant experience together with independent advice.

Executive and Non-Executive Director Induction Plans

Full, formal, and tailored induction plans are put in place for all Executive and Non-Executive Directors on joining the Board, based on their skills and experience. For Non-Executive Directors this includes a specific induction programme for any Committees they will be joining. Role specific inductions are also arranged where a director takes on a new role or Committee membership as appropriate.

The Board Governance and Nominations Committee monitors the completion of all Executive and Non-Executive Director induction plans.

For 2024 that has included:

- Completion of the induction plan for Annemarie Durbin, Board Chair.
- Induction Plan for Peter Bole as both a Non-Executive Director and member of the Audit Committee.
- Induction Plan for Janet Pope as a Non-Executive Director.
- Induction Plan for Tom Ranger as Chief Financial Officer and Executive Director.

All current induction plans will continue to be monitored until completion in 2025.

More information on our Board is available in other sections of this document:

Succession planning for the Board	**See the Board Governance and Nominations Committee report.**
Skills and experience of our Board and Committees	**See Our Board and Executive Team profiles.**
Recruitment and appointment of Directors	**See our Board Governance and Nominations Committee report.**
Board diversity and inclusion	**See our Board Governance and Nominations Committee report.**

Audit, risk and internal control

Our Board has overall responsibility for audit, risk and internal control, and delegates oversight to its committees:

Ensuring that both internal and external audit are effective	**More information can be found in the Audit Committee report.**
Setting our risk appetite	**More information can be found in the Risk Management report.**
Our systems of internal controls	**More information on the internal controls framework can be found in the Audit Committee report.**

The Board receives quarterly reports from the Chief Risk Officer to enable it to monitor the effectiveness of the risk management framework and internal controls systems. The Board Risk Committee (formerly Group Risk Committee) reviews the effectiveness of the risk management framework. The Audit Committee reviews the effectiveness of internal controls at least annually with the outcomes reported to the Board by the Audit Committee Chair.

Remuneration

Our Board has a Remuneration Committee which has delegated responsibility for setting the policy on the remuneration of Executive Directors as well as setting the remuneration for the Board Chair and other members of the Leadership Team.

For further details please see the Directors' Remuneration report.

The remuneration of Non-Executive Directors is a decision reserved for the Board's approval and is reviewed by the Executive Directors and the Board Chair only.

Annemarie Durbin
Board Chair

26 February 2025

BOARD GOVERNANCE AND NOMINATIONS COMMITTEE REPORT

A word from the Board Governance and Nominations Committee Chair

I am pleased to introduce my first report since becoming the Chair of the Board Governance and Nominations Committee.

The Committee's role is critical to ensure that the Board has the right governance structure, skills, knowledge, experience, diversity, and succession plans to deliver on the Society's purpose, vision and strategy.

In 2024 there has been particular focus on Board succession with three Non-Executive Directors and two Executive Directors stepping down from the Board during the year. Two Non-Executive Directors and one Executive Director joined the Board and we appointed an independent Board Cyber Security Adviser. We updated and actively utilised the Board Skills Matrix to assist us to identify the skills that we needed as the Board's composition evolved.

To support the development of a broader array of diverse Board ready candidates in the UK, we partnered with Empowering People of Colour (EPOC) and Korn Ferry to identify and appoint a Board Fellow who will attend and participate in Board meetings during 2025.

During the year, we reviewed the Society's Board and Committee governance structures. This included the formation of a new Board Committee that will focus on the important topics of environmental sustainability and social purpose. At each Board meeting, we made space to discuss key strategic topics whilst tasking each of the Board Committees to oversee important risk, governance and control matters.

We plan to consolidate and embed the changes made this year during 2025. In addition the Committee will assume oversight responsibilities for the Society's executive governance structures to ensure that there continues to be effective linkages between Board and Executive level governance.

Annemarie Durbin
Board Governance and Nominations Committee Chair

Board Governance and Nominations Committee members and meetings

The members of the Committee during 2024 were:

Annemarie Durbin
Board Chair

Guy Bainbridge
Independent Non-Executive Director/ Vice Chair (from 1 January 2025)

Mark Parsons *
Senior Independent Director (from 1 January 2025)

Angela Darlington *
Board Risk Committee Chair (formerly Group Risk Committee)

* Joined the Committee from 1 January 2025 following the Board and Committee Architecture review.

Alison Hutchinson (former Senior Independent Director / Vice Chair) was a member of the Committee to 31 December 2024 when she stepped down from the Board.

John Heaps (former Board Chair) was Chair of the Committee to 23 April 2024 when he stepped down from the Board.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

For more details on the Board and Committee Architecture review see the Corporate Governance report.

The majority of members of the Committee are and will continue to be independent Non-Executive Directors in accordance with the UK Corporate Governance Code (the Code).

Only members of the Committee are entitled to attend its meetings, although others may be asked to attend all or part of a meeting. The Chief Executive, Chief People Officer and Group Secretary are usually invited to attend each meeting.

The Committee held four scheduled meetings in 2024 and one ad-hoc meeting to discuss Executive succession.

Details of the number of scheduled Committee meetings attended by each member is available in the Corporate Governance report.

Board Governance and Nominations Committee responsibilities

The responsibilities of the Board Governance and Nominations Committee include:

- Reviewing the structure, size and composition of the Board taking into account succession plans, the Board's Diversity Statement and the Board Skills Matrix.
- Overseeing succession planning for the executive and senior leadership teams and the development of diverse pipelines.
- Reviewing the approach to the annual evaluation process for the Board and its Committees.
- Overseeing the appointment process for Non-Executive Directors, Executive Directors and other key Board roles.
- Agreeing the training plan for the Board on at least an annual basis.
- Reviewing governance arrangements and monitoring corporate governance developments, making recommendations to the Board where appropriate.
- Reviewing and recommending to the Board the Directors and Chief Officers Conflicts of Interest Policy for approval and monitoring potential conflicts.
- Reviewing and recommending to the Board the Board Diversity Statement for approval.

Following the review of Board and Committee Architecture, from 1 January 2025 the Committee will also be responsible for the oversight of subsidiary governance, executive governance and the appointment of Pension Scheme Trustee Directors.

Further detail on the role and responsibilities of the Committee can be found in the terms of reference which are available on our website.

Further information in relation to Board training and conflicts of interest can be found in the Corporate Governance report.

Corporate governance

The Committee is responsible for the oversight of Board governance and ensuring we work within a strong corporate governance framework. During 2024 this has included:

- Leading on the review of Board and Committee Architecture on behalf of the Board. Further details on the Board and Committee Architecture review can be found in the *Corporate Governance report.*
- Annual review of the Society's compliance with the Code (as it applies to a building society).
- Review the Corporate Governance report and the Board Governance and Nominations Committee's report and recommend to the Audit Committee and the Board that they be included in the Annual report and Accounts.
- Oversight of corporate governance developments with any changes required as a result agreed or recommended to the Board as appropriate to ensure the corporate governance framework is based on best practice, including changes to the Code published by the Financial Reporting Council (FRC) in January 2024.
- Oversight of the Board Effectiveness Action Plan monitoring delivery of the key actions for 2024 which will continue to strengthen the Board governance framework.

Succession planning

The Board remains committed to ensuring it has the right composition both now and in the future to enable it to provide the right oversight to support the delivery of Our Strategy and the long-term success of the Society. The Board Governance and Nominations Committee works on behalf of the Board to keep under review the size, composition and skills mix of our Board and its Committees.

The Committee ensures that effective succession plans are in place to ensure that any impact on Board continuity is appropriately managed during periods of transition, particularly in relation to key roles. This includes ensuring future recruitment requirements for Non-Executive Directors are planned and reflect the ongoing and future skills requirements of the Board.

The Board Governance and Nominations Committee uses a range of information to support its work in relation to succession planning including:

Board Skills Matrix	Based on a self-evaluation by directors of their skills and experience. The information this provides supports the Committee in its succession planning and recruitment exercises to ensure the Board and its Committees have the skills they need. In 2024 the Committee completed a detailed review of the approach to the Skills Matrix to ensure it continued to provide key insight into the current balance of skills and experience to inform future recruitment and succession planning.
Board Committee Membership and Key Non-Executive Director Roles	Setting out current Board Committee membership, composition, and any future requirements, together with other key roles held by Non-Executive Directors, such as the Non-Executive Director for Workforce Engagement.
Board Diversity Statement and Diversity Data	Setting out our Board's commitments to inclusion and diversity and understanding the composition of our Board.
Non-Executive Director Succession Timeline	Setting out appointment dates, terms of office and expected retirement dates for Non-Executive Directors including key roles such as the Board and Committee Chairs.
Chief Officer and Director Succession Plans	Enabling the Committee to have oversight of the talent pipeline for senior roles and understand any opportunities or risks.
Contingency Planning Procedure	Whilst the Committee monitors and plans for future succession planning it recognises that emergency situations could arise. As such it has an agreed Contingency Planning Procedure to ensure plans are in place for unexpected circumstances.

The Committee continued to oversee succession planning in 2024, for Non-Executive Directors this included taking account of the tenure of existing directors and current and future skills requirements whilst balancing the need for stability and continuity during a period of transition for key roles.

During 2024 the Committee had an important role in providing oversight of succession planning for the Executive Committee, supporting the Chief Executive through the appointment process for Chief Officer roles and the development of strengthened succession plans and talent pipelines. This will continue in 2025 as the Committee supports the Board in providing oversight of the effectiveness of the Executive Team.

Recruitment of Non-Executive Directors, Executive Directors and Key Board roles

The Committee leads the recruitment of new Non-Executive and Executive Directors on behalf of the Board ensuring robust recruitment and appointment processes are followed. All recruitment is undertaken taking account of succession plans and the current and future composition requirements of the Board and its Committees. During 2024, the Committee has also led the processes for the appointment of a Board Cyber Security Adviser and Board Fellow in partnership with EPOC.

Non-Executive Directors

In 2024 recruitment processes were undertaken for two new Non-Executive Directors. For each appointment, the Committee agreed a person specification setting out the key requirements for the role and a comprehensive recruitment process was completed, including formal interviews and meetings with key Board stakeholders. As a result the Committee recommended the following appointments to the Board:

- **Peter Bole** – who brought strong accounting knowledge and commercial experience, together with relevant UK retail banking experience, to the Board and further strengthened the composition of our Audit Committee.
- **Janet Pope** – who brought extensive experience in financial services with a particular focus on sustainability, responsible business and inclusion and diversity.

Russell Reynolds Associates was appointed to lead the search which identified Peter Bole as the preferred candidate. They have previously assisted the Society in the recruitment of Annemarie Durbin, Board Chair in 2024; Debra Davies, Chair of Remuneration Committee in 2024; and Guy Bainbridge, Chair of Audit Committee in 2018. Russell Reynolds is signed up to the Enhanced Voluntary Code of Conduct for Executive Search Firms which meets the preferred approach for YBS as set out in the Board Diversity Statement.

As a general rule, the Committee will use an external search agency and / or open advertising to assist in Non-Executive Director recruitment processes. However, there are some circumstances where other processes are deemed appropriate.

For example, the process which identified Janet Pope as the preferred candidate was internally led, supported by a market mapping exercise. This was due to the specialist nature of the requirements for the role which was intended to be the Chair of the new Environmental and Social Purpose Committee (formed with effect from 1 January 2025). Two candidates were interviewed with Janet emerging as the preferred candidate. As with any Board appointment, external references were provided before Janet's appointment.

Introduction Strategic Report Governance Financial Statements Other Information

Executive Directors

During 2024 the Committee oversaw the recruitment process for a Chief Financial Officer and Executive Director to succeed Alasdair Lenman following his retirement. Following the decision to commence a recruitment process, Carbon Leadership LLP was appointed to lead the search. Carbon Leadership does not have any previous connections with the Society in this respect.

A robust recruitment process was undertaken including a long and short-listing process, fire side chats, formal interviews and meetings with current Board directors together with an external assessment process. Tom Ranger was identified as the preferred candidate bringing over 25 years' experience in financial services with deep experience across all areas of Treasury, including funding, capital and liquidity management, investor relations and enterprise-wide stress testing.

Other roles

As part of the ongoing review of the Board Skills Matrix and Board composition it was agreed that, whilst there was a strong level of experience on the Board in relation to cyber security, a new Board Cyber Security Adviser would be appointed to supplement this and ensure the Board had ongoing access to recent and relevant experience.

The Committee led the process to seek an appropriate independent adviser and as a result it was agreed to appoint Colin Slater with effect from September 2024. Colin has brought significant experience in relation to cyber security and will act as an independent voice for the Board to consider risk and resilience challenges.

In 2024 the Committee agreed to partner with EPOC with a view to participating in their Board Fellowship programme. Korn Ferry have supported the Society in the process as a recruitment and development partner bringing with them a strong understanding of our values, behaviours and culture. Following a comprehensive process, the Committee agreed the appointment of a preferred candidate. The Board Fellow will attend and participate in Board meetings during 2025.

Details of the induction process for Non-Executive and Executive Directors are set out in the Corporate Governance report.

Board diversity

We place great importance on having an inclusive and diverse Board and workforce generally. Our Board has agreed a Diversity Statement to support this ambition, which is reviewed by the Board Governance and Nominations Committee and approved by the Board each year.

A summary of progress against the key aspects of the Statement is set out below:

Use of specialist recruitment agencies that have signed up to the Standard Voluntary Code of Conduct of Executive Search firms for the appointment of Directors, with a preference for those signed up to the Enhanced Code	Russell Reynolds Associates was appointed to support the search for a new Non-Executive Director and Carbon Leadership for an Executive Director and both are signed up to the Voluntary Code of Conduct for Executive Search Firms.
At least 40% of Board Directors will be women	The percentage of women on the Board as at 31 December 2024 was 67% and exceeded the target. Following Alison Hutchinson and Jennelle Tilling stepping down from the Board on 31 December 2024, the percentage of women on the Board as at 26 February 2025 is 60%. For prior years see the *Board composition* section of the *Corporate Governance report.*
At least one of the senior Board positions (Chair, Chief Executive Officer or Senior Independent Director) should be women	As at 31 December 2024 all three senior Board positions were held by women. Following Alison Hutchinson stepping down from the Board on 31 December 2024, and as such her role as Senior Independent Director, as at 26 February 2025 two senior Board positions (Chair and Chief Executive Officer) were held by women and the target continued to be met.
At least one member of the Board should be from an ethnic minority background excluding white ethnic groups	There was one member of the Board from an ethnic minority background as at 31 December 2024 (and as at 26 February 2025) and, as such, the target is being met.
Further increase Board diversity in order to enhance effectiveness and embrace the talents of people from all backgrounds	Our Board places great emphasis on ensuring its membership reflects diversity in its broadest sense. Consideration is given to demographics, skills, experience, race, age, gender, disability, educational and professional background, and other relevant personal attributes. In ensuring an appropriate balance of all these factors the Board can provide the range of perspectives, insights and challenge needed to support good decision making. The Committee regularly reviews the composition of the Board to ensure that it has the balance of skills, experience, independence and knowledge through its diverse composition to remain effective.

Diverse talent pipelines

As part of its role the Committee oversees senior leadership succession plans and the diversity of the talent pool for future vacancies.

We have signed the HM Treasury's Women in Finance Charter and are committed to improving gender balance, particularly at senior levels in our organisation. By way of further information, we had the following percentages of women colleagues at 31 December 2024 (and for comparison 2023):

	31 December 2024 %	31 December 2023 %
Executive Committee	**28.6**	42.9
The Leadership Team immediately below our Board (as set out in the UK Corporate Governance Code)		
Senior Managers	**49.1**	49.2
Our colleagues in roles Grade E or above (in accordance with our commitments under the Women in Finance Charter)		
All Colleagues	**60.4**	61.1

For more details on our colleagues and inclusion and diversity please see the Strategic report.

Board and Committee effectiveness reviews

The Board Governance and Nominations Committee agrees the annual effectiveness review process for the Board and its Committees.

As an external review was completed in 2023 in accordance with the Code which requires an external review every three years, it was agreed that an internal effectiveness review process be completed for the Board and its Committees in 2024 based on a questionnaire approach.

Further details on the appointment of the approach to the review can be found in the Corporate Governance report.

Board Chair

Our Senior Independent Director meets with our Board Chair twice a year on behalf of our Board to review the Chair's performance. The review incorporates feedback from key stakeholders including the Executive and Non-Executive Directors.

The annual review for 2024 was completed by Alison Hutchinson, as Senior Independent Director, in December 2024 prior to her stepping down from the Board. The outcomes were reported to the December 2024 Board meeting without the Board Chair present.

Non-Executive Directors

The Board Chair has twice yearly meetings with each Non-Executive Director to review their performance, discuss any areas for development and review ongoing time commitment.

Executive Directors

Executive Director evaluations are carried out by our Chief Executive, (or the Board Chair in the case of the Chief Executive), against agreed objectives.

The Board Chair meets with the Non-Executive Directors at least annually to consider the performance of management and the Executive Directors.

Board Governance and Nominations Committee effectiveness review

Following the external review completed by Lintstock in 2023, the Committee undertook an internal effectiveness review in 2024 based on a questionnaire approach.

The Committee considered the outcomes of the 2024 effectiveness review at its meeting in January 2025. There were no urgent or significant actions, however, the Committee has identified the following areas for focus during 2025:

- Continued oversight of Executive Succession.
- Oversight of the effectiveness of the new Board and Committee Architecture.
- Development of its new role in respect of Executive Governance oversight.

Annemarie Durbin
Board Governance and Nominations Committee Chair

26 February 2025

Introduction Strategic Report Governance Financial Statements Other Information

AUDIT COMMITTEE REPORT

A word from the Chair of the Audit Committee.

I am pleased to present our 2024 Audit Committee report which sets out the Audit Committee's role and its key activities during the year, including its review of financial reporting matters, oversight of the Group's internal controls, and its internal and external auditors.

I am most grateful to my fellow Committee members for the diligence with which they contribute to the Committee's work, and to management for the time and effort they put in to ensure the Committee remains effective.

During the year we have spent considerable time assessing progress in strengthening the Group's control environment to meet external threats and regulatory requirements, and to protect our members' interests. We have also considered the impact of the changes in senior management of the Group over the last two years, and what we need to be fit for purpose for our future. We continued to oversee developments in our internal audit function, including progress against its strategic priorities and the results of its quality assurance programme. We have remained focused on the impacts of the economic environment, notably interest rates, inflation, and unemployment, and regulatory and legislative developments upon our current and future business. The Board delegated responsibility for the oversight of the Group's annual Environmental, Social and Governance (ESG) Report to the Committee in 2023 and we approved the 2023 report in June 2024, following the introduction of a regular Committee meeting to meet the ESG Report timetable.

In 2025, the Audit Committee will continue its work to protect the interests of all of the Group's stakeholders.

Guy Bainbridge
Chair of the Audit Committee

26 February 2025

Audit Committee membership

The members of the Audit Committee are:

Guy Bainbridge
Committee Chair
Independent Vice Chair

Mark Parsons
Senior Independent Non-Executive Director (from 1 January 2025)

Peter Bole
Independent Non-Executive Director

Angela Darlington
Independent Non-Executive Director

Only members of the Audit Committee are entitled to attend its meetings, although others may be asked to attend all or part of a meeting. Our Chair of the Board, Chief Executive, Chief Financial Officer, Chief Internal Audit Officer and the external auditor were invited to attend all meetings in 2024, along with other members of our Leadership Team and Senior Managers where the Audit Committee felt it was beneficial.

We had four Audit Committee meetings in 2024. The meetings began with a private session between the invited members of the Leadership Team and the Audit Committee members and generally finished with a private session between the Audit Committee members and our internal and external auditors. These private sessions allow the Audit Committee to discuss confidential matters, which may not be appropriate to discuss in the main Audit Committee itself. We also used the Written Resolution process three times where matters required review and approval outside of the planned meeting schedule.

Details on the number of meetings attended by each of the Audit Committee members during 2024 are shown in the Corporate Governance report.

Our Board appoints members to the Audit Committee and takes into account the requirements of the UK Corporate Governance Code ('the Code'), as far as they apply to building societies, when considering who should be a member. In line with the Code, all members have to be independent Non-Executive Directors, at least one member must have 'recent and relevant financial experience' and the Audit Committee as a whole should have experience in the financial services sector.

The Code was updated in 2024 and you can find out more about the Code, and how it applies to building societies, in the Corporate Governance report.

In 2024, all the members of the Audit Committee were independent Non-Executive Directors, and all have recent and relevant financial experience gained through the qualifications they hold and the roles they have held or currently hold with other organisations. The Committee welcomed the appointment of Peter Bole, who joined the Society and Audit Committee in September 2024. Peter's recent and relevant financial services experience will ensure our continuing strong compliance with the Code requirement, bringing significant financial services experience in the Retail Banking and Insurance sector, with particular experience during periods of growth and transformation.

The Audit Committee benefits from a diverse range of expertise in the areas of auditing, finance, risk and transformation with particular emphasis on the financial services sector. Altogether, this ensures that the Audit Committee has the required competence in the financial services sector.

You can find out more about the skills, qualifications and experience of the Audit Committee members in the directors' biographies in the Our Board and Executive Team section.

The roles and responsibilities of the Audit Committee are explained in its Terms of Reference, which set out the areas on which it provides oversight or guidance to the Board. You can find them on our website.

Key financial reporting matters

Providing our stakeholders with complete, accurate and relevant financial information is critical to ensuring that the Society maintains their trust. The Audit Committee is responsible for ensuring that the key accounting policies, estimates and judgements used in our financial statements are appropriate. To help the Audit Committee achieve this, it receives reports from management and our external auditor, PwC.

Introduction Strategic Report Governance Financial Statements Other Information

Significant financial reporting matters considered by the Audit Committee since the last Annual Report and Accounts

Matters Considered	Key Activities 2024
Expected credit losses	The calculation of impairment for a portfolio of mortgage loans is inherently uncertain. Expected credit losses ('ECL') are calculated using historical default and loss experience but require judgement to be applied in predicting future economic conditions (e.g. interest rates and house prices) and customer behaviour (e.g. default rates). Understanding the Group's exposure to credit risk and ensuring that the assumptions feeding into our ECL models are appropriate, are key priorities for the Audit Committee. The Audit Committee continued to challenge management on the selection of economic assumptions, and the relative weighting of the range of economic scenarios, given they have a material impact on ECL, to demonstrate that these decisions appropriately reflected economic conditions and the outlook for unemployment, bank rate and house prices. The general outlook of the economy in 2024 has been positive and relatively stable when compared to 2023. The Committee have considered the external economic environment and the potential future impacts on members and updated economic assumptions have been applied to the ECL model reflecting this steadier environment. Considerable review and discussions have been had around assumptions for base case, upside and downside scenarios, as well as for a severe economic downturn, and have been agreed. The Committee concurred with management that the scenarios used reflected an appropriate range of assumptions and the updated scenario weightings were appropriate to reflect the changing economic outlook. Post model adjustments ('PMA') are applied when a change in credit risk is identified that is not effectively captured in the core ECL models. PMAs are reviewed throughout the year to determine whether the identified risks are still applicable. The Society will continue to rely on PMAs given the environment of increased uncertainty to offer a solution to ECL calculations, whilst model enhancement options are continually being developed. Since they are inherently judgemental, PMAs require robust process and governance, supported by transparent and high-quality documentation. The continued impact of raised interest rates on affordability when refinancing at the end of significantly lower fixed rate products has been a focus area for the Committee, with the Group's affordability PMA challenged to ensure the approach remained fit for purpose. Fourth generation IFRS 9 models and impacts were presented to the Society's Model Risk Committee in 2023 and approved for use. These have been used as the basis for generating Core model ECLs throughout this reporting period. There is a level of underprediction, specifically in the probability of default (PD) calculation, inherent in the fourth generation models and PMAs have been raised to correct this. One reflects the limited sensitivity to the different economic scenarios over the available history. The narrow range in average PD estimates across the various scenarios used highlighted the model weakness. The other relates to PD underprediction, which was also a challenge within the third generation models built on similar data periods, and the trend has continued to be observed through model monitoring since the fourth generation model was put into use in 2023. As these are material to the ECL balance, the Audit Committee reviewed and challenged the rationale, calculation methodology and governance for each of these PMAs. Being key to the accurate provisioning, the ECL model performance is constantly monitored and the results of this monitoring are communicated to the Committee. The Committee continues to consider both physical and transition risks in relation to the Group's mortgage portfolio and noted the challenges with underlying data and long-term nature of expected impacts of climate risk as part of the Annual Report and Accounts review and approval process. The Committee was satisfied that the impairment provision and the disclosures provided in the financial statements were appropriate.

Matters Considered	Key Activities 2024
Hedge accounting	The Audit Committee continued to review the methodology and key assumptions applied to the hedge accounting models over the period, including consideration of new hedge strategies. Two new hedge strategies have been incepted in 2024 to reduce the fair value, and hence profit, volatility seen in previous years. Historically, the most significant source of fair value gains and losses has been from both pay- and receive-fix interest rate swaps not placed in to hedge accounting relationships; a proportion of these swaps are now designated. Currently not all unmatched interest rate swaps can be designated into a hedge relationship. However, investigations are on-going into how to formally designate the remaining unmatched interest rate swaps to mitigate further the fair value volatility. The Committee is satisfied that the amounts recognised in the financial statements are appropriately stated.
Retirement benefit obligations	The Group operates one employee benefit scheme (the Scheme) with both defined benefit and defined contribution sections. The defined benefit scheme is accounted for by the Group under IAS 19, with the key assumptions presented to, and approved by, the Audit Committee. During the period the Audit Committee reviewed the assumptions proposed by management and the scheme administrators (Willis Towers Watson), including how they benchmark against the rest of the industry.
Effective interest rate ('EIR')	The Audit Committee considered the results of management's detailed reviews of the methods and assumptions used in the calculation of interest income under the Effective Interest Rate (EIR) methodology, as required under IFRS, and concluded that the amounts recognised were fairly stated.
Acquisition fair value adjustment run-off	The Audit Committee reviewed the run-off profile of the fair value adjustments made on the acquisition of the Chelsea, Norwich & Peterborough and Egg portfolios and approved changes where the actual run-off experience is either quicker or slower than that anticipated on initial recognition. The Audit Committee is comfortable that the carrying amounts reflect the remaining expected life of the acquired loans balances.
Tax	Papers setting out the judgements applied in the recognition of deferred tax balances and the level of transfer pricing adjustments applied between Group entities were presented to the Audit Committee over the period. The Audit Committee is satisfied that the recognised amounts of deferred tax are reasonable given the substantive enactment of scheduled changes in UK corporation tax rates and the transfer pricing assumptions are reasonable.
Provisions for liabilities and charges	The Audit Committee reviewed and considered the provisions and disclosures for liabilities and charges, being those relating to restructuring, customer redress and property related costs, and agreed with the overall amount held.

Introduction Strategic Report Governance Financial Statements Other Information

Significant financial reporting matters considered by the Audit Committee since the last Annual Report and Accounts

Matters Considered	Key Activities 2024
Viability and going concern	The Audit Committee reviewed papers prepared by management and recommended to the Board that the financial statements should be prepared on a going concern basis i.e. 12 months from the date of approval of this report. The Audit Committee confirmed that three years was a suitable period of review for the viability statement, and that the viability statement could be provided. Whilst there is no guarantee, there is a reasonable expectation that the Society will be able to continue to be viable, i.e. operate and meet its liabilities as they become due, to 31 December 2027. **More information can be found in our Directors' report.**
Disclosures	The Audit Committee reviewed papers prepared by management and agreed that the disclosures included within this Annual Report and Accounts met all statutory requirements under the Building Societies Act 1986, the disclosure and transparency rules of the FCA and applicable international financial reporting standards. The Audit Committee confirmed that disclosures in the Half-Yearly Financial report met the requirements of the disclosure and transparency rules of the FCA and international financial reporting standards. The Audit Committee also reviewed the Group's regulatory Pillar 3 quarterly disclosures included in full on the Society's website. The Committee approved the quarter one, two and three Pillar 3 disclosures for publication and recommended the quarter four disclosures to the Board for its approval.

To enable the Board to approve the Letter of Representation to the external auditor at both year end and half year, the Audit Committee reviewed the specific representations and the basis on which members of the Leadership team have evidenced them.

Other significant reporting matters considered by the Audit Committee since the last Annual Report and Accounts

In 2024 the Committee approved, for the first time, the 2023 Environmental, Social and Governance (ESG) Report (the ESG Report). This followed, in late 2023, the Committee considering the objectives, structure and draft key messages of the 2023 ESG Report, as well as the timeline and governance process for its publication. In April 2024 the Committee met to review and discuss the 2023 ESG Report and its deliberations took into consideration the controls and processes implemented to ensure the accuracy and credibility of the data and messages presented within the ESG Report. The Committee considered new controls that had been introduced and the work that was being undertaken to align the compilation of the ESG Report with the Annual Report and Accounts timetable, work on which will continue into 2025.

The Committee approved the 2023 ESG Report in June 2024. The Committee in November 2024 began its review of the 2024 ESG Report, again looking at the objectives, structure, key messages, timeline and governance processes. The 2024 ESG Report will be more closely aligned to the publication of the 2024 Annual Report and Accounts, with a view to being fully aligned for the 2025 report. The Committee also considered the impact of the creation of an Environmental and Social Purpose Committee effective from the 1 January 2025, which is covered in more detail in the *Corporate Governance report*. The Environmental and Social Purpose Committee will oversee the Society's environmental and social purpose agenda and will contribute to the Audit Committee's overall approval of the ESG Report by providing timely and scheduled input into the 'environmental' and 'social' aspects of the ESG Report. Going forward the 'governance' sections will be recommended for approval by the Board Governance and Nominations Committee. The Committee will continue to monitor the progress to develop a single process for both the ESG Report and the Annual Report and Accounts and will seek updates in 2025 to ensure that going forward both processes and documentation will be aligned.

Oversight of the external auditor and external audit process

The Audit Committee oversees the audit process and the relationship with our external auditor. The Audit Committee begins each annual audit cycle by reviewing and approving the proposed audit plan presented by our external auditor, PwC. This process includes a discussion between the Audit Committee and our external auditor around key risk areas to ensure that there is agreement on the focus of the external auditor's work and their assessment of materiality for the financial statements. The Committee's discussion of the external auditor's risk assessment was informed this year by the economic factors affecting ECLs and new hedging strategies and operational risks.

For further information about materiality and how it is calculated, please refer to the Independent Auditors' report.

The Audit Committee has considered PwC's risk assessments, planned work, resources and audit fees throughout the year and monitored the progress of PwC's audit work through discussions with PwC and management. The external auditor provides regular updates to the Audit Committee on their work on the Half-Yearly Financial report and the Annual Report and Accounts before the Audit Committee approves them.

Throughout the year the Audit Committee assesses the effectiveness of the external audit process, an assessment which is based on guidance from the Financial Reporting Council (FRC). The Audit Committee's assessment includes a review undertaken by the financial reporting management team which focused on a targeted list of business areas who have significant interaction, outside of the main finance teams, with the audit process to obtain feedback. A set of questions was constructed as an anchor for discussions and to generate some consistency when collating feedback, and wider feedback was captured alongside this. In addition, a survey was sent following completion of the audit to members of the Audit Committee. A debrief with the audit field team took place to obtain their feedback and areas for improvements were identified. A meeting to discuss audit feedback was held with the Senior Audit team members to share the conclusions of the review and obtain their views on the effectiveness of the external audit process and how the Society can contribute further to this. Conclusions are shared with the Audit Committee and helps it review the quality of the external audit team and process. The Audit Committee concluded that the external auditor was performing its duties in an effective manner in 2023 and believe it remains so through the 2024 audit.

External auditor independence

The Audit Committee monitors and annually assesses the external auditor's independence and objectivity, taking into account relevant laws, professional and regulatory requirements and the relationship with the external auditor as a whole. To fulfil the responsibilities set out in its Terms of Reference, the Audit Committee considers, as described below, the external auditor's non-audit work, the fees paid in respect of such non-audit work, the employment of former employees of the external auditor, and the external auditor's tenure.

The Group has a policy on the use of the external auditor for non-audit work, and the application of this policy is overseen by the Audit Committee. The policy is designed to ensure the external auditor's continued independence and objectivity.

Fees for individual assignments that exceed a set threshold are reviewed by the Audit Committee. Fees for those assignments under the threshold are approved by the Chief Financial Officer under delegated authority. All non-audit services are approved in advance of the work commencing. Our external auditor's fee is reviewed regularly. The Audit Committee is satisfied that the Group has operated in line with the policy during 2024.

The total amount of fees paid to our external auditor for both audit and non-audit work is disclosed in Note 6 to the financial statements.

The Group also has a policy on the employment of employees of the Group's external auditor, and the Audit Committee monitors the implementation of this policy annually. In summary, this restricts the Society from offering employment to named individuals from the external audit firm for key management positions within a two-year period from working on the Group statutory audit and ensures any such offers of employment are vetted by the Audit Committee to ensure on-going independence of the external auditor. The Audit Committee also reviewed the independence position of the Committee members and relevant senior members of the Finance Division, and it remains satisfied there are no conflicts or independence issues.

The Audit Committee takes into account the performance of the external auditor when considering their reappointment as well as their length of tenure and the date of rotation of the audit partner. PwC were appointed as external auditor following a competitive tender process in 2018 and their appointment was approved by members at the 2019 AGM. Having completed the maximum term of five years as the audit partner as at the 2023 year end, Heather Varley has been succeeded by Michael Whyte, who will discharge these responsibilities for the 2024 year end. PwC were reappointed as the Society's external auditor at the 2024 AGM and the Audit Committee has recommended to the Board that they be approved for reappointment as external auditor at the 2025 AGM.

Introduction Strategic Report Governance Financial Statements Other Information

Review of internal controls

Our Board recognises that to manage risks effectively we need good internal controls. These help us to achieve our purpose of providing Real Help with Real Life by protecting our customers' and other stakeholders' interests and looking after our Group's assets. They also enable us to become more efficient and effective at what we do, produce reliable information and reports, and comply with laws and regulations.

The risks that we face change over time, so the Audit Committee regularly reviews how our Group's internal controls are working and whether our Group needs to strengthen what it does to manage the nature and extent of those risks, including the risk of fraud (what we call our internal control framework). Our Board develops our policies on risk and control, but all of our Society's colleagues have a responsibility to carry out those policies as part of helping our organisation achieve its objectives. So that they can do that, our Leadership Team provides training and coaching, and then monitors how colleagues are managing risks.

To support the Audit Committee's review of internal controls our Internal Audit function provides reports to every meeting and our external auditor provide their own independent opinions to us. The Audit Committee also receives reports on significant control weaknesses from the Leadership Team. The Audit Committee works closely with the Board Risk Committee (formerly Group Risk Committee until 31 December 2024) to make sure that the risk management framework is operating effectively across our business.

You can find further details of risk management practices in the Risk Management report.

The main types of information the Audit Committee considered during 2024 were:

- **Internal Audit reports:** The Audit Committee reviewed and approved the Internal Audit plan for the year, the proposed revisions to the plan, and the resources needed to support it. In doing this the Audit Committee considered the ongoing appropriateness of Internal Audit's coverage of the Group's risks, processes, systems and controls and the balance of assurance between the Group's transformation programme and other business activities. The Audit Committee also considered reports on the plan's progress, including Internal Audit's findings, their root causes and the Leadership Team's responses. Where Internal Audit reports are rated as 'Unsatisfactory' the accountable members of the Leadership Team are asked to attend the Audit Committee and explain why the identified control weaknesses have arisen and what actions are being taken to address them. In 2024, Internal Audit drew Audit Committee's attention to a range of areas that required significant improvement, including: payroll controls, disaster recovery and operational resilience, IT application and system access controls, regulatory reporting, and governance over the recovery planning activities required by regulation.
- **Updates on risk management culture:** During the year the Committee discussed the Society's risk culture and continued their ongoing monitoring of progress made by management in improving end to end process and controls documentation.
- **External auditor reports:** The Audit Committee reviewed reports from our external auditors, PwC, about recommendations in relation to internal controls for key financial reporting processes and systems. Findings that were raised were prioritised by management according to impact and areas for improvement are being addressed. The Audit Committee considered regular updates on the status of control issues identified by both Internal Audit and PwC, and the volume and age profile of these issues remained within tolerable limits. Because our total assets exceed £50bn, our external auditor provides the PRA with a Written Auditor Report on selected aspects of their audit and this, too, was considered by the Audit Committee during the year in relation to the 2023 audit, together with non-firm specific feedback from the PRA.
- **Report on the adequacy of internal controls in 2024:** The Audit Committee received a report from all three lines of defence concerning the effectiveness of internal controls, including focus on areas not yet at target levels of maturity. Audit Committee's attention was drawn, in particular, to improvements being required to payroll, disaster recovery and operational resilience controls, governance over regulatory reporting and recovery planning, and controls to protect the security of the firm's systems and applications. There is also a need to continue to strengthen capital and conduct risk management controls.
- The Audit Committee considered whether any recommendation should be made to the Remuneration Committee for a possible adjustment to the variable remuneration of the Leadership Team, in respect of internal control weaknesses.

Taken together, the information the Audit Committee reviewed provided assurance that, whilst control improvement work is ongoing, the Group maintained an adequate internal control framework in 2024 and there were no significant breaches of control or regulatory standards. This supports our aim of complying with the principles and provisions of the Code where they apply to building societies. The Leadership Team proactively took action to tackle identified control weaknesses, thereby improving the strength of the internal control environment, so that our Group remains financially and operationally resilient.

Introduction Strategic Report Governance Financial Statements Other Information

Governance > **Audit Committee Report**

Oversight of the Internal Audit function

The purpose of Internal Audit is to provide an independent and objective opinion to the Board on the adequacy and functioning of the Society's system of internal control. This is primarily achieved by performing risk-based reviews, following an established audit methodology. Internal Audit's focus includes assessing controls and governance processes to ensure:

- Significant risk exposures are appropriately identified, reported to the Board and the Society's Senior Leadership Team and effectively controlled.
- Significant financial, management, and operating information is accurate, reliable and delivered in a timely manner.
- The Society's actions comply with policies, standards, procedures, and applicable laws and regulations.

Our Internal Audit function is governed by a charter, which the Audit Committee reviews and approves annually.

The Audit Committee reapproved the charter in November 2024 and you can find a copy of it on our website.

A new Chief Internal Audit Officer was appointed to role in 2024. The Chair of the Audit Committee determined the process for recruiting the official and interviewed all short-listed candidates. Audit Committee as a body formally approved the appointment decision.

The Chief Internal Audit Officer reports directly to the Chair of the Audit Committee and Internal Audit has full and unrestricted access to all of our Group's functions, systems, records and colleagues. The Chair of the Audit Committee meets regularly with the Chief Internal Audit Officer to review the performance of the Internal Audit function and discuss any matters emerging from Internal Audit activities. During 2024, the Chair of the Audit Committee also provided input to the Chief Internal Audit Officer's performance objectives, annual performance appraisal and remuneration.

In addition to receiving reports on the outcomes of Internal Audit activities, as described above, the Audit Committee receives regular reports on the performance of Internal Audit against an agreed set of measures. Internal Audit also reports to the Audit Committee annually on the strategy for the function, the skills and resources it has, and what it needs to effectively discharge its role. The Audit Committee reviews and approves any proposed changes to the strategy and resources. During 2024, this has included consideration of the resources the Internal Audit function may need over the year ahead, and the progress made in developing the function's data analytics capability.

Internal Audit continues to operate its own quality assurance and improvement programme. In 2023 an external quality assessment of the function was performed, which benchmarked Internal Audit against relevant professional standards and codes and industry best practice. The assessment was performed by an independent third-party. The recommendations put forward by the third-party to enhance the function's approach, effectiveness, quality, skills and experience were implemented in 2024.

Overall, the Audit Committee remains satisfied that the Internal Audit function is effective and has the appropriate resources, including use of external third-party support where necessary, to fulfil its responsibilities. The Audit Committee will continue to oversee Internal Audit's development, including the monitoring of action plans resulting from external and internal assessments, to make sure the function remains equipped for the role it plays in helping our Society achieve its purpose.

Audit Committee effectiveness

The effectiveness of the Audit Committee is assessed annually. As referenced in the *Audit Committee report* in the Annual Report and Accounts 2023 the Audit Committee evaluations for 2023 were incorporated into the Board external evaluation process. The Audit Committee has throughout 2024 continued to progress the actions agreed as part of the 2023 process. For 2024 the Board Committee evaluations were incorporated into the Board internal evaluation process. A self-assessment exercise was performed, co-ordinated by Group Secretariat, and a summary of the results was reported to the Committee and discussed in January 2025. The 2024 review concluded that the Audit Committee operated effectively during the year and that there were no significant areas for improvement or significant actions arising for the Committee.

Further details on the evaluation process for 2024 can be found in both the Board Governance and Nominations Committee report and the Corporate Governance report.

The Audit Committee reviews its Terms of Reference every year to ensure it continues to fulfil its responsibilities and meets regulatory requirements and good practice. The Audit Committee confirmed that in 2024 it had met all of its responsibilities. Both the Audit Committee and Board approve the Terms of Reference each year. In 2024 changes to the Terms of Reference were approved to reflect developments following the publication of the Global Internal Audit Standards in January 2024, along with changes to align the Audit Committee's Terms of Reference with those of our other Board Committees and the outcomes of the Board and Committee Architecture Review.

Further details can be found in the Corporate Governance report.

Audit Committee members also take part in training and receive briefings on areas that concern not only their roles on the Committee, but also their roles on the Board. In 2024 the Audit Committee agreed to set aside additional time to be briefed on hedging and hedge accounting, with Board members, and this session is planned for early 2025.

Our Chair of the Board oversees the training and development of the full Board and you can find more information on this in the Composition, Succession and Evaluation section of the Corporate Governance report.

The Society and the Audit Committee will continue to monitor the governance developments following the publication of the revised UK Corporate Governance Code, in January 2024, to ensure that any requirements or relevant areas of good practice identified are implemented by the Society as appropriate for a building society. Further details on the new Code can be found in the *Corporate Governance report*.

The FRC's 'Audit Committees and the External Audit: Minimum Standard' ('the Standard'), published in May 2023, sets the minimum standards for audit committees in relation to their oversight responsibilities for the external audit and includes guidance on assessing the effectiveness of the audit process alongside covering the audit committee's responsibilities for the external audit, the external audit tender, oversight of the external auditor and audit and finally the reporting of activities undertaken to meet the Standard's requirements. The Standard applies to FTSE350 companies and is voluntary, subject to any future legislation being passed to establish the Audit Reporting and Governance Authority, however, the Standard is seen as good governance. The Audit Committee will consider the Standard in more detail in 2025 however an initial review has only identified a few areas that the Audit Committee will focus on in 2025.

Guy Bainbridge
Chair of the Audit Committee

26 February 2025

RISK MANAGEMENT REPORT

A word from the Chair of the Board Risk Committee

I am pleased to present our Risk Management report for 2024. The report explains the role of the Board Risk Committee (BRC, known as the Group Risk Committee in 2024); describes the matters the Committee considered during the year; and gives an overview of how the Society manages the risks it faces.

As in previous years, our attention in 2024 has been balanced between financial risk, operational risk and compliance and conduct risk. We regularly assessed the Society's principal risks, monitored performance against the 2024 risk appetite exposures, reviewed the proposed 2025 risk appetite exposures, and considered the results of stress testing. We also monitored the progress of the Society's 2LoD oversight plan and the progress of the Governance, Risk and Control programme to strengthen the Society's risk management arrangements to support its growth ambitions.

As Chair of the BRC, I am satisfied the Society has a clear risk appetite, aligned to its strategy, to ensure it contains the impact of those risks it has chosen to take; has appropriate controls in place to identify both the risk of material deviation from the risk appetite and any unplanned risks the Society encounters; and appropriately balances the risks it takes between being purposeful for current and future members and customers, and protecting the resilience and sustainability of the Society.

My BRC colleagues and I will continue to expect a risk management approach that is purposeful, prudent and customer-focused so that I can continue to report my satisfaction with the Society's risk positions.

Angela Darlington
Chair of the Board Risk Committee

26 February 2025

About the Board Risk Committee

The current membership of BRC comprises:

Angela Darlington
Committee Chair and Independent Non-Executive Director

Guy Bainbridge
Independent Non-Executive Director / Vice Chair (from 1 January 2025)

Mark Parsons
Senior Independent Non-Executive Director (from 1 January 2025)

Debra Davies
Independent Non-Executive Director

Alison Hutchinson was a member of the Committee to 31 December 2024 when she stepped down from the Board.

Introduction Strategic Report Governance Financial Statements Other Information

The BRC is also attended by the Chair of the Board and members of the executive team including the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer, the Chief Operating Officer, the Chief Risk Officer and the Chief Internal Audit Officer.

The BRC is responsible for bringing together and challenging for suitability all risk information on behalf of the Board. This covers the application of our enterprise risk management framework across all our principal risks.

The BRC's terms of reference are available from our website at ybs.co.uk/your-society/inside-your-society/corporate-governance/committees.

Following a review of Board and Committee Architecture during 2024, it was agreed that the Group Risk Committee would be known as the Board Risk Committee with effect from 1 January 2025.

For more information on the review process and outcomes please see the Corporate Governance report.

Matters considered during 2024

The BRC met five times in 2024 and considered all the matters in respect of its responsibilities summarised in its terms of reference, covering a wide range of topics.

On general risk management matters, the BRC:

- Approved the Society's enterprise risk management framework.
- Reviewed and recommended the Board approve the 'tier 1' risk appetite exposure limits for 2025 and oversaw compliance with those agreed previously for 2024.
- Received the Chief Risk Officer's quarterly reports and view of the Society's principal risks.
- Monitored the progress of the second line of defence's oversight plan including its key findings.
- Monitored progress of the Governance, Risk and Control programme (see below).

For its oversight of financial risk, the BRC:

- Reviewed and recommended the Board approve the scenarios and results of the 2024 internal liquidity adequacy assessment process (ILAAP) and internal capital adequacy assessment process (ICAAP).
- Reviewed the scenarios for, and results of, the Society's reverse stress tests.
- Reviewed and approved the Society's recovery plan.
- Monitored the Society's compliance with the resolvability assessment framework.
- Reviewed and recommended the Board approve the mortgage proposition for first time buyers where a minimum deposit of £5,000 is required.
- Reviewed and recommended the Board approve the Society's policies on funding and liquidity risk, capital risk, market risk, treasury risk and retail and commercial lending.

For its oversight of operational risk, the BRC:

- Reviewed and recommended the Board approve the Society's annual operational resilience self-assessment, and monitored progress of the work to comply with the operational resilience rules.
- Monitored progress of the Society's work to strengthen its control framework over people risk, financial crime risk, climate risk and its agencies network.
- Reviewed and approved the Society's policies on information and cyber security, information management, and reviewed and recommended the Board approve the Society's policy on procurement, outsourcing and third-party risk.

And for its oversight of compliance and conduct risk, the BRC:

- Reviewed the annual report from the Society's Money Laundering Reporting Officer and the half-yearly reports on regulatory compliance from the Director of Compliance.
- Monitored progress of the Society's work to remedy legacy issues with deceased and dormant accounts.
- Monitored progress of the Society's work to comply with the Consumer Duty rules.
- Reviewed and approved the Society's policy on regulatory risk, and reviewed and recommended the Board approve the Society's policy on financial crime.

Committee evaluation

The effectiveness of the BRC is assessed annually in accordance with its terms of reference. There were no urgent or significant actions arising from the effectiveness review presented to April 2024's meeting. Information on any actions identified in the review presented to April 2025's meeting will be included in the 2025 Annual Report and Accounts and will be monitored by the BRC and the Board as appropriate.

Further details on the evaluation process for 2024 can be found in both the Board Governance and Nominations Committee report and the Corporate Governance report.

Outlook

The BRC will continue in 2025 to provide balanced oversight of financial risk, operational risk and compliance and conduct risk, as well as ensuring its governance, risk and control capabilities can support the Society's new strategy and future growth.

The multi-year Governance, Risk and Control programme was mobilised during 2024. It will deliver an updated enterprise risk management framework ('ERMF'); a new risk taxonomy, to provide an improved balance between financial and non-financial risks; a new risk management system, to automate manual processes and provide better MI; and a new risk operating model, which will ensure the Society's risk capacity and capability is fit for the future.

Our Enterprise Risk Management Framework ('ERMF')

Our current ERMF enables robust yet efficient risk management, which has an important and integral role in protecting the Society against unplanned financial outcomes; providing customers with good outcomes; and demonstrating credibility to external stakeholders.

The ERMF explains how several processes fit together to create a consistent and effective way of managing risk across the Society. The key elements of risk management cover the identification, assessment, control, monitoring and reporting of risk.

It comprises:

- **The Governance, Risk and Control Strategy:** the Society's priorities for risk management and how they align to the Society's strategy
- **Society culture:** the values and behaviours that shape our risk decisions
- **Risk appetite:** how much risk we can take to deliver Our Strategy while ensuring we provide good customer outcomes and continue to operate as a safe and secure business
- **Policy and governance:** how we organise ourselves, make decisions and take approved risks
- **Risk assessment and control:** how we identify, assess and understand our risks and limit undesirable outcomes
- **Risk events:** how we respond when things go wrong and stop the same things happening again
- **Monitoring and assurance:** how we check that controls are working and highlight when risks require attention

Three lines of defence

We operate a three lines of defence approach for managing risk, which seeks to differentiate between those:

- With direct responsibility for the management and control of risk
- With responsibility for defining the ERMF, communicating requirements and independently monitoring adherence through oversight activity, on behalf of the Board
- Providing an independent and objective opinion to the Board on the adequacy and functioning of the system of internal control

Introduction Strategic Report Governance Financial Statements Other Information

A summary of these responsibilities is set out below.

First line of defence

1

The first line of defence consists of all colleagues, who are responsible for ensuring that risk is effectively managed. Many colleagues also have additional responsibilities to:

- Act as owners of the risks relevant to their business function
- Identify and articulate the risks they are responsible for and put them into a risk register
- Assess risks and controls and determine if further actions are required
- Design and operate applicable key controls and develop and operate supplementary controls as necessary
- Direct policy, which sets out what colleagues can and cannot do

Second line of defence

2

The second line is fulfilled by our Risk division which defines our approach toward risk management and supports, coaches, facilitates, independently monitors, challenges, assesses compliance, reports, and if necessary, gives direct instruction to the first line. The second line also acts as the owner of credit risk via a new credit risk 'centre of excellence'.

This independent second line risk management function is responsible for ensuring that appropriate risk management and measurement techniques are used that are commensurate with the Society's strategic aims, its appetite for risk and the risks it faces at any time. The Risk division ensures that the BRC receives a comprehensive programme of decision papers and reviews to ensure it is fully sighted on such matters.

The Chief Risk Officer provides a formal update to the Board and to the BRC, via the Executive Risk Committee (ERC), on a quarterly basis, covering all areas of risk management. This includes routine reporting, emerging risks, the results of the Risk division's independent oversight and additional issues that merit escalation. The Risk division is responsible for managing our regulatory relationships and for providing independent briefings and insights to the Board.

Third line of defence

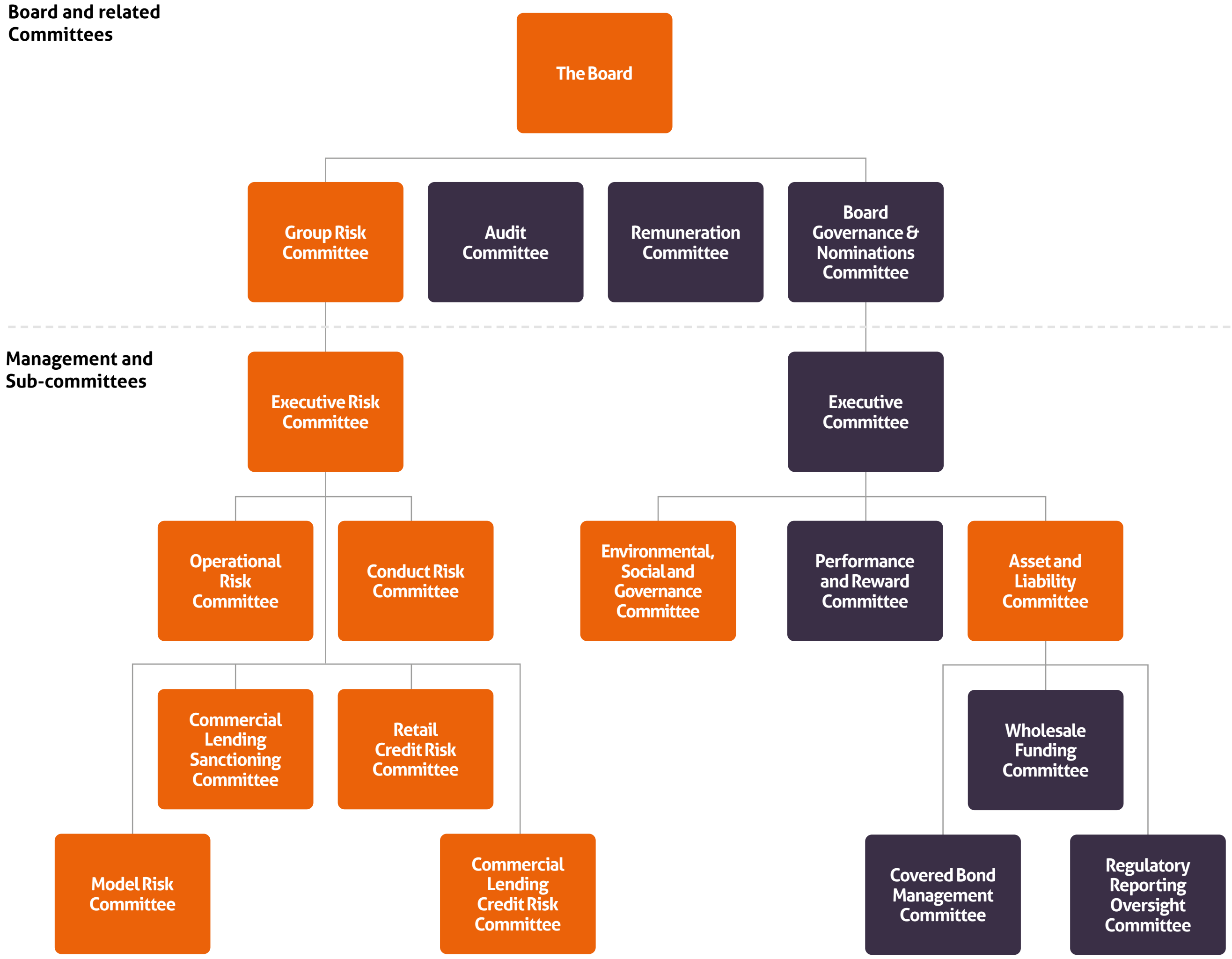
3

The third line is fulfilled through the Internal Audit function. It independently assesses whether risks are adequately controlled, challenging the executive team to improve the effectiveness of governance, risk management and internal controls. Internal Audit reports directly to the Audit Committee, which is a separate Board committee.

Governance > **Risk Management Report**

Governance

The Society's Board and senior management committee structure is illustrated below, with the committees most directly involved with risk management governance highlighted in orange:



The Board is ultimately responsible for the effective management of risk. The approval of risk appetite and certain risk management policies are amongst several specific areas which are matters reserved for the Board.

The BRC is a Board Committee that oversees, on behalf of the Board, the key risks inherent in the business and the system of internal control necessary to manage such risks, presenting its findings to the Board.

The ERC looks to ensure that the Society's balance between seeking opportunity and managing risk is appropriate. It is responsible for the monitoring of day-to-day risk management activity including, but not limited to, reviewing the effectiveness of the Society's risk management framework and system of internal controls. It has authority to direct the business in relation to mitigating actions and to approve or endorse risk acceptance within defined levels.

Below the Board and senior management committee structure is a set of category and business unit risk sub-committees. These monitor risk management activity across the key risk categories, acting as a point of escalation for matters of Society level significance. These committees also have authority to direct mitigating actions and to approve or endorse risk acceptance for risks within the division, in accordance with defined levels. During the year, the Society replaced its divisional risk sub-committees with category risk sub-committees focusing on operational, conduct and credit risks.

Principal risks and uncertainties and how we mitigate them

Our principal risks and uncertainties and our risk profile evolve as we move through the economic cycle. We have an ongoing process for identifying, evaluating and managing the principal risks we face, and this process is regularly reviewed by the BRC.

Strategic risk

The risk to the Society's earnings or sustainability arising from changes in the business environment or from the effectiveness of decisions and actions in our strategic response to those changes.

Sources	Approach	Commentary
▪ The business environment we operate in could change unexpectedly ▪ The decisions we make and actions we take could prove ineffective	▪ We perform regular horizon scanning, corporate planning, scenario analysis, competitor analysis and business performance monitoring to mitigate risks arising from the economic environment and our strategic choices ▪ We have defined risk attitudes, risk appetites and risk metrics for all our other principal risks ▪ Our business model is relatively simple, but we operate in a highly competitive market. Our hedging strategy therefore mitigates the risks arising from our focused range of products in this market	▪ We have continuously monitored the external environment in which we operate ▪ The prevailing high interest rate environment remained a barrier for those seeking a mortgage. Homeowners with an existing mortgage demonstrated a higher propensity to remain with their existing lender likely due to affordability constraints, resulting in a reduced range of options for those reaching the end of their fixed rate term. The size of the remortgage market reduced as a result of this dynamic ▪ A stable benchmark rate led to an observed easing in competitive intensity in the savings market, with market-leading rates gradually decreasing since their peak in late 2023 ▪ Whilst cost-of-living pressures do continue to weigh on the personal finances of many, the savings market has continued to grow, with inflationary pressures having eased and real incomes having increased slightly

Model risk

The risk that the Society's models that are used to manage the business are inaccurate, perform inadequately or are incorrectly used.

Sources	Approach	Commentary
▪ Models may be incorrectly designed or be implemented incorrectly ▪ Models may use logic and assumptions based on the past which are no longer relevant	▪ We maintain an inventory of models which are governed by our model risk policy and model governance framework ▪ We have a process to identify and monitor new models to bring these into governance ▪ Compliance with the policy is monitored by the Model Risk Committee (MRC), which is chaired by the Chief Risk Officer	▪ Work to assess our model risk management framework against the final regulatory Model Risk Management Principles (SS1/23) has been carried out and a plan to close gaps has been reported to the MRC ▪ Given the current political and economic climate and our growth in size and complexity, there is an elevated level of systemic model performance risk in models which are calibrated based on historical events and/or customer behaviours, which requires close monitoring ▪ Model risk appetite tracks key governance and performance metrics. Measures for the performance of critical models are presented to the MRC to ensure mitigants and remedial plans are put in place to manage and address any identified risks

Capital risk

The risk that the Society is not able to meet regulatory capital requirements or deliver on its strategic plans due to insufficient capital resources.

Sources	Approach	Commentary
▪ Principal risks could crystallise, causing losses and depleting capital ▪ Regulatory requirements for capital could increase	▪ Capital risk is constrained by a Board-approved risk appetite and the Board-approved capital risk policy ▪ Current and projected capital positions are regularly monitored and considered in stress scenarios as part of the internal capital adequacy assessment process ▪ The ICAAP is performed annually to demonstrate that we are appropriately capitalised relative to its current and future growth and risk profile under a base case capital plan and a range of severe but plausible stress scenarios ▪ We conduct internal tests to ensure sufficient capital is available for the Society to maintain its minimum capital requirements, even in a stress scenario ▪ Further information on our capital management can be found in the Society's Pillar 3 disclosures on our website	▪ We maintained strong capital levels throughout 2024, well above regulatory requirements and internal risk appetite, and forecast that this position will be maintained across our planning horizon ▪ Leverage requirements will become binding when the Society's modification by consent to disapply the LREQ rules expires on 30 June 2026. We have surpassed £50bn of retail deposits and therefore might expect to be classified as LREQ thereafter depending on the outcome of the PRA's review of the existing thresholds. We are well capitalised to meet these requirements ▪ We continue to prepare for IRB accreditation, and preparations are also underway to implement Basel 3.1 per the PRA's near-final policy statements (PS17/23 and PS9/24) on 1 January 2027 ▪ We are currently subject to end-state MREL requirements on a risk weighted basis, and expect MREL to be based on leverage once LREQ status applies. We comfortably met both these requirements throughout 2024

Introduction Strategic Report Governance Financial Statements Other Information

Funding and liquidity risk

The risk of having inadequate cash flow to meet current or future requirements and expectations.

Sources	Approach	Commentary
▪ Members can withdraw their deposits at short- or no-notice ▪ Wholesale investors may lose confidence in us	▪ We are primarily funded through retail savings balances, supported by a strong franchise in key wholesale funding markets ▪ Funding and liquidity risk is constrained by a Board-approved risk appetite and the Board-approved funding and liquidity risk policy ▪ The Board annually approves the key assumptions and controls for managing liquidity risk as part of the internal liquidity adequacy assessment process ▪ We conduct and manage internal liquidity stress testing to ensure sufficient liquidity is available to meet business-as-usual and stressed requirements ▪ Internal stress testing is reviewed and approved by the Board as part of the Internal Liquidity Adequacy Assessment Process (ILAAP) on an annual basis ▪ We also manage to the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) external regulatory measures	▪ Our liquidity levels remained strong and materially above regulatory requirements throughout 2024 ▪ We report the LCR to the PRA monthly, comprising the quantity of high-quality liquid assets against net liquidity outflows over a 30-day stress period, for both the Society and on an unconsolidated basis. At December 2024, the Group LCR was 202.7% ▪ Liquidity levels are forecast to remain above regulatory and internally derived minimum requirements across 2025

Market risk

The risk to the Society's earnings or the value of its assets and liabilities due to changes in external market rates.

Sources	Approach	Commentary
■ Interest rate risk, which takes a variety of forms, including basis risk, optionality risk, and repricing risk ■ Foreign exchange risk, due to movements in exchange rates where we hold exposure ■ Credit spread risk, which is the risk that shifts in the market's view on creditworthiness or liquidity will affect the value of assets in the banking book	■ The overall risk appetite for market risk is set by the Board. Our prudential risk policies and policy guides outline how the risks are managed and executed ■ We have a dedicated system to model market risk. This covers both earnings and value measures, including scenario analysis, PV01 and Value-at-Risk (VaR) ■ A range of assumptions are captured within the market risk models, including on customer behaviour. Assumptions are subject to review at the Monthly ALM Forum by the senior leadership with delegated authority ■ Market risk metrics are reported on a daily, weekly, monthly and quarterly basis with information provided to the Board, the BRC, the Asset-Liability Committee (ALCO) and the ERC ■ Market risk operates under our three lines of defence model with oversight provided by the governance committees ■ An ICAAP Pillar 2A Risk Assessment for IRRBB, including FX and credit spread risk, is undertaken annually with final approval at the Board	■ All market risk appetite metrics are reviewed each year to ensure they remain effective in the current rate environment and to keep pace with projected balance sheet growth ■ We proactively manage our interest rate risk exposure within approved risk appetite limits ■ Credit Spread Risk is monitored daily through CSR01 ■ PV100 (the market value impact arising from a parallel 100bps increase in interest rates) results in a loss, with a year-end value of -£14.88m in 2024. This positions us unfavourably for a rise in rates, but favourably should rates fall ■ The 12-month earnings sensitivity has decreased year on year (impact on 1 year net interest income of a 2.5% parallel increase/ decrease in rates). The worst outcome as at December 2024 was a £5.3m cost against the parallel down shock ■ A structural hedge is in place to mitigate the interest rate risk on the repricing of administered rate savings balances

Introduction Strategic Report Governance Financial Statements Other Information

Retail and commercial credit risk

The risk of credit losses from a failure to design, implement and monitor an appropriate credit risk appetite.

Sources	Approach	Commentary
■ Loans to retail and commercial customers may not be fully repaid	■ Retail and commercial credit risk is constrained by a Board-approved risk appetite and the retail and commercial lending policy ■ Our robust credit risk framework ensures lending remains within limits and appropriate remedial action is taken if a breach occurs. Adherence is monitored through governance committees ■ We regularly use stress testing to assess the resilience of our portfolio ■ Our credit risk models are overseen by the model governance framework (see model risk)	■ We have started to see some stability in our arrears rates and overall rates remain low. At the year-end our >=3m arrears rate (% by volume) for Retail mortgages was 0.50%, in line with where we were at the end of 2023. This compares favourably to the latest UK finance market average of 0.97% ■ Our Commercial Lending >=3m arrears rate has seen an improvement throughout 2024 which has reduced from 0.54% at the end of 2023, to 0.05% at the end of 2024, with only two accounts currently in the arrears stock ■ Our internal arrears forecast anticipates arrears will continue to rise, albeit at a slower rate than previously forecast, and we will be monitoring this closely in 2025. We continue to proactively contact the most at-risk customers to support them through the economic environment ■ Our residential possession rate was 0.02% at the year-end, compared to the latest UK finance market value of 0.03%. For Retail BTL mortgages, the possession rate is 0.12%, compared to the UK finance market average of 0.10%, which is mainly driven by our legacy retail buy-to-let portfolios ■ We have seen an increase to our indexed LTV position of the book; 9.4% of our retail mortgage book has an indexed LTV >85% , compared to 4.1% in December 2023. This has been driven by both declining house price movements in 2024 and a higher proportion of >85% LTV completions to support our purposeful lending strategy (27% in 2024 compared to 22% in 2023). House prices have seen an improvement during Q4 and are anticipated to continue to improve throughout 2025 meaning the proportion of loans with an indexed LTV >85% is expected to reduce during the year ■ Overall the asset quality of our portfolios remains strong. A large proportion of the expected credit losses held against our mortgages relates to pre-2009 lending

Treasury risk

The risk of losses following default on exposures arising from balances with other financial institutions, liquid asset holdings and the use of derivative instruments to manage interest rate and foreign exchange risk.

Sources	Approach	Commentary
▪ Transacting with other financial market participants when managing market risk who then fail to fulfil their obligations	▪ Treasury risk is constrained by a Board-approved risk appetite and the treasury risk policy ▪ Most of our liquid asset buffer portfolio is invested in the highest quality assets ▪ Most of our derivative contracts are subject to centralised clearing to minimise risk exposures with counterparties. Where this is not possible, derivative exposures are restricted to high quality counterparties which are subjected to regular review by the ALCO	▪ We review each wholesale counterparty limit at least on an annual basis, or sooner if a risk event occurs in the interim ▪ The size of the credit limit we allocate to each counterparty is driven by their credit status as determined by internal analysis, and is calibrated to the size of our capital position to ensure that our financial viability is not overly exposed to any single counterparty ▪ Exposure to AA- or above counterparties remains high, maintaining the low risk profile in accordance with Board risk appetite ▪ The risk has not materially changed since last year; market volatility is still at relatively elevated levels generally but the credit controls we have in place remain appropriate

Operational risk

The risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Sources	Approach	Commentary
▪ Our technology may fail ▪ Our suppliers may fail to meet their contractual obligations ▪ We may not be able to recruit and retain the right people ▪ Criminals may use the Society for illegal activity ▪ Other external events	▪ Operational risk is constrained by a Board-approved risk appetite and a number of risk-specific policies ▪ The ERMF defines how colleagues are expected to identify, assess, monitor, manage and report their operational risk exposures ▪ Directors must regularly attest to the effectiveness of the controls they are responsible for through the risk and control self-assessment process	▪ There has been a decrease in the value of operational losses in 2024 to £1.69m (2023: £2.64m) ▪ Our security improvement programme has enhanced security measures and ongoing projects are focusing on improving data protection, cloud capabilities, and disaster recovery processes ▪ We have implemented several measures to enhance our operational control environment, improving risk management and governance. Key initiatives include a prioritised change plan, a simplified change framework, dedicated governance, and supplier-base rationalisation. Additionally, ongoing IT infrastructure modernisation focuses on security improvements and upgrading critical systems to mitigate risks ▪ We have improved visibility of risk identification and control in our IT and change functions

Introduction Strategic Report Governance Financial Statements Other Information

Compliance and conduct risk

The risk of direct or indirect loss from a failure to comply with regulation or to ensure good customer outcomes.

Sources	Approach	Commentary
▪ Developing new products for our customers ▪ Marketing our products ▪ Serving our customers	▪ Compliance and conduct risk is constrained by a Board-approved risk appetite and a number of risk-specific policies ▪ We monitor conduct risk metrics for a number of areas including sales, service, complaints and collections ▪ The second line of defence provides compliance support on all regulatory matters to the first line, for both day-to-day operations and change programmes	▪ The FCA's Consumer Duty regulation for open products and services was extended to closed products and services and came into force in July 2024. We undertook a programme of work to meet those additional requirements, the outcomes of which were approved by the Board in the first annual Consumer Duty Board Assessment ▪ Complaints per 1,000 at 2024 H2 were 0.52 for savings and shareplans, and 5.26 for mortgages ▪ A compliance monitoring plan, approved by the BRC, has been completed during 2024 allowing robust oversight of the key areas of conduct, financial crime, and data protection risk. All oversight findings are the subject of a formal action plan overseen to closure by the BRC

Climate risk

We recognise the physical and transition risks arising from climate change create risk exposures in several of the principal risk categories above. We therefore manage these risks through the ERMF to ensure they are properly considered alongside the other risks we face.

Further detail on how we manage climate change risk can be found in the 'Building a greener society' section.

Stress testing

Stress testing is a proactive risk management tool used to better understand the potential vulnerabilities in our business model and to derive effective management actions. Stress testing is presented to a range of forums and Committees including the ALCO, the BRC and the Board.

The key uses of stress testing are:

- To test the robustness of our financial plan and exposure limits to adverse economic conditions
- Scenario analysis of our recovery plan and contingency funding options
- To support the production of the internal capital adequacy assessment (ICAAP) and internal liquidity adequacy assessment (ILAAP) processes, which inform our regulatory and internal capital and liquidity requirements
- Keeping up to date with market movements through daily testing of funding and liquidity and market risks
- To provide performance management information to support mortgage trading decisions
- To assess new products and initiatives
- To understand, through our annual reverse stress tests, how to prevent risks crystallising

We have also modelled the impact of the Bank of England's Annual Concurrent Stress test (ACS). This allows us to evaluate how we perform under this scenario and relative to the organisations that are part of this process. The test showed we are well positioned to withstand a stress event such as that defined in the ACS.

DIRECTORS' REMUNERATION REPORT

A word from the Chair of the Remuneration Committee.

I am pleased to share the Directors' Remuneration report, my second as Chair of the Remuneration Committee.

Looking back at 2024

Last year, the Management team set out clear ambitions for the Society over the next five years. While acknowledging continuing external uncertainty which has been a feature of recent times, the strategy remains at the heart of ensuring we continue to provide Real Help with Real Life for more customers, year after year.

For 2024, we updated our Remuneration Policy. The updated policy is in place to support all our colleagues in working together for the benefit of the Society, our members and customers with the Remuneration Committee's oversight of remuneration, across the whole workforce the focus of its agenda in the year. To support our colleagues with the continued pressure seen on personal finances in a period of high inflation we agreed to award a 5% pay increase pool for all eligible colleagues as part of the 2024 annual pay review.

About the Remuneration Committee

The current members of the Remuneration Committee consist of Non-Executive Directors. They are:

Debra Davies

Chair

Dina Matta

Independent Non-Executive Director

Janet Pope*

Independent Non-Executive Director (from 1 January 2025)

*Joined the Remuneration Committee from 1 January 2025

Alison Hutchinson (former Senior Independent Non-Executive Director and Vice Chair as well as a member of the Group Risk Committee) was a member of theRemuneration Committee to 31 December 2024 when she stepped down.

Jennelle Tilling (former Independent Non-Executive Director) was a member of the Remuneration Committee to 31 December 2024 when she stepped down.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

During 2024, we refreshed and simplified all our Society bonus schemes to align with the new strategy. The new bonus schemes 'Our Bonus' and 'Our Senior Leaders Bonus' align all leaders and colleagues to the delivery of the strategy with the same financial and customer underpins in place across both schemes.

The leadership of the Society now has one bonus scheme 'Our Senior Leader Bonus'. The new scheme aligns the objectives of all Senior Leaders and ensures a direct link to the success of the Society by rewarding delivery of long-term strategic objectives. All senior leaders are rewarded in line with the delivery of stretching but appropriate financial, member value and change targets.

Both the 'Our Bonus' and 'Our Senior Leader Bonus' schemes continue to be subject to robust financial sustainability measures as we maintain our focus on the long-term position of the society for its current and future members.

The proposed changes to the Remuneration Policy were widely supported and approved (c. 92% in favour) at the AGM this year and the Remuneration Committee continues to monitor and review the application of the policy ensuring it is operating as envisaged.

I am pleased that solid progress has been made in 2024 with Core Operating Profit performance above target. In addition, the Society continued to provide strong service to our members, demonstrated by achieving our target Net Promoter Score for the year.

The Society's solid performance in delivering value for members and colleagues despite ongoing economic uncertainty, has resulted in above target bonus awards for eligible Senior Leaders. For all other colleagues eligible for the 'Our Bonus' scheme, this has resulted in eligible colleagues being awarded with an average bonus of c. 8% of salary.

2024 has continued to be a year of senior changes at the Society with Tom Ranger joining as Chief Financial Officer (CFO) alongside a number of new senior role holders who will broaden the experience of the Management team.

The remuneration package for the new CFO is in line with our Remuneration Policy and was set taking into consideration market levels of remuneration as well as his extensive Financial Services experience. As normal in these circumstances, we have agreed to compensate Tom for the loss of deferred bonus forfeited on his resignation from Santander; these replacement awards are no more generous than the original awards and will be paid in line with the prior vesting schedule. The full remuneration details for Tom are outlined in this report.

The Investment Association 'Principles of Remuneration' were published on 8 October 2024, with a heightened emphasis on companies having the freedom to adopt remuneration policies and structures considered appropriate. In addition to these we are actively reviewing the recently updated 2024 Corporate Governance Code, which is effective from financial years beginning on or after 1 January 2025 and contains additional disclosure requirements pertaining to malus and clawback. While these updates have no immediate impact on the Society, the Remuneration Committee will continue to watch developments across the external market with interest.

Directors' remuneration outcomes for 2024

Executive Directors are eligible to receive a bonus award as part of the 'Our Senior Leader Bonus' scheme. The value of this award is determined by the Society performance as measured against the scorecard of strategic, financial, non-financial and individual metrics. Full details are contained within this report.

The financial and customer underpins for 2024, have been met, which has unlocked any bonus award on this scheme. Specifically, this has resulted in a bonus of 96.6% (of salary) for the CEO and 87.8% for the CFO. We have included full details of how remuneration is awarded to Executive Directors and the amounts later in this report.

Looking forward to the year ahead

Looking ahead to 2025, the Remuneration Committee will continue to review the updated Remuneration Policy, including the newly introduced bonus schemes, to ensure alignment with our strategic objectives and to foster stability while delivering value to our members. These bonus schemes are designed to align all colleagues with the Society's strategy, and the Remuneration Committee will closely monitor and evaluate their effectiveness to confirm they achieve the desired outcomes.

Additionally, the Remuneration Committee will maintain a proactive approach to the evolving regulatory and corporate governance landscape, ensuring we remain informed of and responsive to any updates.

In summary

I can confirm that the Society has operated in line with the approved policy, a summary of which is set out later in this report, and always acts in the best interests of the Society's members. The *Directors' Remuneration report* is subject to an advisory vote the 2025 Annual General Meeting (AGM). As such, the Remuneration Committee recommends that members vote at in favour of the 2024 Director's remuneration report at the AGM.

Debra Davies
Chair of the Remuneration Committee

26 February 2025

Introduction Strategic Report Governance Financial Statements Other Information

Basis of Preparation

For the 2024 financial year we have applied the principles and complied with the provisions of the UK Corporate Governance Code published in July 2018 (available on the Financial Reporting Council's website www.frc.org.uk) as far as they apply to Building Societies (as set out in the Building Societies Association (BSA) Guidance available at www.bsa.org.uk) other than where stated in the *Corporate Governance report.*

Executive Director remuneration for 2024

All remuneration in the 2024 performance year has been awarded in line with the Society's Remuneration Policy.

Details of the full policy relevant for 2024 can be found at www.ybs.co.uk.

The table below shows the single total figure table of remuneration for the Executive Directors of the Society for the years ended 31 December 2024 and 31 December 2023. This information has been audited by our independent auditors, PwC.

Single total figure of remuneration for each Executive Director (audited)

		Fixed Remuneration								Variable Remuneration						Total Remuneration Excluding Replacement Awards		Total Remuneration Including Replacement Awards	
		2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Executive Directors	Role	Base Salary £'000		Taxable Benefits £'000		Pension £'000		Total Fixed £'000		Bonus £'000		Replacement Awards £'000		Total Variable £'000		£'000		£'000	
Susan Allen[43]	Chief Executive Officer	798	655	32	26	88	72	918	753	777	777	N/A	2516	777	3293	1,695	1,530	1,695	4,046
Alasdair Lenman[44]	Chief Financial Officer	246	482	16	31	25	50	287	563	144	378	N/A	N/A	144	378	431	941	431	941
Tom Ranger[45]	Chief Financial Officer	259	N/A	19	N/A	29	N/A	307	N/A	426	N/A	869	N/A	1,295	N/A	733	N/A	1,602	N/A
David Morris[46]	Chief Commercial Officer	281	362	9	12	31	40	321	414	N/A	311	N/A	N/A	N/A	311	321	725	321	725

* Please note that as all four Executive Directors have not been in their stated YBS role for the full two year reporting period, their relevant remuneration reflects time in role.

Base salary

In 2024 Susan Allen was awarded a pay increase of 3.18% effective 1st May. This uplift was lower than that provided to all colleagues (which was on average 5% with a minimum of 4% or £1,250 whichever was greater) and remains in line with our analysis of the broader market. Alasdair Lenman and David Morris did not receive a pay increase during the year.

43 Susan Allen – joined YBS as CEO on 2 March 2023 and 2023 salary reflects part year earnings. The bonus awarded to Susan for the 2023 performance period has been calculated based on the annual base salary as at 31 December 2023.

44 Alasdair Lenman – retired from the Society as Chief Financial Officer on 30 June 2024, all data disclosed above reflect payment for time in role. Alasdair was granted Good Leaver status which enabled Alasdair to keep all deferred awards. Please note that Alasdair was awarded a bonus of £143,749 in 2024, performance metrics were assessed at point of retirement and then reviewed at year end. The payment made to Alasdair was calculated based on his 2024 eligible pay and therefore prorated in line with time in role.

45 Tom Ranger – joined the Society as Chief Financial Officer on 18 June 2024 and was awarded an annual base salary of £485,000. Replacement awards include £868,937 awarded to compensate for deferred awards forfeited on leaving his previous employer. In line with remuneration regulatory expectations these replacement awards will vest in line with the prior vesting schedule. The bonus awarded to Tom for the 2024 Performance Period under the 'Our Senior Leader Bonus' scheme has been calculated based on his 2024 eligible pay; plus the lost incentive opportunity award for the period of 2024 prior to joining the Society; and an additional £26,000 discretionary award by the CEO.

46 David Morris – resigned from the Society as Chief Commercial Officer on 4 October 2024, all data disclosed above reflect payment for time in role. Please note that David forfeited his 2024 bonus award.

Variable pay

This section explains the underpins and mechanics of the variable pay schemes in operation by the Society in 2024.

For 2024 and as approved at the 2024 AGM, we have implemented a new approach to bonus. There are two separate schemes, one for Senior Leaders (including Executive Directors): 'Our Senior Leader Bonus', and one for all colleagues (excluding Senior Leaders): 'Our Bonus'. The two schemes utilise the same underpins: financial performance and customer experience. For the 'Our Bonus' scheme, financial performance and customer experience unlock and determine the bonus pool. For 'Our Senior Leader Bonus', financial performance and customer experience are key determinants of the bonus opportunity.

Financial performance

The first performance measure is Profit Before Tax ('PBT'), which is adjusted for bonus purposes to exclude items, both positive and negative, where they do not reflect underlying commercial performance – i.e. timing differences and or accounting treatment, this is referred to as the Society's Core Operating Profit.

The Remuneration Committee has scope to adjust the calculation of profit within the bonus scheme plan, for example to reflect the need to increase our capital (in the event of Society growth) or to reflect significant deviation from cost management plans. The following principles are applied when identifying potential adjustments:

- Where an unexpected or unplanned item arises that is not part of the core, business as usual, running of the Society. For example, one-off investments or projects that were not included in the plan profit number against which actual performance is judged.
- Removal of both positive and negative impacts from non-core actions that do not reflect management of the Society. For example, any unplanned profits (or losses) on the sale of property would not be included in the Core PBT figure used to calculate bonus award levels.

In line with the principles above, the overall Core Operating Profit figure achieved represents a performance level above target for the Society's bonus schemes.

Customer experience

The second performance measure is the customer 'Net Promoter Score' ('NPS') which measures how likely our members and customers are to recommend us.

The overall NPS figure achieved in 2024 was 64, which represents an on target performance above the threshold for the Society's 2024 bonus schemes.

Financial sustainability review

In addition to the above, before any bonus awards are granted, a number of reviews are completed to ensure the level of capital held by the Society remains sustainable and compliant with regulation as well as an assessment which determines that the Society's cost management practices are robust.

'Our Bonus'

The Society's threshold performance levels against the Core Operating Profit and NPS need to be achieved before any bonus award will be granted. An additional percentage of bonus may be awarded based on individual performance. The assessment of individual performance is measured against the achievement of individual objectives, which may contain both financial and non-financial measures.

'Our Senior Leader Bonus'

The Society's threshold performance levels against the Core Operating Profit and NPS need to be achieved before any bonus award will be granted. The calculation of Society performance across all the measures determines the core bonus award.

An additional percentage of bonus may be awarded based on individual performance. The assessment of individual performance is measured against the achievement of individual objectives, which contain both financial and non-financial measures. For each colleague, these are agreed at the start of the year and are subject to independent review at the year end.

All bonus awards are subject to the operation of a Business Controls Overlay ('BCO') Process as outlined in the Remuneration Policy.

How 'Our Senior Leader Bonus' value was calculated for Executive Directors

Category		Metric	Weighting %	Achievement	Outturn %
Finance		Profit Before Tax	30%	**Target**	**24.9%**
Finance		Cost	10%	**Threshold**	**4.2%**
Strategic/ Non-Financial	**Create Joyful Experiences**	Customer Experience	5%	**Stretch**	**5%**
Strategic/ Non-Financial	**Create Joyful Experiences**	NPS	5%	**Target**	**2.5%**
Strategic/ Non-Financial	**Double our Reach and Deepen our Impact**	Deepen Our Impact: Deliver Member Value	7.5%	**Target**	**6.1%**
Strategic/ Non-Financial	**Double our Reach and Deepen our Impact**	Double our Reach: Mortgage Propositions	5%	**Stretch**	**5%**
Strategic/ Non-Financial	**Build a Future Ready Society**	Building a Greener Society	5%	**Threshold**	**2.1%**
Strategic/ Non-Financial	**Build a Future Ready Society**	Growing Sustainably	5%	**Target**	**3.7%**
Strategic/ Non-Financial	**Cultivate an Ambitious Culture**	Organisational Health	7.5%	**Target**	**3.8%**
Shared Scorecard (out of 80%)					**57.3%**

Executive Director personal objectives 2024

In addition to the shared Senior Leader scorecard for 2024, the Executive Directors have a number of personal objectives.

Performance against personal objectives was assessed to have met or exceeded Target for both the CEO and CFO with respective outturns of 15.08% and 12% awarded out of a maximum of 20%.

The Remuneration Committee thoroughly reviewed bonus outturns for the Executive Directors to ensure they accurately reflected their performance. Ultimately, the Remuneration Committee was satisfied that the outcomes were a fair representation of performance.

Introduction | Strategic Report | **Governance** | Financial Statements | Other Information

How bonus is awarded for Executive Directors

In line with relevant remuneration regulations, bonus awards for Executive Directors are subject to deferral over a multi-year period.

This table below shows the years in which the 2024 performance year payments to Executive Directors vest, with 50% delivered in cash and 50% via Share Equivalent Instrument ('SEI'). Payments made via SEI are subject to a holding period. For further details on deferral please refer to the Deferral and Share Equivalent Instrument ('SEI') section.

		Total Award		Deferral schedule															
				2025		2026		2027		2028		2029		2030		2031		2032	
		Cash	SEI	Cash	SEI	Cash	SEI	Cash	SEI	Cash	SEI	Cash	SEI	Cash	SEI	Cash	SEI	Cash	SEI
Executive Director	**Role**	£'000		£'000		£'000		£'000		£'000		£'000		£'000		£'000		£'000	
Susan Allen	CEO	**388.6**	**388.6**	155.6	155.6	-	-	-	-	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6
Tom Ranger	CFO	**212.9**	**212.9**	85.4	85.4	-	-	-	-	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5
Alasdair Lenman	CFO	**71.9**	**71.9**	28.9	28.9	-	-	-	-	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6

Payments for loss of office

There were no payments to Directors for loss of office in 2024.

Payments to past Directors

There were no payments made to past Directors in 2024 that have not already been disclosed in previous reports.

Colleague considerations in relation to remuneration

Our aim is to build a working environment where colleagues feel engaged and committed to the Society's journey, ensuring they feel valued and respected to give their best. Our reward offering is integral to that, with an approach founded in our mutuality and values. Our Remuneration Policy is in place to support our colleagues in working together for the benefit of the Society, our members and customers. This was reviewed in 2023 for 2024 with the creation of a discretionary element in the 'Our Bonus' scheme that supports our ambitious culture pillar of the Society's strategy and seeks to ensure that high performance and certain behaviours are recognised and rewarded.

Colleague listening

The Society actively seeks views of colleagues through a variety of sources, including through our recognised trade union, Aegis. Our Colleague Forum and Performance and Reward Committee are other examples of where we gain direct colleague input into the design and ongoing development of the Society's remuneration framework. Angela Darlington has been our Non-Executive Director for Workforce Engagement since January 2024 (the role having previously been held by Alison Hutchinson), ensuring colleague views are fed through to the Board.

Supporting colleagues in 2024

It is important to us that our colleagues feel recognised, valued and fairly rewarded for the contributions they make to providing essential services to our customers and the effective running of our operations.

In 2024 we made another significant investment in base pay, providing eligible colleagues with an on average, circa 5% salary increase, this resulted in a minimum payment per colleague of 4% or £1,250, whichever was greater.

CEO Pay ratio reporting

We continue to publish the ratio of the Chief Executive's pay to the wider colleague population. This ratio compares the total remuneration of the CEO against the total remuneration of the median colleague and those who sit at the 25th and 75th percentiles (lower and upper quartiles).

In line with prior years, we have used the reporting method of 'Option B', which involves utilising our existing gender pay gap reporting data as the basis for identifying the colleagues at each of the required quartiles. The Total Remuneration calculation for the colleagues identified at each quartile was taken as at 31 December 2024.

This ratio reflects the nature of the Society, in particular the range of different roles and skillsets required to operate within Financial Services; from a number of customer-facing colleagues in the branch network and call centres, through to, for example, heavily technical specialist roles in our Treasury department.

We note that in last year's report, the 2023 CEO pay ratio numbers included replacement awards paid to the CEO upon joining the Society (median CEO pay ratio of 110:1). The figures below reflect the median CEO pay ratio excluding any replacement awards.

Year	Defined Method	25th percentile	50th percentile	75th percentile
2024	**Option B**	**59:1**	**43:1**	**28:1**
2023	Option B	60:1	44:1	28:1
2022	Option B	28:1	21:1	14:1
2021	Option B	29:1	21:1	14:1
2020	Option B	39:1	28:1	20:1

The total remuneration values and base salary values for the 25th, 50th and 75th percentile employees for 2024 are:

	25th percentile	50th percentile	75th percentile
Total Remuneration	**£28,888.74**	**£39,547.70**	**£60,106.06**
Salary	£24,732.30	£33,730.50	£49,448.20

* The following elements have been utilised to calculate the total remuneration of each colleague; base salary, pension (including pension cash allowance), car allowance, private medical insurance and bonus.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

Non-Executive Directors

Chair of the Board and Non-Executive Directors

The Chair of the Board and Non-Executive Director ('NED') fees are reviewed periodically. Following analysis of the market data available, and in line with the award provided to all colleagues the NED fees were increased in July 2024 as outlined below.

Non-Executive Director fees (annual equivalents)	Annual fees as at 1 July 2024 £'000	Annual fees as at 1 July 2023 £'000
Chair of the Board basic fee	225.0	216.2
Vice Chair of the Board basic fee	84.8	81.5
Non-Executive Director basic fee	59.8	57.5
Additional fee for:		
Audit Committee - Chair	24.3	23.4
Audit Committee - Member	10.1	9.7
Remuneration Committee – Chair	19.9	19.1
Remuneration Committee – Member	7.3	7.0
Board Risk Committee[1] – Chair	24.3	23.4
Board Risk Committee[1] – Member	10.1	9.7
Board Governance & Nominations Committee Member (N.B. Additional fee does not apply to the Chair or Vice Chair)	7.3	7.0

[1] Please note that until 1 January 2025, the Board Risk Committee was named the Group Risk Committee

During 2024 a review of the Board and Committee Architecture has been completed which was approved by the Board in December 2024. In conjunction with this a review of time commitment and Non-Executive Director fees has also been undertaken, including external benchmarking. As a result of the review, taking into account the increased requirements of the Non-Executive Director role, and including the outcomes of the time commitment review and the revised Board and Committee Architecture the following fees were agreed effective from 1 January 2025:

Role	Fee Effective from 1 January 2025
Non-Executive Director	£62,000
Additional fees:	
Vice Chair	£12,500*
Senior Independent Director (SID)	£25,000*
Audit Committee Chair	£27,000
Audit Committee Member	£13,500
Remuneration Committee Chair	£20,000
Remuneration Committee Member	£10,000
Board Risk Committee Chair	£27,000
Board Risk Committee Member	£13,500
Board Governance and Nominations Committee Member (excluding Board Chair and Senior Independent Director)	£10,000
Environmental and Social Purpose Committee Chair (new Committee with effect from 1 January 2025)	£20,000
Environmental and Social Purpose Committee Member (new Committee with effect from 1 January 2025)	£10,000
Board Champion Roles (excluding the Whistleblowing Champion Role and / or where Champion Roles are held by the Vice Chair or Senior Independent Director)	£3,000

* in addition to Non-Executive Director base fee.

There will be no further review of Non-Executive Director fees in 2025. The Board Chair fee was not included in the process and will, therefore, be subject to the normal annual review process in 2025.

Single total figure of remuneration for each Non-Executive Director

The Non-Executive Directors basic and committee fees earned in 2024 are outlined below. Non-Executive Directors do not receive any benefits, but in addition to the fees below, are reimbursed for any expenses incurred, such as travel and subsistence, as per the Society's expenses policy. This information has been audited by our independent auditors, PwC.

	2024			2023		
Non-Executive Director	**Basic Fees**	**Committee Fees**	**Total**	**Basic Fees**	**Committee Fees**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Annemarie Durbin (Board Chair from 23 April 2024)	**220.6**	**-**	**220.6**	8.3	-	8.3
John Heaps (Board Chair to 23 April 2024)	**82.1**	**-**	**82.1**	209.1	-	209.1
Guy Bainbridge	**58.7**	**40.9**	**99.6**	55.6	38.8	94.4
Peter Bole (joined the Board on 1 September 2024)	**19.9**	**3.4**	**23.3**	-	-	-
Angela Darlington	**58.7**	**33.7**	**92.4**	55.6	32	87.6
Debra Davies	**58.7**	**29.4**	**88.1**	24.8	10.3	35.1
Alison Hutchinson (stepped down from the Board on 31 December 2024)	**83.2**	**17.0**	**100.2**	78.8	24	102.8
Dina Matta	**58.7**	**7.1**	**65.8**	55.6	6.8	62.4
Mark Parsons	**58.7**	**19.8**	**78.5**	55.6	18.8	74.4
Janet Pope (joined the Board on 29 October 2024)	**10.7**	**-**	**10.7**	-	-	-
Jennelle Tilling (stepped down from the Board on 31 December 2024)	**58.7**	**7.1**	**65.8**	55.6	6.8	62.4

Remuneration Policy

The following pages set out the approved Director Remuneration Policy for our Executive Directors and Non-Executive Directors. The revised policy was approved by members at the Annual General Meeting ('AGM') on 23 April 2024 with 92.31% of the votes cast being in favour of the resolution.

The policy is intended to apply for three years to the AGM in 2027. It is intended that no payments to Directors will be made outside of this policy, unless required as a result of regulatory change.

Our reward principles

We follow five key principles to support us in achieving our long-term aspirations which apply to all colleagues within the Society. These help us know when we are doing the right things and set out what we believe good reward practice for all of our colleagues looks like.

Our five reward principles developed with our colleagues are:

1. Attract and retain talent, aligned to our mutual values and forward thinking to ensure relevance in a changing world.
2. Focused on total reward; recognising that reward is more than just pay, it is part of a broader Employee Value Proposition.
3. Reward decisions are clear and transparent for colleagues; delivered through effective and open communication.
4. Flexible within a framework to ensure a consistent approach whilst responding to different challenges, supported by education to help managers balance doing the right thing for both the Society and their people.
5. Our reward arrangements are reflective of society, team and individual achievements, with the ability to recognise the contribution all colleagues have made to our success.

Our reward principles are applied consistently regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

As outlined in the *Our Strategy* section of the *Strategic report*, the Society started a new strategic cycle in 2024 and outlined ambitious plans to scale up and change at pace, while remaining anchored to its purpose, to guide towards a Society that is future-ready and fit to serve generations to come. Following the review of the Reward Principles and the Society's strategy, the Remuneration Committee focused their review on the bonus schemes in operation for colleagues across the Society, including Executive Directors.

A new bonus scheme was implemented for 2024 to support the Society's strategy in creating an ambitious culture, and to foster an environment where high performance is recognised and rewarded, not just through 'what' is delivered, but also 'how' it is delivered.

While there is a separate bonus schemes for Senior Leaders, including Executive Directors, and one for the broader colleague population, there is alignment of focus between the two schemes through the use of common performance metrics and gateways. This alignment supports a collective culture, where everyone works together to put our members needs first, as well as being able to recognise high performance.

Overview of Variable Pay Schemes for 2024

'Our Bonus'

The all-colleague scheme was introduced for 2024 ensuring full alignment with the Strategy.

The all-colleague scheme 'Our Bonus' is underpinned by performance against Core Operating Profit and Net Promoter Score metrics, retaining the commitment to long term financial sustainability and exceptional customer service. The all-colleague scheme is also subject to the Society's Business Controls Overlay process, which includes a financial sustainability review. Subject to company performance levels being met, all colleagues (excluding Senior Leaders) become eligible for a bonus award.

The actual bonus awarded to colleagues will be dependent on their individual performance and contribution to the Society. For the majority of colleagues who perform well and deliver as expected, this will look the same however, where performance exceeds expectations and certain behaviours are exhibited, those colleagues can now experience a higher bonus award than their peers, driving our ambitious culture value.

'Our Senior Leader Bonus'

To support the aim of simplicity, the new single Senior Leaders' Bonus scheme was implemented from 1 January 2024.

Our evolved approach to reward senior leaders has been influenced by a few key factors:

Aligning all senior leaders (SLT and Chiefs including EDs) to the delivery of Our Strategy	Driving three priority outcomes from our ambitious culture pillar; a. "leaders are aligned on priorities and provide both support and challenge"; b. "high performance is rewarded at YBS, with how and what I deliver being equally important"; and c. "I am clear what I'm accountable for and trusted to deliver"
Simplification	To ensure that all Senior Leaders are focused in the same direction in service of Our Strategy, anchoring back to the ambitious culture outcome of: "I am clear what I'm accountable for and trusted to deliver"
Alignment with market best practice	To ensure that we can attract and retain the skills we need. To ensure we are compliant with regulation. To ensure the Society's cost management practices are robust and sustainable. The scheme will also continue to be subject to the Society's Business Controls Overlay process.

Executive Director Remuneration Policy

There are no proposed changes to the Remuneration Policy for 2025.

As such and for simplicity, details of the full policy relevant for 2025 can be found at www.ybs.co.uk.

Deferral and Share Equivalent Instruments (SEI)

In line with relevant remuneration regulations, including the Remuneration section of the PRA Rulebook and the FCA's Dual-Regulated Firms Remuneration Code, all variable pay awards for Executive Directors are subject to deferral. Deferral ensures that the Society delivers variable pay over a multi-year period, in a manner that mitigates unnecessary risk taking, whilst achieving a level of sustainable performance.

Also required by regulation, is that 50% of each variable pay award will be delivered via a SEI which is subject to a further holding period following vesting.

For the 2025 performance year, an Executive Director whose remuneration exceeds the de-minimis limit will receive 20% of their total variable pay in 2026, with a further 20% delivered via SEI in 2027. The remaining 60% is deferred over seven years, with a 12 month holding period applying to the payments made via SEI.

For example:

- **Year 1:** 40% of any variable pay earned is paid out in the year following the relevant performance year. Half of this amount is paid in cash (in 2026) and the other half is delivered in a SEI and subject to an additional holding period prior to revaluation and payment (in 2027).
- **Deferral Years:** the remaining 60% is deferred for 7 years and paid equally each year from 3 years after the award. Each year, the award is split in two, with half the amount paid in cash and the second half held in a SEI and subject to an additional holding period prior to revaluation and payment. SEI valuations continue every 12 months until the variable pay schedule is complete.

Length of time variable pay at risk

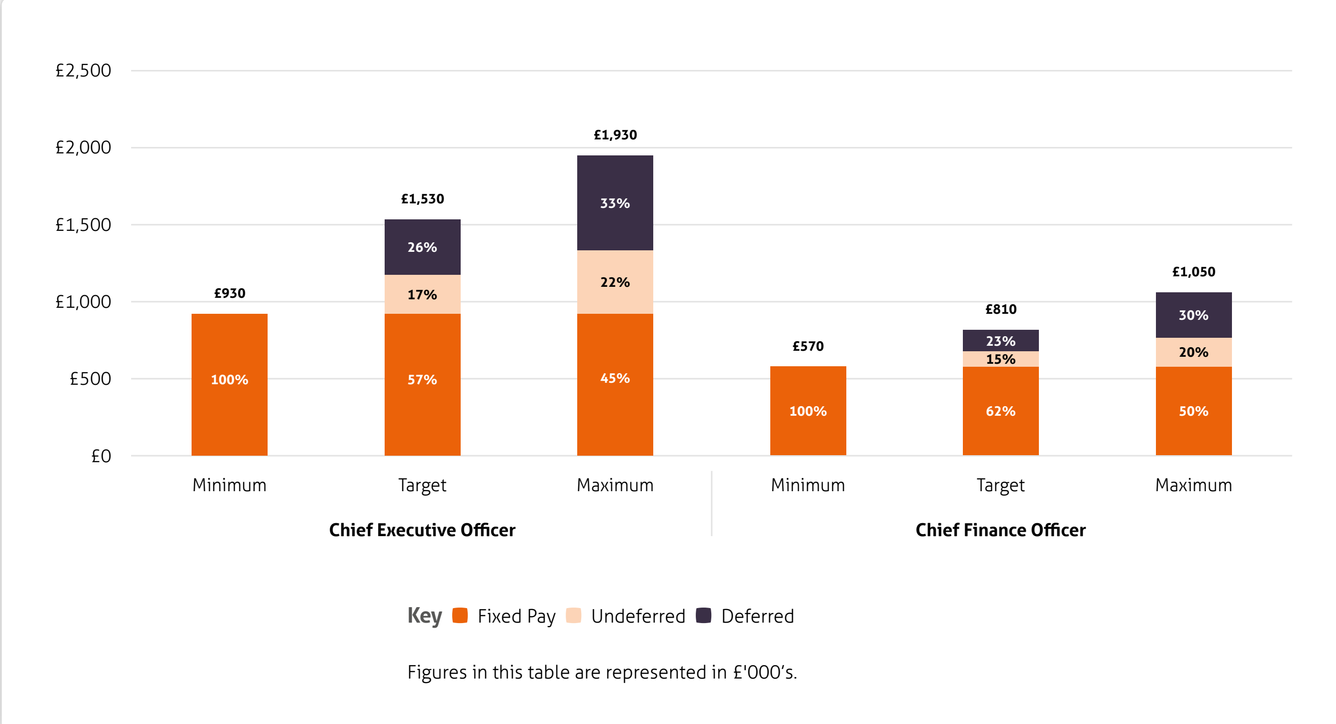
2025 Bonus	Delivery	2026	2027	2028	2029	2030	2031	2032	2033	2034
Up-front: April	Cash									
Up-front: April	SEI									
Deferred Year 3: April	Cash									
Deferred Year 3: April	SEI									
Deferred Year 4: April	Cash									
Deferred Year 4: April	SEI									
Deferred Year 5: April	Cash									
Deferred Year 5: April	SEI									
Deferred Year 6: April	Cash									
Deferred Year 6: April	SEI									
Deferred Year 7: April	Cash									
Deferred Year 7: April	SEI									

Key
→ Cash bonus deferral → SEI deferral → SEI holding period

Remuneration scenarios in relation to the Remuneration Policy in 2025

The chart below shows an illustration of the potential split of remuneration between fixed remuneration (base salary, benefits and pension) and total variable pay (bonus) for the CEO and other Executive Directors. For the purposes of this illustration, we have used the data pertaining to the Chief Executive Officer and the Chief Financial Officer under the following scenarios:

- **Minimum** – under certain performance conditions, variable pay can be zero.
- **Target** - represents a variable pay award (75% of eligible pay for the Chief Executive Officer and 50% for the remaining Executive Directors) that would be paid if Society and personal performance measures are achieved in 2025.
- **Maximum** – the maximum variable pay award (125% of eligible pay for the Chief Executive Officer and 100% for the remaining Executive Directors) that could be paid assuming stretch objectives and outcomes are fully realised in 2025.



Our committees

To ensure our reward policies and procedures are robust and assured we have two main committees in place to support this: the Remuneration Committee and the Performance and Reward Committee. These committees play different roles in making sure our approach to reward meets our required levels of compliance, as explained below.

Remuneration Committee

The Remuneration Committee has specific responsibility for making sure we have the right policies and processes in place for Chief Officers (including those that are Executive Directors) of the Society, and individuals identified as Material Risk Takers ('MRTs'), as well as the overarching Remuneration Policy and pay practices that impact all colleagues within the Society. The purpose of the Remuneration Committee is to oversee the Remuneration Policy in place for the Society, making sure this aligns to our business strategy and any regulatory requirements.

Details in relation to the composition and the Terms of Reference of the Remuneration Committee can be accessed on the Society's website.

The Remuneration Committee oversees a broad range of activities within the Society such as:

- Setting of the Remuneration Policy for all colleagues within the Society.
- Reviewing and approving the individual remuneration arrangements for all Chief Officers (including those that are Executive Directors) and Chair of the Board.
- Ratifying the annual objectives of the Chief Officers (including those that are Executive Directors).
- Determining individual variable pay awards for other MRTs.
- Overseeing and approving the variable pay outturn for all bonus schemes.
- The application of malus and / or clawback for MRTs if any evidence of risk taking or behaviour not conducive with our principles is identified.
- Overseeing remuneration processes and procedures in relation to MRTs, including ensuring MRTs do not undertake hedging strategies in relation to their variable pay opportunities.
- Responsibility for the Business Controls Overlay process.
- How remuneration is considered for all colleagues in the organisation, and the relativity of their remuneration to the Executives.

The Remuneration Committee is supported by the Chair of the Board, the Chief People Officer and the Head of Reward & Governance. Where it is felt to be appropriate, the Chief Executive Officer is invited to attend to provide further background and context to assist the Remuneration Committee in discharging its duties.

The Remuneration Committee met five times during the year and held two Extraordinary meetings and covered the following activities:

- Reviewing the Society's Remuneration Policy for Executive Directors and all colleagues, ensuring it is fit for purpose in relation to a Tier 1 firm.
- Ensuring remuneration policies and practices remain appropriate and are operating as intended.
- Ongoing work in relation to the Prudential Regulatory Authority's ('PRA') Remuneration Code and how it applies to the Society.
- Reviewing the Society's variable pay scheme structure and targets.
- Overseeing performance and remuneration of the Society's Material Risk Takers.
- Reviewing and monitoring the risk measures in place relating to Director performance.
- Reviewing the Society's gender pay gap reporting.
- Reviewing and approving the remuneration arrangements for MRTs.

Details of the number of scheduled meetings attended by each Committee member during 2024 can be found in the Attendance at Board and Committee meetings section of the Corporate Governance report.

The Remuneration Committee draws on the advice of an independent external consultant to support it in performing its duties. During the year, the Committee sought advice on reward and regulatory matters from EY. The Committee is satisfied that the advice received is objective and independent.

Further to the advice received from EY, additional advice was obtained from Willis Towers Watson and Deloitte LLP, who provided support and guidance on the review of the Executive Directors Remuneration Policy.

Performance & Reward Committee

The Performance & Reward Committee is in place to ensure effective governance and oversight of our Remuneration Policy with a focus on conduct and alignment to our business strategy. This committee also ensures that any variable pay arrangements that we offer colleagues drive the right behaviours towards risk taking and safeguard good customer and member outcomes. The Performance & Reward Committee comprises several senior leadership team members within the organisation with representation from the Customer Services, Commercial, People, Finance and Risk functions.

Our approach to risk management and governance of reward

Our reward provisions meet all the requirements of both our internal governance processes and external regulators. Our provision of reward and the associated policies, processes, procedures and practices relating to these are created in a way which ensures the appropriate level of governance is in place to mitigate any potential current and future risks to the Society, colleagues, members and customers. The variable pay scheme is subject to a Business Controls Overlay Process, under which the Remuneration Committee may adjust variable pay outcomes in the event risk issues are identified.

We are actively reviewing the recently updated 2024 UK Corporate Governance Code, which is effective from financial years beginning on or after 1 January 2025 and contains additional disclosure requirements pertaining to malus and clawback.

Our regulators

As a financial services provider we are regulated by both the Financial Conduct Authority (FCA) and the Prudential Regulation Authority ('PRA'). The relationship with our regulators is important to us and builds trust both inside and outside of the Society. This means that from a performance, reward and benefits perspective we ensure that our base salary, variable pay, and benefits not only meet any necessary obligations of our regulators but are designed and provided in a way which develops a trusted relationship with them.

Introduction Strategic Report Governance Financial Statements Other Information

Appendices

Appendix 1 – AGM - Statement of member voting

The Society remains committed to ongoing member dialogue and takes an active interest in voting outcomes. The policy has received strong support from members to date.

Non-Executive Director	2018	2019	2020	2021	2022	2023	2024
To approve the Directors' Remuneration report	90.29%	91.86%	91.32%	92.45%	91.77%	93.15%	**92.89%**
To approve the Directors' Remuneration Policy	n/a	90.95%	n/a	91.58%	n/a	n/a	**92.31%**

Appendix 2 - Aggregate remuneration data (Pillar 3)

For full details on the Society's full Pillar 3 disclosure, please visit www.ybs.co.uk/your-society/financial-results.

This report contains the statutory disclosures required under the Building Societies Act 1986 ('the Act') and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority ('the DTR'). It also includes details of voluntarily applied disclosure requirements, including those in respect of the UK Corporate Governance Code ('the Code'), the Companies Act 2006 and the streamlined energy and carbon reporting ('SECR') rules.

DIRECTORS' REPORT

This report contains the statutory disclosures required under the Building Societies Act 1986 ('the Act') and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority ('the DTR').

It also includes details of voluntarily applied disclosure requirements, including those in respect of the UK Corporate Governance Code ('the Code'), the Companies Act 2006 and the streamlined energy and carbon reporting ('SECR') rules.

Our directors

The names of the directors of Yorkshire Building Society ('the Society') who served during the year and up to the date of this report, their roles, previous experience and membership of board committees are described in the *Our Board and Executive Team* area of the Governance section. None of the directors had an interest in, or share of, any associated body of the Society at any time during the financial year. At our 2025 Annual General Meeting ('AGM') our directors will all retire and stand for election/re-election.

Our strategy, future developments and Key Performance Indicators ('KPIs')

Information on the strategy of Yorkshire Building Society and its controlled entities ('the Group') can be found in the *Our purpose and strategy* section of the *Welcome from the Chair of the Board.* Details of future developments are included in the *A solid performance and an ambitious future* section of the Chief Executive's Summary and KPIs are set out in the *Performance at a glance* section.

Details of our corporate governance practices are included in our Corporate Governance report.

How we manage risks

Our business activity exposes the Group to a variety of risks, including retail and commercial credit, treasury, funding and liquidity, market, operational, model, capital, and compliance and conduct risk. We seek to manage all the risks that arise from our business activities and we have a number of committees and policies in place to do so.

Details of these risks are included in the Risk overview section of the Strategic report and the Risk Management report.

Introduction Strategic Report Governance Financial Statements Other Information

Our mortgage arrears

Details of the mortgage accounts that were 12 months or more in arrears at 31 December are as follows:

	2024	2023	2024	2023
			% of mortgage account/balances	
Number of accounts	249	194	0.09%	0.07%
Balances outstanding on accounts	£33.8m	£25.4m	0.07%	0.05%
Amount of arrears included in balances	£4.7m	£3.5m	0.01%	0.01%

Further details of the arrears position are set out in the Our financial review section of the Strategic report. Note 31 to the financial statements also details the various forms of support offered to borrowers experiencing difficulties in meeting their repayments.

Our Charitable and political donations

Charitable donations made by the Group during the year were £1.3 million (2023: £0.9 million), more details and further information on fundraising by our colleagues, members and customers, including the value of volunteering time of YBS colleagues can be found in the *Our communities* section of *Engaging with our stakeholders* in the *Strategic report.* No political donations were made in the year (2023: nil).

Our colleagues

We continue to listen and respond to our colleagues' needs. It is important that all our colleagues feel connected to the Society and can contribute to our success. To achieve this, we communicate business information to our colleagues across our organisation in an appropriate and timely way. We recognise that employing people from different backgrounds and with a range of experience enhances the way in which we work. We are building a diverse workforce and we make workplace adjustments wherever we possibly can to provide an inclusive working environment for all colleagues.

See the Engaging with our stakeholders section of the Strategic report for more details.

Our responsibilities in respect of Accounting Records and Internal Control

We are responsible for ensuring that the Society:

- keeps accounting records in accordance with the *Building Societies Act 1986* ('the Act'); and
- takes reasonable care to establish, maintain, document and review such systems and control as are appropriate to its business in accordance with the rules made by the Prudential Regulation Authority under the *Financial Services Act 2012.*

We have a general responsibility for the safeguarding of the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibilities in respect of the preparation of the Annual Report and Accounts

The following statement, which should be read in conjunction with the *Auditors' responsibilities for the audit of the financial statements* in the *Independent auditors' report to the members of Yorkshire Building Society*, is made by the directors to explain their responsibilities in relation to the preparation of the financial statements.

We are required by the Act to prepare financial statements, for both the Society and the Group, that give a true and fair view of the income and expenditure for the financial year, and the state of affairs at the end of each financial year in accordance with UK-adopted International accounting standards. We are also required to provide details of directors' remuneration in accordance with part VIII of the Act and regulations made under it.

As per the Act, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Society and of the profit or loss of the Group and Society in that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable;
- state whether the financial statements have been prepared in accordance with International Accounting Standards; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for safeguarding the assets of the Group and Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Society's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Society and enable them to ensure that the financial statements comply with the Building Societies Act 1986.

The disclosure and transparency rules of the Financial Conduct Authority ('the DTR') require an annual financial report to include:

- audited financial statements for both the Society and Group;
- a management report that includes a fair review of the business and a description of the principal risks and uncertainties (see the *Strategic report* and the *Risk Management report*); and
- responsibility statements (see *Responsibility Statements* below).

We are responsible for the maintenance and integrity of statutory and audited information on the Society's website. Information published on the internet is accessible in many countries with different legal requirements. Laws in the United Kingdom governing the preparation and communication of financial statements may be different from laws in other jurisdictions.

Annual Business Statement

The Act also requires the directors to prepare, for each financial year, an annual business statement containing prescribed information relating to the business of the Group.

See pages 218 to 219 for the 2024 Annual Business statement.

Non-financial and sustainability statement

The Society aims to voluntarily apply the requirements of s414CB of the *Companies Act 2006* by including non-financial information intended to help stakeholders understand our position on key non-financial matters. Information regarding these matters can be found in the following sections of this document:

Area	Strategic report reference
Environment matters	See *Building a greener society* section
Employees	See the *Investing in our people* subsection of *Our ESG priorities* section
Social matters	See the *Place to Call Home* and *Financial Wellbeing – supporting our Communities* subsection of the *Our ESG priorities* section
Respect for human rights	See the *Human rights* subsection of *Operating responsibly* section
Anti-corruption and anti-bribery	See the *Anti-bribery and anti corruption* subsection of *Operating responsibly* section
Our business model	See *Our business model* subsection of *Our purpose and strategy* section of the *Strategic report*
Principal risks	See the *Risk overview* section of the *Strategic report*
Key performance indicators	See *Performance at a glance* section in the *Introduction* and the *Engaging with our stakeholders* section for a description of employee engagement scores

Directors' duties

Section 172 of the *Companies Act 2006 ('s172')* describes the duties of company directors in respect of promoting the business and considering other stakeholders. This does not apply to the Society's Directors as we are a building society not a company, but the Code expects boards to report on how they have considered the matters set out in s172 in decision making. The table below summarises the s172 requirements and cross references to where this consideration is covered in other sections of this document.

Summary of s172 Requirements	Yorkshire Building Society Board	Relevant Disclosure
A director must act in a way they consider, in good faith, would most likely promote the success of the business for the benefit of its members as a whole (i.e. the company's shareholders) and in doing so have regard (amongst other matters) to the:	As a mutual the Society does not have external shareholders, we are owned by our members. The Board is committed to promoting the long-term success of the Society for the benefit of our current and future members. Building on our purpose to provide Real Help with Real Life Our Strategy underpins our commitment to the success of the business for our members both now and in the future.	**Our business model section** **Our purpose and Our strategy sections**
▪ **likely consequences of any decision in the long term**	Our Board recognises the importance of ensuring the likely consequences of decisions in the long term are considered which is reflected in Our Strategy, built around our purpose of providing Real Help with Real Life.	**Our business model section** **Our purpose and Our strategy sections**
▪ **interests of employees**	The Board understands that our people are the foundation of our business and recognises the importance of ensuring that their voice is heard in the board room. Each paper considered by the Board sets out the implications for our employees and, where relevant, how they have been consulted on the proposals. The Board also has a Non-Executive Director for Workforce Engagement. The Board has also put in place a framework to ensure colleague views inform its decision.	**Our ESG priorities section** **Corporate Governance report colleague section**
▪ **need to foster business relationships with suppliers, customers and others**	The Society's Board is committed to fostering and monitoring the effectiveness of our wider business relationships with all our key stakeholders. This was reflected in the shaping of Our Strategy, which was supported through detailed stakeholder engagement exercises.	**Engaging with our stakeholders section**
▪ **impact of the business's operations on the community and the environment**	The environment, social and governance impact of the Society underpins Our Strategy and each paper considered by the Board sets out any social or environmental implications of a decision ensuring that the Board has regard to the impact of these as part of its overall approach to promoting the success of the Society.	**Our ESG priorities section**

Summary of s172 requirements	Yorkshire Building Society Board	Relevant Disclosure
desirability of maintaining a reputation for high standards of business conduct	The Board's commitment to maintaining high standards of business conduct helps to ensure the long-term success of the Society for our current and future members, customers, colleagues and all other stakeholders. The Society's behaviours help drive the culture and supports the delivery of Our Strategy.	**Our business model section** **Our purpose and Our strategy sections**
need to act fairly as between members (i.e. the company's shareholders)	The Society does not have external shareholders, instead our members are our owners and at the heart of what we do. The Board understands the importance of engaging with our members and is committed to ensuring their views inform future decision making to ensure it is fair and in the interests of our membership as a whole.	**A Place to Call Home and Financial Wellbeing – supporting our Communities section** **Corporate Governance report member's section**

Streamlined Energy and Carbon Reporting ('SECR')

The Society's SECR can now be found in the *Building a greener society* section of the *Strategic report*. In 2024, the Society has chosen to relocate the SECR to join its Taskforce for Climate-related Financial Disclosure ('TCFD') report. This allows the Society's total climate-related reporting to be found in one location and reflects the strategic importance granted to climate reporting by the Society.

Introduction Strategic Report Governance Financial Statements Other Information

Going concern

The directors confirm that they consider that the Group and the Society has adequate resources to continue in existence for at least 12 months from the approval of this report. This confirmation is made after having reviewed assumptions about future trading performance, liquidity requirements, capital requirements and organisational sustainability. The directors also considered potential risks and uncertainties in the business, credit, market and liquidity risks, including the availability and repayment profile of funding facilities.

Details of how the Board monitor longer term risks are included in the Risk Management report in the Governance section.

Based on the above, together with available market information and the directors' knowledge and experience of the business and our markets, the directors continue to adopt the going concern basis in preparing the Annual Report and Accounts for the year ended 31 December 2024.

Viability

The UK Corporate Governance Code ('the Code'), which the Society adopts to the extent that it applies to a Building Society, requires the directors to assess the prospects and ongoing viability of the Group over a longer period than the 12 months required for the going concern assessment.

For the purposes of assessing longer term viability, the directors have determined three years to be the most appropriate period as this covers the typical term of most of our fixed rate products and is the longest period over which the directors consider that they can form a reasonably firm view over the macroeconomic environment and associated key drivers of business performance. The directors have therefore assessed the viability of the Group and the Society over the three years to December 2027, taking account of the current position and the potential impact of the risks documented in the *Strategic report* and the *Risk Management report*.

Our financial planning process consists of a budget for the next financial year and a corporate plan for the following additional four financial years. The one-year budget has a greater level of certainty and is used to set near-term targets. The five-year corporate plan is less certain than the budget, but provides a longer term outlook against which strategic decisions can be made.

The financial planning process forecasts the Group's profitability, capital position, liquidity and other key financial metrics over the period, including regulatory measures such as MREL (Minimum Requirement for Eligible Liabilities). These metrics are subject to sensitivity analysis through the annual Group ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment) processes. The Group stresses its capital and liquidity plans, under 'severe but plausible' stress test scenarios, in line with PRA requirements.

The ICAAP stress test ensures that the plan projections for capital requirements and capital generation are resilient to stresses should the environment deteriorate beyond the levels currently envisaged. The Group maintains capital buffers that are sufficient to absorb the level of capital erosion in the stress scenario over and above its minimum capital requirement, ensuring that the Group can continue to meet its minimum capital requirements throughout a 'severe but plausible' stress. The ILAAP stress test ensures that the Group holds adequate liquid assets in terms of both quality and quantity sufficient to meet both its business-as-usual liquidity needs and increased requirements that could occur as a result of the Group entering into a period of stress. Planned liquidity levels meet the Group's key risk appetite measures over a period of three years.

The Board has undertaken a robust assessment of the principal risks and uncertainties that could threaten the business model, future performance, solvency or liquidity of the Group and the Society. Based on this assessment, the directors have a reasonable expectation that the Group and the Society will be able to continue in operation and meet its liabilities as they fall due over the period to December 2027.

Responsibility statements

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the directors confirm that, to the best of their knowledge:

- The financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Society and the Group; and
- The *Strategic report* includes a fair review of the development and performance of the business and the position of the Society and the Group, and the *Strategic report* and the *Risk Management report* contain a description of the principal risks and uncertainties.

Fair, balanced and understandable

As required by the UK Corporate Governance Code, which the Group adopts to the extent that it applies to a Building Society, the directors are satisfied that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess our performance, business model and strategy.

External auditor

The reappointment of PricewaterhouseCoopers LLP as the Group's external auditor is to be proposed at the 2025 AGM. The directors in office at the date of this report confirm that, so far as they are aware, there is no relevant audit information of which the external auditor is unaware. Each director has taken all the steps necessary in order to make themselves aware of any relevant audit information and to establish that the external auditors are also aware of that information.

Annemarie Durbin
Chair of the Board

26 February 2025

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YORKSHIRE BUILDING SOCIETY

Report on the audit of the financial statements

Opinion

In our opinion, Yorkshire Building Society's Group financial statements and Society financial statements (the "financial statements"):

- 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 UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Group and Society Balance Sheets as at 31 December 2024; the Group and Society Income Statements, the Group and Society Statements of Comprehensive Income, the Group and Society Statements of Cash Flows, and the Group and Society Statements of Changes in Members' Interest and Equity for the year then ended; and the notes to the financial statements comprising material accounting policy information and other explanatory information. Certain notes to the financial statements have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as '(Audited)'. The relevant disclosures are included in the Financial performance section and the Directors' remuneration report disclosures.

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 financial statements 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 financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than those disclosed in the Note 6 to the financial statements, we have provided no non-audit services to the Society or its controlled undertakings in the period from 1 January 2024 to 31 December 2024.

Introduction Strategic Report Governance Financial Statements Other Information

Our audit approach

Overview

Audit Scope

The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the significance of components and other qualitative factors.

We performed audit procedures over components considered to be significant in the context of the Group or in the context of individual primary statement account balances.

Key audit matters

- Expected credit losses for loans and advances to customers (Group and Society)
- Valuation of the funded defined benefit pension obligation (Group and Society)

Materiality

- Overall Group materiality: £17.4m (2023: £22.8m), based on 5% of profit before tax adjusted to exclude net gains and losses arising from financial instruments held at fair value.
- Overall Society materiality: £14.0m (2023: £15.7m), based on 5% of profit before tax adjusted to exclude net gains and losses arising from financial instruments held at fair value.
- Performance materiality: £13.1m (2023: £17.1m) (Group) and £10.5m (2023: £11.8m) (Society).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

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

- Enquiries of management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulations;
- Review of internal audit findings throughout the year, in so far as these related to the financial statements;
- Review of correspondence with the PRA, FCA and HMRC;
- Incorporation of an element of unpredictability in our testing through altering the nature, timing and/or extent of work performed;
- Challenging estimates and judgements made by management in forming significant accounting estimates in particular those relevant to the key audit matters below; and
- Identifying and testing journals that meet the higher risk criteria.

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 financial statements. 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 financial statements 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 financial statements 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.

Fair value hedge accounting in respect of foreign currency debt issuances, which was a key audit matter last year, is no longer included because the assessed risk is normal given the nature and size of the hedges, and there have been some improvements in the data capture process. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for loans and advances to customers (Group and Society) Determining expected credit losses ("ECL") is inherently judgemental and involves making various assumptions. This can give rise to increased estimation uncertainty. ECL is calculated using historical default and loss experience but requires judgement to be applied in predicting future economic conditions, e.g. house prices, and customer behaviour. Modelling methodologies are used to estimate ECL. These may not appropriately address relevant risks and therefore post model adjustments may be applied. Our audit focused on the significant assumptions for which variations had the most material impact on ECL. We consider the following elements of the determination of ECL for residential mortgages to be significant: ▪ Forward looking economic assumptions, specifically HPI and unemployment in base and downside scenarios, and the weighting assigned to these scenarios; and ▪ Judgements involved in the valuation of material post model adjustments to address economic risks not captured and known model limitations. Refer to relevant disclosures in Note 31: Credit risk on loans and advances to customers, Note 1: Material accounting policies, and Note 2: Critical accounting judgements and key sources of estimation uncertainty.	We engaged the support of our credit risk modelling specialists and economic experts to critically assess the appropriateness of the ECL. **Forward looking economic scenarios and assigned weightings** We assessed the reasonableness of the forward looking economic scenarios and weightings assigned to them, and benchmarked them against market consensus data. The severity of the scenarios was evaluated with reference to external forecasts, including data from historical economic downturns. We evaluated the assigned weightings, using our economic analysis tool, which assesses the reasonableness of the scenarios and weights, giving specific consideration to observed historical losses and the current economic environment. **Model methodology and post model adjustments** We critically assessed the appropriateness of the methodology used in the in-scope impairment models and evaluated compliance with IFRS 9 requirements. We evaluated the methodology, appropriateness and implementation of material post model adjustments. We assessed and tested the accuracy of the results of model monitoring performed by management. We validated that the in scope models were implemented in line with the methodology through a combination of independent model replication and code reviews. We evaluated and tested the audited Credit Risk disclosures made in the Annual Report.

Introduction Strategic Report Governance Financial Statements Other Information

Key audit matter	How our audit addressed the key audit matter
Valuation of the funded defined benefit pension obligation (Group and Society) The Group and Society operates a funded defined benefit pension scheme. The present value of the funded defined benefit obligation at 31 December 2024 is £509.3m (2023: £572.5m). The valuation of the funded defined benefit obligation is dependent on a number of actuarial assumptions. We consider the discount rate, inflation rate and mortality rates to be the most significant assumptions used in the valuation. Management uses an actuarial expert to determine the valuation of the defined benefit obligation. The valuation methodology uses a number of market-based inputs and other financial and demographic assumptions. Changes in these assumptions can have a material impact on the valuation due to the long duration of the pension liabilities and as such the valuation is considered to be highly judgemental. Refer to relevant disclosures in Note 17: Retirement benefit obligations, Note 1: Material accounting policies, and Note 2: Critical accounting judgements and key sources of estimation uncertainty.	We evaluated the independence, objectivity and competence of the third party actuary engaged by management. We reviewed the actuary's report and obtained an understanding of the methodology used and assumptions set in calculating the defined benefit obligation. We assessed the appropriateness of the methodology used. We engaged our actuarial experts to understand the judgements made by management and the third party actuary in determining the significant assumptions. We independently assessed, using our actuarial experts, the reasonableness of the significant assumptions, specifically the discount rate, inflation rate and mortality rates, by comparing these assumptions to our independently compiled acceptable ranges based on external market data. We evaluated and tested the disclosures made in the Annual Report in relation to the defined benefit pension obligation.

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 financial statements 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.

The Group comprises the Society, its wholly owned subsidiaries and special purpose vehicles over which, under accounting standards, the Society has control. Each entity is located in the UK and is considered to be a financial reporting component.

In establishing the overall approach to our audit of the financial statements, we determined the type of work that was required to be performed over each component. The Society and Accord Mortgages Limited were considered significant due to risk and size in the context of the Group's consolidated financial statements and therefore we performed a full scope audit of the component financial information. Yorkshire Building Society Covered Bonds LLP, Brass No. 9 PLC, Brass No.10 PLC, Brass No. 11 PLC, Tombac No. 3 PLC and White Rose Master Issuer PLC were considered non-significant components in the context of the Group's consolidated financial statements with further audit procedures being performed over certain balances.

All remaining components were identified as inconsequential and no further audit procedures performed.

All audit work was performed by the same engagement team.

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.

In addition to enquiries with management, we also:

- Read the Group's Environmental and Climate change policies and framework to consider the impact on our audit risk assessment;
- 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. Management does not consider the impact of climate risk to have a material impact on the financial statements; and
- Considered the consistency of the disclosures in relation to climate change within the Annual Report 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 financial statements as a whole.

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

	Group financial statements	Society financial statements
Overall materiality	£17.4m (2023: £22.8m).	£14.0m (2023: £15.7m).
How we determined it	5% of the current year profit before tax adjusted to exclude net gains and losses arising from financial instruments held at fair value.	5% of the current year profit before tax adjusted to exclude net gains and losses arising from financial instruments held at fair value.
Rationale for benchmark applied	Profit before tax is a primary measure used by stakeholders in assessing the performance of the Group and is a generally accepted benchmark for determining audit materiality. Management assesses the performance of the business using the 'Core Operating Profit' measure, which itself excludes net gains and losses on financial instruments held at fair value through the income statement, as these are not considered to reflect the underlying performance of the business. The fair value movement relates predominantly to derivatives which are not yet in accounting hedging relationships, rather than underlying business performance.	Profit before tax is a primary measure used by stakeholders in assessing the performance of the Society and is a generally accepted benchmark for determining audit materiality. We changed the benchmark from a three-year average of the adjusted profit measure to the current year's adjusted profit measure as the economic environment is more stable, with less volatility observed in the Society's performance.

Introduction Strategic Report Governance Financial Statements Other Information

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £6.5m to £14.2m.

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% (2023: 75%) of overall materiality, amounting to £13.1m (2023: £17.1m) for the Group financial statements and £10.5m (2023: £11.8m) for the Society financial statements.

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 £0.9m (2023: £1.1m) in respect of the Group and £0.7m (2023: £0.8m) in respect of the Society as well as misstatements below those amounts 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:

- performing a risk assessment to identify factors that could impact the going concern basis of accounting, including the current and forecast financial performance;
- understanding and evaluating management's going concern assessment, including consideration of the impact of current economic environment;
- understanding and evaluating management's forecasts and the stress testing of liquidity and regulatory capital performed by management;
- evaluating management's ability to accurately forecast financial performance by comparing budgeted financial information with historical actual results;
- reviewing regulatory correspondence, and relevant reports provided to governance forums; and
- reading and evaluating the appropriateness of the disclosures made in the financial statements in relation to going concern.

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 when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements 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 the Society's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Introduction Strategic Report Governance Financial Statements Other Information

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 financial statements 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 financial statement; 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.

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Society's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by the auditor. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Society's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Society's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Society will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Society was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Society and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Society's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Society's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities in respect of the preparation of the Annual Report, the directors are responsible for the preparation of the financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and 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 Group or the Society or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 financial statements.

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 financial statements 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 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 financial statements 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 30 April 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ended 31 December 2019 to 31 December 2024.

Other matter

The Society is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Michael Whyte (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

26 February 2025

Introduction Strategic Report Governance

Other Information

FINANCIAL STATEMENTS

Income Statements

For the year ended 31 December 2024

		Group		Society	
		2024	2023	**2024**	Restated 2023
	Notes	**£m**	£m	**£m**	£m
Interest revenue calculated using the effective interest rate method	3	**2,496.5**	1,954.6	**3,400.9**	2,928.4*
Other interest revenue	3	**879.9**	1,011.7	**879.8**	1,011.5
Interest revenue	3	**3,376.4**	2,966.3	**4,280.7**	3,939.9*
Interest expense	4	**(2,639.9)**	(2,180.3)	**(3,798.1)**	(3,332.0)*
Net interest income		**736.5**	786.0	**482.6**	607.9
Fee and commission revenue		**16.9**	20.0	**7.0**	7.6
Fee and commission expense		**(38.8)**	(16.6)	**(30.4)**	(7.4)
Net fee and commission (expense)/ income		**(21.9)**	3.4	**(23.4)**	0.2
Net gains/(losses) from financial instruments held at fair value	5	**36.2**	(5.5)	**44.4**	(9.7)
Income from investments	8	**–**	–	**75.0**	50.0
Net realised gains on disposal of financial instruments		**0.2**	1.6	**0.2**	1.6
Other operating income		**0.8**	0.9	**111.5**	99.1
Total income		**751.8**	786.4	**690.3**	749.1
Administrative expenses	6	**(343.1)**	(312.3)	**(343.0)**	(312.1)
Depreciation and amortisation	13 15	**(23.5)**	(20.4)	**(23.5)**	(20.4)
Impairment (charge)/release of financial assets	7	**(0.2)**	(4.0)	**2.0**	–
Provisions for liabilities and charges	23	**(1.3)**	0.6	**(1.3)**	0.8
Profit before tax		**383.7**	450.3	**324.5**	417.4
Tax expense	9	**(102.0)**	(118.6)	**(67.6)**	(101.0)
Profit for the year		**281.7**	331.7	**256.9**	316.4

* Please refer to restatement of other deposits and investments in Note 1 for details of this restatement.

All profit for the year arises from continuing operations and is attributable to members.

The Notes on pages 136 to 216 form part of these financial statements.

Introduction Strategic Report Governance Financial Statements Other Information

Statements of Comprehensive Income

For the year ended 31 December 2024

		Group		Society	
		2024	2023	**2024**	2023
	Notes	**£m**	£m	**£m**	£m
Profit for the financial year		**281.7**	331.7	**256.9**	316.4
Items that may be subsequently reclassified through profit or loss					
Cash flow hedges:					
Fair value movements taken to equity	26	**5.7**	–	**5.7**	–
Amounts transferred to the income statement	26	**3.5**	(13.2)	**3.5**	(13.2)
Tax on amounts recognised in equity	9	**(2.6)**	3.7	**(2.6)**	3.7
Effect of change in corporation tax rate	9	**–**	–	**–**	–
Financial assets measured through other comprehensive income:					
Fair value movements taken to equity		**(13.8)**	(18.0)	**(13.8)**	(18.0)
Amounts transferred to the income statement		**1.2**	1.2	**1.2**	1.2
Tax on amounts recognised in equity	9	**3.5**	4.7	**3.5**	4.7
Items that will not be reclassified through profit or loss					
Remeasurement of retirement benefit obligations	17	**(4.2)**	(11.2)	**(4.2)**	(11.2)
Tax on remeasurement of retirement benefit obligations	9	**1.2**	3.1	**1.2**	3.1
Effect of change in corporation tax rate	9	**–**	–	**–**	–
Total other comprehensive expense		**(5.5)**	(29.7)	**(5.5)**	(29.7)
Total comprehensive income for the year		**276.2**	302.0	**251.4**	286.7

The Notes on pages 136 to 216 form part of these financial statements.

Balance Sheets

As at 31 December 2024

		Group		Society	
		2024	2023	**2024**	Restated 2023
	Notes	**£m**	£m	**£m**	£m
Assets					
Cash and balances with the Bank of England	10	**5,609.7**	4,839.1	**5,609.7**	4,839.1
Loans and advances to credit institutions		**590.0**	397.4	**433.9**	208.6
Debt securities	11	**8,421.3**	7,561.9	**18,989.0**	19,354.3
Loans and advances to customers	12	**49,705.5**	46,815.9	**10,571.6**	10,920.6
Fair value adjustment for hedged risk on loans and advances to customers		**(454.7)**	(615.5)	**(454.7)**	(615.5)
Derivative financial instruments	26	**1,466.9**	1,755.0	**1,466.0**	1,751.9
Investments	8	**1.6**	3.3	**41,433.0**	38,045.0*
Intangible assets	13	**16.1**	18.3	**16.1**	18.3
Investment property	14	**11.1**	15.7	**11.1**	15.7
Property held for sale		**0.8**	0.6	**0.8**	0.6
Property, plant and equipment	15	**101.4**	99.5	**101.4**	99.5
Retirement benefit surplus	17	**33.0**	38.6	**33.0**	38.6
Current tax assets**		**5.3**	3.8	**5.3**	3.8
Other assets	18	**36.4**	35.1	**109.2**	126.8
Total assets		**65,544.4**	60,968.7	**78,325.4**	74,807.3
Liabilities					
Shares	19	**52,044.4**	47,056.7	**52,044.4**	47,056.7
Fair value adjustment for hedged risk on shares		**1.0**	–	**1.0**	–
Amounts owed to credit institutions		**1,168.9**	1,886.3	**1,168.9**	1,886.3
Other deposits	20	**1,196.8**	983.6	**14,039.4**	14,662.6*
Debt securities in issue	21	**5,019.3**	4,919.4	**5,454.0**	5,517.6
Derivative financial instruments	26	**555.8**	697.4	**429.6**	584.3
Current tax liabilities		**0.2**	–	**0.2**	–
Deferred tax liabilities	16	**43.2**	22.5	**42.1**	21.1
Other liabilities	22	**75.2**	70.5	**103.7**	119.2
Retirement benefit obligations	17	**7.4**	8.1	**7.4**	8.1
Provisions for liabilities and charges	23	**4.2**	4.0	**4.2**	3.9
Subordinated liabilities	24	**1,453.3**	1,621.7	**1,453.3**	1,621.7
Total liabilities		**61,569.7**	57,270.2	**74,748.2**	71,481.5
Members' interests and equity		**3,974.7**	3,698.5	**3,577.2**	3,325.8
Total members' interest, equity and liabilities		**65,544.4**	60,968.7	**78,325.4**	74,807.3

* Please refer to *restatement of other deposits and investments* in Note 1 for details of this restatement.
** Please refer to *reclassification of current tax asset* in Note 1 for details of change in presentation.

Approved by the Board of Directors on 26 February 2025 and signed on its behalf by:

Tom Ranger
Chief Financial Officer

The Notes on pages 136 to 216 form part of these financial statements.

Introduction Strategic Report Governance Financial Statements Other Information

Statements of Changes in Members' Interest and Equity

For the year ended 31 December 2024

Group	**General reserve**	**Cash flow hedge reserve**	**Fair value through other comprehensive income**	**Total**
	£m	**£m**	**£m**	**£m**
At 1 January 2024	**3,708.3**	**0.4**	**(10.2)**	**3,698.5**
Profit for the year	**281.7**	**–**	**–**	**281.7**
Net remeasurement of retirement benefit obligations	**(3.0)**	**–**	**–**	**(3.0)**
Net movement in cash flow hedges	**–**	**6.6**	**–**	**6.6**
Net movement in fair value through other comprehensive income	**–**	**–**	**(9.1)**	**(9.1)**
Total comprehensive income	**278.7**	**6.6**	**(9.1)**	**276.2**
At 31 December 2024	**3,987.0**	**7.0**	**(19.3)**	**3,974.7**

Group	**General reserve**	**Cash flow hedge reserve**	**Fair value through other comprehensive income**	**Total**
	£m	**£m**	**£m**	**£m**
At 1 January 2023	3,384.7	9.9	1.9	3,396.5
Profit for the year	331.7	–	–	331.7
Net remeasurement of retirement benefit obligations	(8.1)	–	–	(8.1)
Net movement in cash flow hedges	–	(9.5)	–	(9.5)
Net movement in fair value through other comprehensive income	–	–	(12.1)	(12.1)
Total comprehensive income	323.6	(9.5)	(12.1)	302.0
At 31 December 2023	3,708.3	0.4	(10.2)	3,698.5

The Notes on pages 136 to 216 form part of these financial statements.

Statements of Changes in Members' Interest and Equity (continued)

For the year ended 31 December 2024

Society	General reserve £m	Cash flow hedge reserve £m	Fair value through other comprehensive income £m	Total £m
At 1 January 2024	**3,335.6**	**0.4**	**(10.2)**	**3,325.8**
Profit for the year	**256.9**	**–**	**–**	**256.9**
Net remeasurement of retirement benefit obligations	**(3.0)**	**–**	**–**	**(3.0)**
Net movement in cash flow hedges	**–**	**6.6**	**–**	**6.6**
Net movement in fair value through other comprehensive income	**–**	**–**	**(9.1)**	**(9.1)**
Total comprehensive income	**253.9**	**6.6**	**(9.1)**	**251.4**
At 31 December 2024	**3,589.5**	**7.0**	**(19.3)**	**3,577.2**

Society	General reserve £m	Cash flow hedge reserve £m	Fair value through other comprehensive income £m	Total £m
At 1 January 2023	3,027.3	9.9	1.9	3,039.1
Profit for the year	316.4	–	–	316.4
Net remeasurement of retirement benefit obligations	(8.1)	–	–	(8.1)
Net movement in cash flow hedges	–	(9.5)	–	(9.5)
Net movement in fair value through other comprehensive income	–	–	(12.1)	(12.1)
Total comprehensive income	308.3	(9.5)	(12.1)	286.7
At 31 December 2023	3,335.6	0.4	(10.2)	3,325.8

The Notes on pages 136 to 216 form part of these financial statements.

Introduction Strategic Report Governance Financial Statements Other Information

Statements of Cash Flows

For the year ended 31 December 2024

		Group		Society	
	Notes	**2024 £m**	2023 £m	**2024 £m**	Restated 2023 £m
Cash flows from operating activities					
Profit before tax		**383.7**	450.3	**324.5**	417.4
Non-cash or non-operating items included in profit before tax	35	**77.6**	147.0	**75.4**	143.0
Net change in operating assets	35	**(2,577.3)**	(1,937.2)	**(2,709.5)**	(1,920.8)*
Net change in operating liabilities	35	**4,334.5**	1,744.7	**3,416.0**	282.9*
Tax paid		**(80.6)**	(101.0)	**(45.9)**	(83.0)
Net cash flow from operating activities		**2,137.9**	303.8	**1,060.5**	(1,160.5)
Cash flows from investing activities					
Purchase of property, plant and equipment, and intangible assets		**(18.3)**	(15.0)	**(18.3)**	(15.0)
Proceeds from sale of property, plant and equipment		**–**	(0.2)	**–**	(0.2)
Purchase of debt securities		**(3,769.4)**	(3,412.9)	**(4,734.3)**	(3,412.9)
Redemption and other movements of debt securities		**2,897.6**	1,520.6	**5,087.3**	3,276.4
Net cash flow from investing activities		**(890.1)**	(1,907.5)	**334.7**	(151.7)
Cash flows from financing activities					
Redemption of debt securities in issue	35	**(1,429.4)**	(1,423.7)	**(1,194.1)**	(1,165.4)
Issue of debt securities	35	**1,543.6**	999.2	**1,193.6**	506.5
Redemption of subordinated liabilities	35	**(142.6)**	(136.4)	**(142.6)**	(136.4)
Issue of subordinated liabilities		**–**	650.0	**–**	650.0
Interest paid on subordinated liabilities		**(76.7)**	(51.5)	**(76.7)**	(51.5)
Interest paid on lease liabilities		**(0.5)**	(0.6)	**(0.5)**	(0.6)
Capital repayments on lease liabilities		**(2.5)**	(3.6)	**(2.5)**	(3.6)
Net cash flow from financing activities		**(108.1)**	33.4	**(222.8)**	(201.0)
Net change in cash and cash equivalents		**1,139.7**	(1,570.3)	**1,172.4**	(1,513.2)
Opening balance		**5,060.0**	6,630.3	**4,871.2**	6,384.4
Closing cash and cash equivalents		**6,199.7**	5,060.0	**6,043.6**	4,871.2
Cash and cash equivalents					
Cash and cash equivalents	10	**5,609.7**	4,839.1	**5,609.7**	4,839.1
Less Bank of England cash ratio deposit	10	**–**	(176.5)	**–**	(176.5)
Loans and advances to credit institutions		**590.0**	397.4	**433.9**	208.6
Closing cash and cash equivalents		**6,199.7**	5,060.0	**6,043.6**	4,871.2

* Please refer to *restatement of other deposits and investments* in Note 1 for details of this restatement.

Net cash flows from operating activities of the Group include interest received of £3,371.3 million (2023: £2,964.5 million) and interest paid of £2,348.1 million (2023: £1,534.1 million). Net cash flows from operating activities of the Society include interest received of £4,264.4 million (2023: £3,921.1 million) and interest paid of £3,506.3 million (2023: £2,685.8 million).

The Notes on pages 136 to 216 form part of these financial statements.

Notes to the Financial Statements

1. Statement of accounting policies

Basis of preparation

These financial statements present the results of Yorkshire Building Society ('YBS' or 'the Society') and its controlled entities (collectively 'the Group' or 'the YBS Group') for the year ended 31 December 2024.

The Group is required under the *Building Societies Act 1986* to apply 'UK-adopted international accounting standards' as endorsed by the UK Endorsement Board ('UKEB'). As a result, these financial statements have been prepared in accordance with international accounting standards – being International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the International Accounting Standards Board (IASB) endorsed by the UKEB and effective from 1 January 2021 – and with those parts of the *Building Societies Act 1986* and the *Building Societies (Accounts and Related Provisions) Regulations 1998* applicable to societies reporting under international accounting standards.

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial instruments measured at fair value. Pounds sterling (£) is the presentational currency of the YBS Group and the functional and presentational currency of Yorkshire Building Society. Except where otherwise stated, all figures in the financial statements are rounded to the nearest hundreds of thousands of pounds sterling (£0.0 million).

Accounting policies have been consistently applied, except where a new accounting standard has been introduced.

The preparation of financial statements under international accounting standards requires the use of certain critical accounting estimates and judgements. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements are set out in Note 2.

Going concern

The YBS Board of Directors (the Board) undertake regular assessments of whether the Group is a going concern, taking into account changing economic and market conditions, and using all available information about future risks and uncertainties.

Given its strong capital position and high liquidity levels, the Group is well placed to cope with economic volatility. As a result, the directors confirm that, based on the latest formal review undertaken in February 2025, and stress tests performed throughout the period, they consider the Group has adequate resources to continue in existence at least 12 months from the date the of approval of this report. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Society and the entities it controls as listed in Note 8. Control is deemed to exist when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Upon consolidation, intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated. Investments in controlled entities are stated in the Society accounts at cost less any provisions for impairment.

Securitisation transactions

The Group securitises mortgage loans by transferring them into special purpose vehicles (SPVs) and issuing debt securities to investors, using the underlying loan assets as collateral. As the Society is deemed to control these SPVs, they are fully consolidated into these financial statements.

Generally, the transfer of the mortgage loans to the structured entities does not meet the derecognition criteria under IFRS 9 *Financial Instruments* as the Society/Accord substantially retains all the risks and rewards of ownership through the receipt of the residual profits or losses of the SPVs. In this instance, the Society/Accord continues to recognise the mortgage loans on their own balance sheets after the transfer, with the proceeds received from the transfer accounted for as a deemed loan from the SPVs. For covered bonds, the Society issues the covered bonds, not the structured entity. The proceeds are then lent to the structured entity on the same terms as the covered bond issuance. These proceeds are used as consideration for the loans transferred from the Society. Neither the loan to the structured entity nor the consideration for the transfer of mortgage loans is recognised separately as an additional asset and liability in the accounts of the Society.

To manage interest rate risk, the Society enters into derivative transactions with its structured entities, receiving a rate of interest based on the securitised mortgages and paying a rate inherent in the debt issuances. These internal derivatives are treated as part of the deemed loan and not separately measured at fair value because the relevant mortgage loans are not derecognised.

Introduction Strategic Report Governance Financial Statements Other Information

Accounting developments

Changes to accounting standards effective in the period

There have been a number of amendments made to existing accounting standards that are effective for the reporting period commencing 1 January 2024:

IAS 1 Presentation of Financial Statements

IAS 1 *Presentation of Financial Statements* received an amendment related to the classification of Liabilities as Current or Non-current and Non-current liabilities with covenants. Under previous IAS 1 requirements, a liability could be classified as current when they did not have an unconditional right to defer settlement for at least 12 months after the reporting date. The IASB has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. Therefore, you can classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. As permitted under IAS 1, the Group presents assets and liabilities in order of liquidity rather than under the 'current/non-current' presentation, therefore this amendment does not impact the Group's reporting.

IFRS 16 Leases

IFRS 16 *Leases* received amendments related to Lease Liability in Sale and Leaseback. The amendments introduce a new accounting model for variable payments and will require lessees to reassess and potentially restate sale and leaseback transactions entered into since 2019. These amendments will have no impact as the Group has not entered any sale and leaseback transactions to date.

IAS 7 Statement of Cashflows and IFRS 7 Financial Instruments

IAS 7 *Statement of Cashflows* and IFRS 7 *Financial Instruments* received amendments related to Supplier Finance Arrangements. The amendments require a company to provide information about its supplier finance arrangements that would enable investors to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. The Group don't have any arrangements that meet the criterion set out in the amendments, so this will not impact the Group's reporting.

Standards issued but not yet effective

The following standards or amendments were in issue but were either optional, or not yet effective, and have not been adopted in these financial statements.

IFRS 9 and Hedge Accounting

IFRS 9 *Financial Instruments* was issued in 2014 as a replacement of IAS 39 *Financial Instruments: Recognition and Measurement* and was mandatorily effective for periods beginning on or after 1 January 2018.

However, IFRS 9 did not replace the requirements for portfolio fair value hedge accounting for interest rate risk since this phase of the project was separated out due to its longer-term nature.

As a result, IFRS 9 included a transitional relief allowing the continued use of the hedge accounting requirements of IAS 39, and the Group continue to adopt this approach.

The development of requirements will be closely monitored and the Group will continue to assess the impacts of full adoption of IFRS 9 for hedge accounting.

Amendments to IFRS 7 and IFRS 9 – Classification and Measurement of Financial Instruments

The Classification and Measurement of Financial Instruments amendments were made to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* in May 2024 and will become effective for annual reporting periods beginning on or after 1 January 2026. These amendments:

- clarify when some financial assets and liabilities can be recognised and derecognised, with a new exception for certain financial liabilities that are settled through an electronic cash transfer system;
- provide clarification and additional guidance on assessing whether a financial asset satisfies the solely payments of principal and interest (SPPI) criterion;
- introduce new disclosure requirements for instruments with contractual terms that can change cash flows; and
- revise the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Group do not expect these amendments to have an impact on its operations or financial statements.

Introduction Strategic Report Governance Financial Statements Other Information

1. Statement of accounting policies (continued)

Accounting developments (continued)

Standards issued but not yet effective (continued)

Amendments to IAS 21 – Lack of Exchangeability

The Lack of Exchangeability amendments was made in August 2023 to IAS 21 *The Effects of Changes in Foreign Exchange Rates* and will become effective for annual reporting periods beginning on or after 1 January 2025. The amendment provided additional guidance on how a spot exchange rate is determined when there is a lack of long term exchangeability. The Group do not expect these amendments to have an impact on its operations or financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 *Subsidiaries without Public Accountability: Disclosures* was issued in May 2024 and will become effective for annual reporting periods beginning on or after 1 January 2027. The standard allows eligible subsidiaries to replace the disclosure requirements of other IFRS Accounting standards with reduced disclosure requirements. The Group do not expect these amendments to have an impact on its operations or financial statements given that the subsidiaries do not meet the requirements set out in IFRS 19.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements* was issued in April 2024 and will become effective for annual reporting periods beginning on or after 1 January 2027. IFRS 18 will replace IAS 1 *Presentation of Financial Statements*. A review is underway into all of the impacts of implementing the new standard, with some key areas already identified including:

- Structure of the statement of profit or loss.

  As a result of adopting IFRS 18, the Group will have to include new categories and subtotals in the statement of profit or loss. IFRS 18 requires entities to assess whether their main business activities include investing in assets and/or providing financing to customers. If so, some specific income and expenses that would otherwise be outside of the operating category are classified in the operating category. For entities such as banks and building societies for which investing in assets and providing financing to customers are both main business activities, we expect that most of the income and expenses of the business activities including providing financing and investing in assets (which includes income and expenses from cash and cash equivalents for entities that invest in financial assets as a main business activity) will fall into the operating income category. This allocation of income and expenses into new categories will impact where within the statement of profit or loss they sit, and as a result, may impact on operating profit.

- Disclosures related to management-defined performance measures.

  Management might define its own measures of performance; the Group refer to these as 'alternative performance measures'. IFRS 18 defines a subset of these measures that relate to an entity's financial performance as 'management-defined performance measures' ('MPMs'). Information related to these measures should be disclosed in the financial statements in a single note, including a reconciliation between the MPM and the most similar specified subtotal in IFRS Accounting Standards. As a result of this, a reconciliation of Core Operating Profit back to Profit Before Tax will need to be included in the new note.

- Aggregation and disaggregation.

  IFRS 18 provides enhanced guidance on the principles of aggregation and disaggregation which focus on grouping items based on their shared characteristics. There is a requirement to disclosure of expenses by nature, for entities that present the statement of profit or loss by function. Given that the Group doesn't currently present its accounts in this way, there is no significant impact expected from this requirement.

- Foreign exchange differences, derivatives and designated hedging instruments.

  IFRS 18 requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences, unless doing so would involve undue cost or effort.

  For derivatives used to manage identified risks (which includes economic hedges), gains and losses are classified in the same category as the income and expenses affected by the risks that the derivatives are managing. Gains and losses on derivatives that are not used to manage identified risks are typically classified in the operating category. However, there are additional considerations for some transactions that relate to the raising of finance that might result in some gains and losses being classified in the financing category. This allocation of income and expense into new categories will impact where within the statement of profit or loss they sit, and as a result, may impact on operating profit.

As the Group will adopt IFRS 18 from the effective date of 1 January 2027, a comparative for the reporting period ending 31 December 2026 will need to be prepared as retrospective application is required.

Change in accounting policy

There were no changes to accounting policies during the year ended 31 December 2024, except for the change in presentation of the current tax asset.

Change in presentation of current tax asset

The current tax asset was previously included within Other Assets in the balance sheets. It has now been separately presented on the balance sheets. There has been a change in presentation for the comparative period to align with the current period treatment due to the increase in current tax asset in the current year. The reclassification has no impact on previously reported net assets, profit or loss of cash flows.

Material accounting policies

Interest revenue and expense calculated using the effective interest rate method

The effective interest rate method is used to calculate the revenue and expense for financial instruments held at amortised cost. The effective interest rate is the rate that exactly discounts estimated future cash flows (excluding credit losses) over the expected life of the instrument back to the carrying value of the asset.

For mortgage loans and advances to customers this includes an estimate of any early repayment income. Directly attributable acquisition costs, such as application and arrangement fees, are also incorporated in the calculation.

This has the effect of spreading these fees and costs over the expected life of the mortgage. Expected lives are estimated using historical data and management judgement. The calculation is adjusted when actual experience differs from estimates, with changes in deferred amounts being recognised immediately in the income statement.

Interest income and expense from clearing collateral agreements is presented within Interest revenue.

Fees and commissions

Fees and commissions on referral of customers to third party service providers of financial products is accounted for on an effective interest rate basis, similar to interest revenue and expense calculated using the effective interest rate method. Other fees and commissions are recognised on an accruals basis as the relevant service is provided or at a point in time if the service or product provided relates to a one-off action.

Other operating income

Other operating income comprises profits on disposal of fixed assets, rental income from investment property and software licensing income. The Society also includes the recharge of administrative expenses to its subsidiaries.

Income from investments

This consists of dividend income and is recognised when the rights to receive the payment have been established.

Financial instruments

Classification and measurement of financial assets and financial liabilities

The Group initially recognises financial assets and liabilities at their fair value (adjusted for any directly attributable transaction costs for those subsequently classified at amortised cost) on the date that the Group becomes a party to the contractual provisions of the instrument. Subsequent measurement of financial assets and financial liabilities depends on the contractual cash flow characteristics of the instrument.

Amortised cost: this measurement approach is applied to instruments that are held to collect interest and principal payments over the life of the contract. Subsequent measurement is via the effective interest rate method (see *Interest revenue and expense calculated using the effective interest rate method*), subject to impairment (see *Impairment*), plus any adjustment if designated as part of an effective hedge arrangement (see *Hedging*).

Fair value through other comprehensive income: this measurement approach is applied to financial assets whose business objective is the collection of interest and principal payments but that are also bought and sold. Subsequent measurement is at fair value with changes in fair value recognised in other comprehensive income. When the instrument is derecognised, the cumulative gain or loss previously recognised in reserves is reclassified to the income statement.

Fair value through profit and loss: this method is applied to those instruments that are not classed as amortised cost or fair value through other comprehensive income. Subsequent measurement is at fair value with any movements recognised in the income statement in the period in which they arise.

1. Statement of accounting policies (continued)

Material accounting policies (continued)

Financial instruments (continued)

The table below summarises the Group's financial instruments and the treatment adopted in these financial statements:

Financial instrument	Description	Subsequent measurement
Cash and balances with the Bank of England	Cash balances and statutory deposits	Amortised cost
Loans and advances to credit institutions	Fixed and variable interest rates	Amortised cost
Debt securities	Fixed, variable and indexed linked interest rates	Fair value through other comprehensive income, amortised cost and fair value through profit and loss
Loans and advances to customers	Primarily mortgage products offering a variety of fixed and variable interest rates	Amortised cost
Derivative financial instruments*	Swaps and options to manage interest rate and foreign exchange risk exposures	Fair value through profit and loss (unless designated as a cash flow hedge, see 'Hedging' section of Note 1, then fair value through other comprehensive income)
Investments in controlled entities	Equity investments in controlled entities	Cost less accumulated impairment losses
Investment in equities	Equity investments in non-controlled entities	Fair value through profit and loss
Other deposits	Deposits made by non-members	Amortised cost
Shares	Deposits made by members with a variety of fixed and variable interest rates	Amortised cost
Amounts owed to credit institutions	Time Deposits at fixed and variable interest rates	Amortised cost
Debt securities in issue, subordinated liabilities and other deposits	Fixed and variable interest rates	Amortised cost

* The Society holds intra group derivatives to manage interest rate risk within the special purpose securitisation vehicles and these are measured at amortised cost. These internal derivatives are treated as part of the deemed loan with the SPV.

Derecognition of financial instruments

Financial assets are only derecognised when the contractual rights to receive cash flows from the financial assets have expired, or when the Group has transferred substantially all the risks and rewards of ownership. As described in Securitisation transactions, the Group has not derecognised the loans transferred to the SPVs to secure the issue of covered bonds and mortgage backed securities because substantially all the risks and rewards are retained.

Financial liabilities are only derecognised when the obligation is discharged, cancelled, or has expired.

Impairment of financial assets

At each reporting date the Group assesses financial assets held at amortised cost for impairment.

For *loans and advances to customers* the Group uses the expected credit loss (ECL) staging model to assess any impairment in the carrying value of the mortgage assets. This model uses forward looking assessments of overall expected credit losses and recognises impairment based on a three-staged approach as follows.

Stage 1: financial assets are categorised into 'stage 1' on initial recognition. Impairment is based on expected credit losses resulting from default events projected within the next 12 months (12 month ECL).

Stage 2: financial assets move into 'stage 2' when they are deemed to have experienced a significant increase in credit risk (SICR), based on quantitative and/or qualitative risk grade thresholds. Impairment is then based on expected losses over the full lifetime of the contract (lifetime ECL).

The Group assesses a SICR to have occurred when the accounts are more than 30 days past due or there has been a significant relative increase in the lifetime probability of default (PD) compared to that at initial recognition.

For retail accounts, PD is based on the customer's credit quality, including analysis of their behaviour scores and other account characteristics. For non-retail portfolios, the Group assess a significant increase in credit risk using a combination of individual and collective information, including monitoring through the watch list process. For further information on the watch list process see Note 31.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

Stage 3: financial assets are moved into 'stage 3' when there is objective evidence that the loan is credit impaired, with expected credit losses still calculated on a lifetime basis.

A loan is considered credit impaired when it is 90 days past due, has been renegotiated for credit risk reasons, or otherwise considered to be in default (including possession, insolvency and assets beyond term expiry).

The Group's use of forbearance tools, including arrears arrangements, payment deferrals, term extension, transfers to interest only and interest capitalisation, are factored into the criteria for identifying stage 3 accounts. The impairment provision is determined using the same calculation as stage 2 accounts, but with the PD set to 100%.

Loans that are either purchased or originated credit impaired (POCI) are classified as stage 3 at initial recognition and cannot be transferred to stage 1 or 2 even if the credit quality of these assets improves. The Group has a portfolio of loans acquired as part of the Chelsea Building Society and Norwich & Peterborough Building Society acquisitions that meet this definition.

ECL calculations: these are assessed at individual loan level using three main components.

- PD, being the probability, at the point of assessment, that the customer will default in the future. The definition of default includes accounts that are 90 days past due, interest only accounts past term end, those under certain forbearance measures and others exhibiting other unlikeliness to pay indicators.
- Exposure at default (EAD), being the outstanding value of the loan, taking into account the repayment of principal and interest between the date of assessment and expected default date.
- Loss given default (LGD), is the net impact of the EAD after taking into account the mitigating effect of collateral and the time value of money.

PD is a calculation based on current conditions and adjusted to take into account estimates of future conditions that will impact PD. EAD is modelled based on expected payments over the term and is not floored at the current balance.

LGD takes into account the expected impact of future economic conditions, such as changes in value of collateral, and does not include any floors. Only costs directly associated with obtaining/selling collateral are included. Discounting of the expected cash flows is performed using the effective interest rate of the loan.

The ECL is calculated using models that build up separate estimates for PD, EAD and LGD for every month that a loan is due to be outstanding.

PD and LGD estimates are then flexed under different scenarios to capture the effects of changes to the forward looking macroeconomic variables (including interest rates, unemployment, house prices and inflation). The final ECL figure takes a probability weighted average of these different scenarios.

Loans are written off against this ECL balance when there is no realistic prospect of recovery. This is generally after receipt of any proceeds from the realisation of the collateral backing the loan.

Other financial assets are considered low credit risk at the reporting date as they are investment grade instruments. As a result, impairment is based on 12 month ECL as per stage 1 above. If changes in instruments' rating breaches the risk appetite then an ECL assessment will take place on the individual asset basis.

Financial instruments acquired in business combinations

Financial assets and liabilities acquired in a business combination are recognised at fair value upon acquisition. To the extent that this differs from the underlying amortised cost carrying value assumed on the transaction date, a fair value adjustment is recognised on the balance sheet.

This balance is then amortised through the income statement over the expected life of the acquired portfolio in a manner that reflects the consumption of the economic benefits arising from the underlying assets and liabilities. To the extent that the fair value adjustment relates to estimated credit losses on a portfolio of mortgage assets, the *fair value credit adjustment* is included in the overall ECL balance.

The Group continues to run off balances in relation to the Chelsea Building Society and Norwich & Peterborough Building Society acquisitions. In addition to the *fair value credit adjustments*, it also includes *interest rate fair value adjustments* in the *loans and advances to customers* and *shares* balances.

Introduction Strategic Report Governance Financial Statements Other Information

1. Statement of accounting policies (continued)

Material accounting policies (continued)

Financial instruments (continued)

Hedging

As discussed, IFRS 9 *Financial Instruments* included a transitional relief allowing the continued use of the hedge accounting requirements of IAS 39 *Financial Instruments: Recognition and Measurement*, and the Group continue to adopt this approach.

The Group applies hedge accounting when the specific rules and conditions in IAS 39 are fulfilled. The Group has designated the majority of its derivatives as either fair value or cash flow hedges in order to reduce volatility in the income statement.

Fair value hedges
Where a derivative financial instrument meets the requirements of a fair value hedge, changes in the fair value of the hedged item are taken to the income statement offsetting the effect of the related movements in the fair value of the derivative.

Where the hedge no longer meets the criteria the adjustment to the hedged item is released to the income statement, over the remaining life of the original hedged relationship.

Cash flow hedges
Where a derivative financial instrument is designated as a cash flow hedge, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income and recycled to the income statement. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately. If a cash flow hedge is terminated, the cumulative unrealised gain or loss recognised in equity is then amortised to profit and loss over the remaining life of hedging instrument provided the cash flows on hedged items are still expected to occur.

Segmental reporting

The Executive Committee (EXCO) is responsible for allocating resources and assessing the performance of the Group and is therefore identified as the chief operating decision maker.

The Group has one reportable segment that EXCO reviews performance and makes decisions on for the Group as a whole. As a result, no segmental disclosure is provided.

Intangible assets

Intangible assets held by the Group consist primarily of externally acquired and internally developed computer software. This is measured at cost less accumulated amortisation and impairment.

Costs incurred in the development of computer software for internal use are capitalised as intangible assets where the expenditure leads to the creation of an identifiable non-monetary asset and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

Purchased software is classified as an intangible asset where it is not an integral part of the related hardware. Computer software costs are amortised using the straight line method over their estimated useful lives, which are generally three to five years.

Intangible assets are reviewed for impairment at each reporting date or at any point in time where there is an indication of impairment. Impairment is assessed by estimating the recoverable amount of the asset, being the higher of: fair value less costs of disposal; and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment in the value of these assets is recognised immediately in the income statement.

Investment property

Investment property comprise freehold properties, and parts of freehold properties, that are not used in the business and held for rental income or capital appreciation. These properties are generally flats and offices ancillary to branch premises. Investment properties are held at cost less accumulated depreciation and impairment.

Property, plant and equipment

Freehold properties used in the business, major alterations to office premises, fixtures and fittings, equipment and other tangible fixed assets are stated at cost less accumulated depreciation and impairment. Costs incurred after the initial purchase of fixed assets are expensed unless it directly results in increased future economic benefits that can be reliably measured. Repairs and maintenance are treated as an expense.

Depreciation is a measure that recognises the cost, less estimated residual value, over the estimated useful economic lives as follows:

- Freehold/long leasehold buildings (including investment properties) – 50 years.
- Short leasehold property and right-of-use property assets – Life of lease.
- Equipment, fixtures, fittings and vehicles – 3 to 20 years.
- Freehold land is stated at cost less accumulated impairment losses and is not depreciated.

Property, plant and equipment and investment properties are reviewed for impairment annually and where there is an indication that events or circumstances may mean that the carrying amount is not recoverable. Where the recoverable amount of the asset is estimated to be less than the carrying amount, the carrying amount is written down immediately to the recoverable amount. Any impairment in the value of assets is recognised in the income statement as it arises.

Leases

Contracts are accounted for as leases when the terms of the contract transfer substantially all the risks and rewards of ownership to the lessee. For such arrangements a 'right-of-use' asset, included in property, plant and equipment, and a corresponding lease liability, included in other liabilities, are recorded on the balance sheet upon initial recognition.

The right-of-use asset is measured at the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment. The lease liability is measured at the present value of the minimum lease payments.

Depreciation is recorded by the Group to write off the cost over the estimated useful economic life of the asset. Rent payable on finance leases is apportioned between the finance element, charged to the income statement, and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Leases with a short life, or relating to low value assets, are expensed to the income statement on a straight line basis over the period of the lease agreement.

Retirement benefit obligations

The asset or liability is recognised in respect of the Group's defined benefit pension scheme measured at the present value of the defined benefit obligation at the reporting date, less the fair value of the plan assets, together with adjustments for unrecognised past service costs.

An asset is only recognised to the extent that it is recoverable by the Group via available refunds and reductions in future contributions to the scheme.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Gains or losses arising from changes in assumptions are recognised in other comprehensive income in the period in which they occur.

Defined benefit obligations are discounted to present value using the rate of return available on high quality corporate bonds of an equivalent term to the obligations.

Past service costs are recognised immediately in the income statement to the extent that benefits are already vested and otherwise are amortised on a straight line basis over the average period until the benefits become vested.

Controlled entities

An entity is controlled where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Taxation including deferred tax

Tax comprises current tax and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the tax is recognised in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable profits for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised for temporary differences arising 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 reporting date effective on the date at which they are expected to reverse.

1. Statement of accounting policies (continued)

Material accounting policies (continued)

Taxation including deferred tax (continued)

The following temporary differences are not provided for:

- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit.
- Differences relating to investments in subsidiaries, to the extent that the parent is able to control the reversal of temporary differences, and it is probable they will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which a temporary difference can be utilised. The carrying amount of the deferred tax asset is reviewed at the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Provisions

Provisions are recognised when: the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle that obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the net present value of the consideration required to settle the obligation, taking into account the risks and uncertainties surrounding the obligation.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and raised a valid expectation that it will carry out the restructuring through announcing the main features of the plan to those affected by it.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheets 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 realise the asset and settle the liability simultaneously. The Group's loans and advances to customers include mortgage offset products that do not qualify for netting under the requirements described above as transactions are settled on a gross basis.

The Group offers offset mortgage products which allows any money held in the offset savings account to be deducted from the mortgage loan balance before calculating the interest on the loan. As there is a legally enforceable right to determine the interest income on a net basis, the interest income is presented as single net amount in the income statement.

The Group enters into derivative contracts, which are governed by International Swaps and Derivatives Association (ISDA) master agreements, an agreement is in place with each counterparty the Group transacts derivatives with. These agreements define the terms of how the Group will enter derivative contracts with the counterparty, including any netting arrangements. Also, the Group has various Credit Support Annexes (CSAs) with counterparties which define how collateral will be exchanged with a counterparty to mitigate market risk.

Foreign currency

Assets and liabilities denominated in foreign currencies are translated into Sterling at the appropriate rates of exchange prevailing at the reporting date and exchange differences are recognised in the income statement. All income and expense is translated into Sterling at the rate of exchange on the day of receipt or payment.

Statements of cash flows

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and non-restricted balances with less than three months maturity from the date of acquisition, included within cash and loans and advances to banks and similar institutions on the balance sheet. The statement of cash flows has been prepared using the indirect method.

Restatement of other deposits and investments

Other deposits and Investments in the Society's financial statements have been restated to correct the recognition of savings accounts in relation to Accord's offset mortgage products.

The comparative financial statements for the year to 31 December 2023 have been restated to move the recognition of the savings accounts from the subsidiary Accord Mortgages Ltd to the Society, that had previously been represented as a deduction of amounts owed from group undertakings within Investments of the Society. This has previously reduced the interest income on amounts due from group undertakings. The reduction in the interest income has been grossed up and recognised as interest payable by Society to Accord in lieu of interest receivable on mortgage offset accounts recognised in Accord's financial statements.

Introduction Strategic Report Governance Financial Statements Other Information

Society

- Increased the "Investments" by £582.4 million (2022: £442.9 million) from £37,462.6 million to £38,045.0 million.
- Increased the "Other Deposits" by £582.4 million (2022: £442.9 million) from £14,080.2 million to £14,662.6 million.
- Increased the "Interest revenue calculated using the effective interest rate method" by £23.4 million from £2,905.0 million to £2,928.4 million.
- Increased the "interest expense" by £23.4 million from £3,308.6 million to £3,332.0 million.

There is no impact to the Group. Notes to the financial statements have been updated to reflect this correction (Note 3, Note 4, Note 8, Note 20, Note 27, Note 32 and Note 34). Amendments to the statements of cash flows are reflected in Note 35.

2. Critical accounting judgements and key sources of estimation uncertainty

In applying its accounting policies, the Group makes judgements that have a significant impact on the amounts recognised in the financial statements.

In addition, estimates and assumptions are used that could affect the reported amounts of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. As explained in the *Audit Committee Report* in the *Governance* section, the Audit Committee has considered the accounting judgements and estimates applied in the financial statements. The Audit Committee have confirmed to the Board that they consider these to be appropriate.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

Retirement benefit obligations

The Group's accounting policy states that a net defined benefit pension scheme asset should only be recognised to the extent that the Group has the ability to access the pension scheme surplus in the form of a refund or reduction in future contributions.

The scheme trustees could act unilaterally in order to restrict the ability of the Group to seek a refund or reduce future contributions, hence a judgement on the likelihood of this event is required. The Group has received a legal opinion supporting the judgement that any surplus of the scheme can be recovered in full and that pension scheme trustees are unable to act to amend the scheme rules, and ultimately prevent the Society accessing the surplus, without the Society's support.

In addition, significant estimation uncertainty in respect of areas such as future interest rates and mortality rates have to be applied in estimating the value of the assets and liabilities of the defined benefit scheme. These are outlined in Note 17.

The impact of a 1.0% increase in the rate used to discount future liabilities from 5.45% to 6.45% would result in a decrease of liabilities of 10.9% (a 1.0% decrease would increase liabilities by 13.3%). The impact of a 0.5% increase in inflation would increase liabilities by 3.2% (a 0.5% decrease would decrease liabilities by 3.0%). The impact of a one-year increase in life expectancy at age 60 would be to increase liabilities by around 3.0% (a one-year decrease would decrease liabilities by 3.0%). Note that these sensitivities have been modelled independently as single variable adjustments and have not anticipated any correlation between movements in the inputs. A summary of the impact of these sensitivities on the scheme liabilities is included in Note 17.

Impairment of loans and advances to customers

The impairment calculation of expected credit losses (ECL) for a portfolio of mortgage loans is inherently uncertain. ECL are calculated using historical default and loss experience but require judgement to be applied in predicting future economic conditions (e.g. interest rates and house prices) and customer behaviour (e.g. default rates). The most critical judgements that lead to estimation uncertainty are as follows:

Economic scenarios and weightings

A forum, supported by Finance, Credit Risk, Balance Sheet Management and economic experts considers the forward-looking macroeconomic assumptions with the objective of developing internally coherent economic scenarios to propose to the Group Asset and Liability Committee (ALCO) for challenge and approval. ALCO ensures that the ECL meets the requirement for unbiased and weighted amounts derived by evaluating a range of possible outcomes and assumptions, or economic scenarios.

Judgements are made in arriving at the level of each economic variable, such as house price index (HPI) and unemployment, applied in each economic scenario to support the estimate of ECL. ALCO applies judgements to arrive at these assumptions.

When compared to prior years, 2024 has been more stable and a more positive outlook is present in the economic environment. Two positive HPI updates have been released by the Office of National Statistics (ONS) since June 2024 and Bank of England Base rate has been reduced by 0.5% to 4.75% in two cuts seen since August 2024 and cuts have continued into 2025.

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of loans and advances to customers (continued)

Economic scenarios and weightings (continued)

Whilst there have been positive aspects to 2024 some uncertainty remains as there are still loans coming to the end of their fixed term that have so far been unaffected by interest rate rises. Management evaluated these uncertainties, with the economic assumptions applied to the ECL model adjusted to reflect any material changes in view of the macro-economic environment. A post model adjustment (PMA) was raised in 2022 and has been updated to reflect the risks relating to affordability and the impact of cost-of-living increases on our mortgage customers (see Note 31 for more details).

The provision is calculated by applying a range of economic scenarios that are weighted.

The Group continue to apply four economic scenarios. A higher weighting has been applied to the Core and Upside scenarios and moved away from Downturn and Severe scenarios to reflect the more positive economic outlook. SME judgement is applied in determining the relative weighting of each economic scenario in the ECL estimate, informed both by an assessment of external data and statistical model results.

The Group considered alternative sets of weightings. The most severe shifted 5% from core and downside to severe downturn resulting in a £5.7 million increase in ECL. The least severe shifted 10% from downside and severe downturn to core resulting in a £5.6 million decrease in ECL. These changes in weightings have been fully modelled and been allowed to impact staging but impact on PMA has been excluded.

In terms of sensitivity to changes in key economic variables within the model, the ECL model was ran with a 100% weighting applied to the Core scenario, in both Core and Non-Core models. When the HPI forecast was replaced with the respective forecasts from the Downturn and Severe Downturn scenarios, ECL (excluding PMAs) increased by £6.8 million and £23.1 million (2023: £5.3 million and £28.4 million). Below is the percentage change in HPI forecast for both downturn scenarios for the next 5 years in relation to the Core scenario.

		2024 Scenario (% change)			
HPI	**2025**	**2026**	**2027**	**2028**	**2029**
Downturn	**(7.0)**	**(2.0)**	**(2.5)**	**(1.8)**	**(1.8)**
Severe Downturn	**(17.3)**	**(12.5)**	**(4.6)**	**3.1**	**(2.5)**

		2023 Scenario (% change)			
HPI	**2024**	**2025**	**2026**	**2027**	**2028**
Downturn	(3.5)	(6.0)	(0.5)	(3.0)	(2.8)
Severe Downturn	(8.0)	(14.5)	(9.0)	(4.5)	(3.5)

The key in-year impact of changes to economic variables came from applying quarterly Office of National Statistics (ONS) HPI updates, which accounted for £0.3 million of impairment charge over 2024 (2023: £0.7 million charge).

Post model adjustments

The determination, application and calculation of PMAs also requires judgement to be applied. Further detail on economic assumptions, weightings and PMAs can be found in Note 31.

Core model assumptions

Significant increase in credit risk

A judgement is applied to determine the threshold at which a significant relative increase in credit risk is deemed to have occurred. If 10% of the accounts in stage 1, on a proportional basis, were to be transferred to stage 2 and subject to a calculation of full lifetime expected credit losses, this would result in a £1.4 million (2023: £2.2 million) increase in ECL (excluding PMAs).

Acquired interest-only mortgages

A judgement has been applied in determining which probability of default assumptions to apply to different cohorts of customers for acquired interest-only mortgages.

The existence of an appropriate repayment vehicle has only been substantiated for 26% (2023: 26%) of these customers and so there is a risk that the full amount due at maturity (average maturity being 2031) will not be collected to compensate customers for potential future claims. A model is applied to estimate the probability that accounts will reach the end of the term without being recovered, with the average probability across these accounts being 8.3% (2023: 8.1%). Out of the total ECL of £8.2 million (2023: £7.9 million), £7.1 million (2023: £6.4 million) relates to potential remediation.

Two alternative probability of default (PD) estimates are applied, one for those customers that the Group are unable to contact, and another for those that have confirmed there is no appropriate repayment vehicle in place. If the 'no vehicle' PD is applied to the 'unable to contact' customers, expected credit losses increase by £4.0 million (2023: £3.8 million).

Introduction Strategic Report Governance Financial Statements Other Information

3. Interest revenue

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society Restated 2023 £m
Calculated using the effective interest rate method:				
Loans secured on residential property	**1,867.7**	1,366.2	**400.8**	346.7
Loans secured on connected undertakings	**–**	–	**1,749.3**	1,372.4*
Loans secured on commercial property	**46.6**	44.7	**46.5**	44.7
Other interest expense**	**(41.7)**	(61.5)	**(41.7)**	(61.5)
Liquid assets	**304.5**	364.0	**295.0**	352.6
Debt securities	**319.4**	241.2	**951.0**	873.5
Interest revenue calculated using the effective interest rate method	**2,496.5**	1,954.6	**3,400.9**	2,928.4
Other:				
Derivatives in hedge relationships	**808.1**	926.4	**808.1**	926.4
Derivatives not included in hedge relationships	**70.1**	82.7	**70.1**	82.5
Investments held at fair value	**1.7**	2.6	**1.6**	2.6
Other interest revenue	**879.9**	1,011.7	**879.8**	1,011.5
Total interest revenue	**3,376.4**	2,966.3	**4,280.7**	3,939.9

* Interest revenue on Loans secured on connected undertakings has been restated for the recognition of savings accounts in relation to the Accord offset mortgage product. This has increased by £23.4 million from £1,349.0 million to £1,372.4 million.

** Includes net interest income on clearing collateral agreements.

4. Interest expense

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society Restated 2023 £m
Shares held by individuals	**2,022.3**	1,509.6	**2,022.3**	1,509.6
Owed to credit institutions	**48.5**	126.8	**48.5**	126.8
Deposits from connected undertakings**	**–**	–	**1,195.9**	1,205.5*
Other deposits	**22.5**	24.2	**22.5**	24.2
Debt securities in issue	**174.3**	164.6	**205.5**	186.8
Subordinated liabilities	**74.0**	51.5	**74.0**	51.5
Other interest payable	**0.1**	0.2	**0.1**	0.2
Derivatives in hedge relationships	**193.2**	174.4	**126.4**	105.7
Derivatives not included in hedge relationships	**104.5**	128.4	**102.4**	121.1
Interest expense for leasing arrangements	**0.5**	0.6	**0.5**	0.6
Total interest expense	**2,639.9**	2,180.3	**3,798.1**	3,332.0

* Interest expense on deposits from connected undertakings has been restated for the recognition of savings accounts in relation to the Accord offset mortgage product. This has increased by £23.4 million from £1,182.1 million to £1,205.5 million.

** This includes £35.6m (2023: £23.4m) charged by Accord to the Society in lieu of interest receivable on mortgage offset accounts recognised in Accord's financial statement. This was due to the interest offset in respect of interest due on savings accounts held by the Society.

5. Net gains/(losses) from financial instruments held at fair value

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Equity investments held at fair value	**(1.7)**	0.5	**(1.7)**	0.5
Hedge accounting ineffectiveness	**21.2**	(29.1)	**31.1**	(29.0)
Derivatives and debt securities not included in hedge relationships	**16.7**	23.1	**15.0**	18.8
Net gains/(losses) from financial instruments held at fair value	**36.2**	(5.5)	**44.4**	(9.7)

Derivatives and hedging

The Society enters into interest rate swaps to hedge their exposure to interest rate risk. All interest rate swaps are transacted for economic hedging purposes, however not all are designated in to accounting hedges. Those interest rate swaps not designated into accounting hedges are recorded at fair value through profit and loss within derivatives and debt securities not included in hedge relationships. This portfolio consists of interest rate swaps that receive fixed cash flows (receive fix) and that pay fixed cash flows (pay fix).

Interest rates used to determine fair values which are linked to BoE base rate have fluctuated throughout the year, following bank rate cuts, the UK general election and the budget in Q4 2024. Since May 2024, rates have been gradually decreasing giving rise to gains across the Group's designated and unmatched portfolios.

During 2024, the Group designated two new hedges; a fair value savings macro hedge and a cash flow mortgage pipeline (floating rate debt securities issued) hedge, these two hedges were implemented to mitigate volatility and reduce the Group's exposure within its unmatched swaps portfolio. See Note 26 Derivative financial instruments for further information.

Hedge accounting ineffectiveness includes the ineffective portion of the accounting hedges and amortisation adjustments relating to the inception and de-designation of these hedges.

Investments held at fair value refer to the fair value gains and losses on equity shares investment.

6. Administrative expenses

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Staff costs				
Salaries and wages	**157.4**	138.2	**157.4**	138.2
Social security costs	**16.5**	14.2	**16.5**	14.2
Pension costs – defined benefit plans	**2.1**	1.1	**2.1**	1.1
Pension costs – defined contribution plans	**13.2**	11.4	**13.2**	11.4
Contractor staff costs	**31.0**	30.4	**31.0**	30.4
Other staff costs	**1.8**	1.6	**1.8**	1.6
Professional consultancy costs	**5.9**	6.1	**5.9**	6.1
Regulatory fees	**15.2**	6.2	**15.2**	6.2
Premises costs	**17.5**	15.6	**17.5**	15.6
IT costs	**47.1**	47.8	**47.2**	47.8
Marketing	**10.2**	15.5	**10.2**	15.5
Other expenses	**25.2**	24.2	**25.0**	24.0
Total administrative expenses	**343.1**	312.3	**343.0**	312.1

The Society operates a salary sacrifice scheme whereby employees can opt to make pension contributions from their pre-tax salaries. The amount shown in the table above under salaries and wages includes the headline salary (i.e. before the salary sacrifice deduction) and pension costs exclude the additional contributions made by the Society on employees' behalf as a result of the salary sacrifice scheme.

Full details of directors' remuneration, including the number of directors, the total remuneration of directors, including that of the highest paid director, bonuses and pensions are given in the *Directors' Remuneration Report* within the *Governance* section.

Staff numbers

The average number of persons employed by the Group and Society during the year (including executive directors) was as follows:

	2024 Full time	2024 Part time	2023 Full time	2023 Part time
Central administration	**2,390**	**429**	2,145	428
Branches	**380**	**340**	383	344
Total staff numbers	**2,770**	**769**	2,528	772

Remuneration of the auditors

	Group 2024 £000	Group 2023 £000	Society 2024 £000	Society 2023 £000
Audit fees for the Group and Society statutory audit*	**1,420.0**	783.5	**1,420.0**	783.5
Audit fee for the statutory audit of controlled entities	**486.0**	449.5	**–**	–
Audit related assurance services required by law or regulation	**137.0**	129.5	**137.0**	129.5
Total audit and audit related assurance services	**2,043.0**	1,362.5	**1,557.0**	913.0
Other permitted non-audit services	**277.8**	232.5	**277.8**	232.5
Total remuneration of the auditors	**2,320.8**	1,595.0	**1,834.8**	1,145.5

* 2024 audit fees include overruns of £0.3 million related to the prior year.

The above figures, relating to auditor's remuneration, exclude value added tax. Details of the Society's policy on non-audit work is given in the *Audit Committee Report.*

The classifications of audit related assurance services required by law or regulation and other permitted non-audit services reflect the terminology included in updated guidance issued by the UK Financial Reporting Council.

Other permitted non-audit services primarily consist of the half-year review and profit verification as well as assurance work in respect of our debt issuances.

7. Impairment charge/(release) of financial assets

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Impairment charge/(release) on loans and advances to customers	**1.1**	4.5	**(1.4)**	0.2
Recoveries relating to loans and advances previously written off	**(0.6)**	(0.8)	**(0.3)**	(0.5)
Impairment (release)/charge of other financial assets	**(0.3)**	0.3	**(0.3)**	0.3
Impairment charge/(release) of financial assets	**0.2**	4.0	**(2.0)**	–

8. Investments

Income from investments

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Dividend income from subsidiaries	**–**	–	**75.0**	50.0
Dividend income from equity investments	**–**	–	**–**	–
Income from investments	**–**	–	**75.0**	50.0

During 2024, the Society received dividends from Accord of £75.0 million (2023: £50.0 million).

Investments

	Group		Society	
	2024	2023	**2024**	Restated 2023
	£m	£m	**£m**	£m
Equities	**1.6**	3.3	**1.6**	3.3
Equity in controlled entities	**–**	–	**104.0**	104.9
Loans with controlled entities	**–**	–	**41,327.4**	37,936.8*
Total investments	**1.6**	3.3	**41,433.0**	38,045.0*

* Loans with controlled entities has been restated for the recognition of savings accounts in relation to the Accord offset mortgage product. This has increased by £582.4 million from £37,354.4 million to £37,936.8 million.

All loans with controlled entities are charged interest with amounts recognised in interest revenue.

Investment in equities

The Group holds equity investments in a banking and credit card service provider due to our historic participation in their card servicing operations. The investments are held at fair value through profit or loss and the valuation technique is detailed in Note 32.

Introduction Strategic Report Governance Financial Statements Other Information

Subsidiaries

The Society holds 100% of the ordinary equity share capital for each of the following subsidiary entities, all of which are audited and consolidated.

Subsidiary	Principal activity
Accord Mortgages Limited	Mortgage lending
Norwich and Peterborough (LBS) Limited	Mortgage finance

Norwich and Peterborough Insurance Brokers Limited Subsidiary is In liquidation

The Group has taken advantage of the audit exemptions available for small and dormant subsidiaries under sections 479 and 480 of the *Companies Act 2006* for the following subsidiary entities, all of which are consolidated:

BCS Loans & Mortgages Limited	Yorkshire Insurance Services Limited
Chelsea Mortgage Services Limited	Yorkshire Life Assurance Services Limited
YBS Limited	Yorkshire Mortgage Services Limited
Yorkshire Direct Limited	Yorkshire Personal Financial Services Limited
YBS Group Limited	Yorkshire Property Services Limited
YBS Pension Trustees Limited	Yorkshire Services Limited
Yorkshire Group Limited	Yorkshire Key Services Limited

All subsidiaries have a 31 December accounting period end, are registered in England and have their registered office as Yorkshire Drive, Bradford, BD5 8LJ.

Other controlled entities

The following entities are deemed to be controlled as, whilst the Group does not have a controlling equity shareholding, it has the right to variable returns from its involvement in the entity. The Society's interests in these entities are, in substance, no different than if they were wholly-owned subsidiary undertakings and, as a result, they are consolidated into the Group. The carrying value of the equity holdings in these entities in the Society is £nil (2023: £nil).

Brass No.8 PLC	Brass No.11 PLC
Brass No.8 Mortgage Holdings Limited*	Brass No.11 Mortgage Holdings Limited*
Brass No.9 PLC	Tombac No.3 PLC
Brass No.9 Mortgage Holdings Limited*	Tombac No.3 Mortgage Holdings Limited*
Brass No.10 PLC	YBS Covered Bonds Finance Limited
Brass No.10 Mortgage Holdings Limited*	YBS Covered Bonds Finance (Holdings) Limited*
White Rose Master Issuer PLC (incorporated in 2024)	Yorkshire Building Society Covered Bonds LLP
White Rose Master Holdings Limited* (incorporated in 2024)	

All these entities, with the exceptions of the Holding Companies*, are subject to audit and have a 31 December year end. Their registered office is Third Floor, 1 King's Arms Yard, London, EC2R 7AF, with the exceptions of *Yorkshire Building Society Covered Bonds LLP* whose registered address is Yorkshire Drive, Bradford, BD5 8LJ.

Joint ventures

The Society had a 22.2% joint venture investment in Arkose Funding Limited, which entered liquidation on 24 September 2024. The carrying value of the investment as at 31 December 2024 is £nil (2023: £nil).

9. Tax expense

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Corporation tax – current year charge	**79.1**	95.9	**44.4**	78.0
Corporation tax – adjustment in respect of prior periods	**0.1**	0.6	**0.1**	0.6
Total current tax	**79.2**	96.5	**44.5**	78.6
Deferred tax – current year	**22.3**	22.5	**22.6**	22.8
Deferred tax – adjustment in respect of prior periods	**0.5**	(0.6)	**0.5**	(0.6)
Deferred tax – impact of rate change	**–**	0.2	**–**	0.2
Total tax expense in the income statement	**102.0**	118.6	**67.6**	101.0

On 1 April 2023, the UK corporation tax rate increased from 19% to 25%. The Group has an effective tax rate for the year of 26.6% (2023: 26.3%), which is higher than the average UK statutory corporation tax rate for the year of 25.0% (2023: 23.5%). This is mainly due to the effects of the banking surcharge on the taxable profits of the Society. A full breakdown of the difference is provided below:

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Profit before tax	**383.7**	450.3	**324.5**	417.4
Tax calculated at a tax rate of 25% (2023: 23.5%)	**95.9**	105.8	**81.1**	98.1
Effects of:				
Income not subject to tax	**(0.4)**	(0.3)	**(21.6)**	(12.1)
Fair value movements on securitisation	**(0.4)**	(1.0)	**–**	–
Expenses not deductible for tax purposes	**1.8**	0.9	**3.0**	1.9
Banking surcharge	**4.5**	13.1	**4.5**	13.1
Adjustment to tax charge in respect of prior periods	**0.6**	–	**0.6**	–
Change in tax rate	**–**	0.1	**–**	–
Total tax expense in income statement	**102.0**	118.6	**67.6**	101.0
Tax (credit)/expense recognised directly in equity:				
Tax on financial instruments held at fair value through other comprehensive income	**(3.5)**	(4.7)	**(3.5)**	(4.7)
Tax on remeasurement of net retirement benefit obligations	**(1.2)**	(3.1)	**(1.2)**	(3.1)
Deferred tax on cash flow hedges	**2.6**	(3.7)	**2.6**	(3.7)
Total tax recognised directly in equity	**(2.1)**	(11.5)	**(2.1)**	(11.5)

On 1 April 2023, the UK corporation tax rate increased from 19% to 25%. This measure was substantively enacted on 24 May 2021 and deferred tax assets and liabilities at 31 December 2024 and at 31 December 2023 have been calculated based on the 25% rate.

On 1 April 2023, the banking surcharge decreased from 8% (on taxable profits in excess of £25 million) to 3% (on taxable profits in excess of £100 million). This change was substantively enacted on 2 February 2022. Deferred tax assets and liabilities at 31 December 2024 and at 31 December 2023 have been calculated based on the 3% rate.

On 11 July 2023, the government enacted legislation to implement the G20-OECD Inclusive Framework Pillar Two rules in the UK. The intention of the legislation is to ensure that UK-headquartered multinational enterprises pay a minimum tax rate of 15% on UK and overseas profits arising after 31 December 2023. The Pillar Two rules include a Qualified Domestic Minimum Top-Up Tax, which aims to ensure that large UK groups pay a minimum tax rate of 15% on their UK profits.

The Group's operations are entirely based in the UK and are subject to UK corporation tax. The UK rate of corporation tax is 25% and based on a full assessment of the UK's implementation of the rules and calculation of their application to the Group, the tax expense arising from Pillar Two is £nil for the years ended 31 December 2024 and 31 December 2023.

The IAS 12 exceptions from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes have been applied.

10. Cash and balances with the Bank of England

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Cash in hand	**8.7**	9.9	**8.7**	9.9
Unencumbered deposits with the Bank of England	**5,601.0**	4,652.7	**5,601.0**	4,652.7
Cash in hand and unencumbered deposits	**5,609.7**	4,662.6	**5,609.7**	4,662.6
Cash ratio deposit with the Bank of England	**–**	176.5	**–**	176.5
Cash and balances with the Bank of England	**5,609.7**	4,839.1	**5,609.7**	4,839.1

Cash ratio deposits were mandatory requirements of the Bank of England. The deposits were repaid in the year as the Bank of England Cash Ratio Deposit Scheme was replaced by the Bank of England Levy.

11. Debt securities

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Debt securities issued by:				
UK public bodies	**2,414.8**	852.4	**2,414.8**	852.4
Other public bodies	**1,105.2**	958.9	**1,105.2**	958.9
Other	**4,901.3**	5,750.6	**4,901.3**	5,750.6
Group companies	**–**	–	**10,567.7**	11,792.4
Total debt securities	**8,421.3**	7,561.9	**18,989.0**	19,354.3

11. Debt securities (continued)

Debt securities issued by Group companies comprise retained investments in the Group's securitisation vehicles.

Group	Fair value through profit and loss £m	Fair value through Other comprehensive Income £m	Amortised cost £m	Total £m
Movements in debt securities during the year were:				
At 1 January 2024	**27.3**	**5,195.7**	**2,338.9**	**7,561.9**
Additions	**–**	**3,141.2**	**628.2**	**3,769.4**
Disposals and repayments	**–**	**(988.8)**	**(1,866.4)**	**(2,855.2)**
Exchange translation	**–**	**(25.2)**	**(22.0)**	**(47.2)**
Other changes in value	**0.3**	**(20.3)**	**12.4**	**(7.6)**
At 31 December 2024	**27.6**	**7,302.6**	**1,091.1**	**8,421.3**
Movements in debt securities during the year were:				
At 1 January 2023	25.5	4,292.7	1,366.6	5,684.8
Additions	–	1,545.0	1,867.9	3,412.9
Disposals and repayments	–	(725.0)	(918.2)	(1,643.2)
Exchange translation	–	(25.9)	(21.2)	(47.1)
Other changes in value	1.8	108.9	43.8	154.5
At 31 December 2023	27.3	5,195.7	2,338.9	7,561.9

Society	Fair value through profit and loss £m	Fair value through other comprehensive Income £m	Amortised cost £m	Total £m
Movements in debt securities during the year were:				
At 1 January 2024	**27.3**	**5,195.7**	**14,131.3**	**19,354.3**
Additions	**–**	**3,141.2**	**1,593.1**	**4,734.3**
Disposals and repayments	**–**	**(988.8)**	**(4,037.7)**	**(5,026.5)**
Exchange translation	**–**	**(25.2)**	**(22.0)**	**(47.2)**
Other changes in value	**0.3**	**(20.3)**	**(5.9)**	**(25.9)**
At 31 December 2024	**27.6**	**7,302.6**	**11,658.8**	**18,989.0**
Movements in debt securities during the year were:				
At 1 January 2023	25.5	4,292.7	14,914.8	19,233.0
Additions	–	1,545.0	1,867.9	3,412.9
Disposals and repayments	–	(725.0)	(2,693.6)	(3,418.6)
Exchange translation	–	(25.9)	(21.5)	(47.4)
Other changes in value	1.8	108.9	63.7	174.4
At 31 December 2023	27.3	5,195.7	14,131.3	19,354.3

Introduction Strategic Report Governance Financial Statements Other Information

12. Loans and advances to customers

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Loans secured on residential property:				
Loans fully secured on residential property	**47,813.2**	45,126.4	**8,653.0**	9,208.5
Other loans secured on residential property	**5.1**	6.1	**–**	–
Loans secured on commercial property	**1,945.8**	1,743.4	**1,945.3**	1,742.8
Gross loans and advances to customers	**49,764.1**	46,875.9	**10,598.3**	10,951.3
Impairment	**(39.2)**	(37.7)	**(7.3)**	(8.4)
Fair value credit adjustment	**(19.4)**	(22.3)	**(19.4)**	(22.3)
Expected credit losses (ECL)	**(58.6)**	(60.0)	**(26.7)**	(30.7)
Total loans and advances to customers	**49,705.5**	46,815.9	**10,571.6**	10,920.6

The following tables analyse the changes in ECL impairment and fair value credit adjustments.

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Opening impairment	**37.7**	33.1	**8.4**	7.8
Amounts written off in the year	**(1.4)**	(1.3)	**(0.9)**	(0.6)
Discounting recognised in net interest income	**1.8**	1.4	**1.2**	1.0
Charge/(release) for the year recognised in the income statement	**1.1**	4.5	**(1.4)**	0.2
Impairment	**39.2**	37.7	**7.3**	8.4

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Opening fair value credit adjustment	**22.3**	25.3	**22.3**	25.3
Release recognised in the income statement through net interest	**(2.3)**	(2.3)	**(2.3)**	(2.3)
Amounts written off in the year	**(0.6)**	(0.7)	**(0.6)**	(0.7)
Fair value credit adjustment	**19.4**	22.3	**19.4**	22.3

13. Intangible assets

Group and Society	Development costs £m	Software £m	Internally generated assets £m	Other £m	Total £m
Cost:					
At 1 January 2024	**–**	**67.6**	**12.6**	**7.1**	**87.3**
Additions	**4.9**	**0.4**	**–**	**–**	**5.3**
Disposals	**–**	**(5.9)**	**(0.4)**	**–**	**(6.3)**
Transfers	**0.5**	**(0.5)**	**–**	**–**	**–**
At 31 December 2024	**5.4**	**61.6**	**12.2**	**7.1**	**86.2**
Amortisation:					
At 1 January 2024	**–**	**49.4**	**12.5**	**7.1**	**69.0**
Charged in year	**–**	**7.4**	**0.1**	**–**	**7.5**
Disposals	**–**	**(5.9)**	**(0.4)**	**–**	**(6.3)**
At 31 December 2024	**–**	**50.9**	**12.2**	**7.1**	**70.2**
Net book value at 31 December 2024	**5.4**	**10.7**	**–**	**–**	**16.1**
Cost:					
At 1 January 2023	4.1	59.8	13.6	7.1	84.6
Addition	(4.1)	10.5	–	–	6.4
Disposals	–	(2.7)	(1.0)	–	(3.7)
At 31 December 2023	–	67.6	12.6	7.1	87.3
Amortisation:					
At 1 January 2023	–	44.0	13.3	7.1	64.4
Charged in year	–	8.2	0.2	–	8.4
Disposals	–	(2.8)	(1.0)	–	(3.8)
At 31 December 2023	–	49.4	12.5	7.1	69.0
Net book value at 31 December 2023	–	18.2	0.1	–	18.3

Other intangible assets primarily comprise the fair value of items acquired on mergers (retail savings and brands) and an amount paid for the transfer of a number of employee sharesave schemes to the Society.

Introduction Strategic Report Governance Financial Statements Other Information

14. Investment property

Group and Society	2024 £m	2023 £m
Cost:		
At 1 January	**21.7**	22.0
Additions	**0.4**	0.3
Disposals	**(0.1)**	(0.6)
At 31 December	**22.0**	21.7
Depreciation:		
At 1 January	**6.0**	6.0
Charged in year	**0.4**	0.4
Impairment	**4.6**	–
Disposals	**(0.1)**	(0.4)
At 31 December	**10.9**	6.0
Net book value at 31 December	**11.1**	15.7
Fair value	**12.7**	12.2

Investment properties are generally flats and offices ancillary to branch premises and not used by the Group. Rental income of £1.0 million on investment properties has been included within other operating income (2023: £1.1 million).

The fair value of the Group's investment properties at 31 December 2024 is based predominantly on external valuations. The Group recognised an impairment charge of £4.6 million (2023: £nil) due to changes in the fair value of investment properties as at 31 December 2024.

15. Property, plant and equipment

Group and Society	Land and buildings £m	Equipment, fixtures and fittings £m	Right-of-use property £m	Right-of-use motor vehicles £m	Total £m
Cost:					
At 1 January 2024	**101.9**	**59.2**	**22.6**	**1.3**	**185.0**
Additions	**6.6**	**6.0**	**0.6**	**–**	**13.2**
Disposals	**(3.4)**	**(11.3)**	**–**	**–**	**(14.7)**
Lease modification	**–**	**–**	**0.1**	**–**	**0.1**
Assets transferred to held for sale	**–**	**(0.7)**	**–**	**–**	**(0.7)**
At 31 December 2024	**105.1**	**53.2**	**23.3**	**1.3**	**182.9**
Depreciation:					
At 1 January 2024	**34.2**	**42.2**	**8.0**	**1.1**	**85.5**
Charged in year	**3.6**	**4.9**	**2.6**	**0.1**	**11.2**
Disposals	**(3.4)**	**(11.3)**	**–**	**–**	**(14.7)**
Asset transferred to held for sale	**–**	**(0.5)**	**–**	**–**	**(0.5)**
At 31 December 2024	**34.4**	**35.3**	**10.6**	**1.2**	**81.5**
Net book value at 31 December 2024	**70.7**	**17.9**	**12.7**	**0.1**	**101.4**
Cost:					
At 1 January 2023	101.0	67.3	24.5	1.3	194.1
Additions	4.5	3.8	1.4	0.1	9.8
Disposals	(3.6)	(11.9)	(3.3)	(0.1)	(18.9)
At 31 December 2023	101.9	59.2	22.6	1.3	185.0
Depreciation:					
At 1 January 2023	34.5	49.1	8.4	1.0	93.0
Charged in year	3.4	5.0	2.7	0.2	11.3
Disposals	(4.0)	(11.9)	(3.1)	(0.1)	(19.1)
Impairment	0.3	–	–	–	0.3
At 31 December 2023	34.2	42.2	8.0	1.1	85.5
Net book value at 31 December 2023	67.7	17.0	14.6	0.2	99.5

Introduction Strategic Report Governance Financial Statements Other Information

16. Deferred tax

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
At 1 January	**22.5**	11.9	**21.1**	10.2
Income statement expense (Note 9)	**22.8**	22.1	**23.1**	22.4
Tax credit recognised directly in equity	**(2.1)**	(11.5)	**(2.1)**	(11.5)
At 31 December	**43.2**	22.5	**42.1**	21.1
Deferred tax assets and liabilities are attributable to the following items:				
Deferred tax assets				
Other temporary differences	**(0.4)**	(0.1)	**(0.4)**	(0.1)
Deferred remuneration	**(4.0)**	(3.6)	**(4.0)**	(3.6)
Transitional adjustment arising following implementation of IFRS 9	**(0.5)**	(0.7)	**(0.5)**	(0.7)
Transitional adjustment arising following change in accounting treatment	**(0.3)**	(0.4)	**(0.3)**	(0.4)
Pensions and other post-retirement benefits	**(2.1)**	(2.3)	**(2.1)**	(2.3)
Financial instruments held at fair value through other comprehensive income	**(7.5)**	(4.0)	**(7.5)**	(4.0)
Capital losses	**(0.2)**	(0.2)	**(0.2)**	(0.2)
Total deferred tax assets	**(15.0)**	(11.3)	**(15.0)**	(11.3)
Deferred tax liabilities				
Pensions and other post-retirement benefits	**9.2**	10.8	**9.2**	10.8
Capital allowances in excess of depreciation	**2.4**	1.2	**2.4**	1.2
Other temporary differences	**0.7**	0.7	**0.6**	0.7
Fair value movements on external swap on intercompany loan	**42.0**	19.2	**42.0**	19.2
Financial Instruments held at fair value through profit and loss	**0.2**	0.4	**0.2**	0.4
Cash flow hedging	**2.7**	0.1	**2.7**	0.1
Transitional adjustment arising following implementation of IFRS 9	**0.8**	1.1	**–**	–
Transitional adjustment arising following change in accounting treatment	**0.2**	0.3	**–**	–
Total deferred tax liabilities	**58.2**	33.8	**57.1**	32.4
Net deferred tax liabilities	**43.2**	22.5	**42.1**	21.1

16. Deferred tax (continued)

The deferred tax expense/(credit) in the income statement comprise the following temporary differences:

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Pensions and other post-retirement benefits	**(0.2)**	0.1	**(0.2)**	0.1
Capital allowances in excess of depreciation	**1.2**	0.3	**1.2**	0.3
Fair value movements on external swap on intercompany loan	**22.9**	22.9	**22.9**	22.9
Deferred remuneration	**(0.4)**	(1.4)	**(0.4)**	(1.4)
Financial instruments held at fair value through profit and loss	**(0.2)**	0.1	**(0.2)**	0.1
Transitional adjustment arising following implementation of IFRS 9	**(0.1)**	(0.1)	**0.2**	0.2
Transitional adjustment arising following change in accounting treatment	**–**	–	**0.1**	0.1
Other temporary differences	**(0.4)**	0.2	**(0.5)**	0.1
Total deferred tax expense/(credit) in the income statement	**22.8**	22.1	**23.1**	22.4

17. Retirement benefit obligations

The Group operates one main employee benefit scheme (the Scheme), the costs of which are borne by the Society, with both defined benefit and defined contribution sections.

In addition, the Group operates unfunded defined benefit (DB) pension schemes for former members of staff. The present value at 31 December 2024 of the defined benefit obligation (DBO) in relation to these schemes was £7.4 million (2023: £8.1 million) and the relevant disclosures have been separated from those of the main employee benefits scheme where appropriate.

Net defined benefit asset

As at 31 December 2024 the defined benefit asset was £33.0 million (2023: £38.6 million), a decrease of £5.6 million from 31 December 2023.

Pensioner buy-in

In mid-November 2018 the Scheme entered into a pensioner buy-in with Pension Insurance Corporation (PIC). The premium of £248 million was paid for out of the Scheme's assets, with no additional funding required from the Society. The asset loss from the buy-in was approximately £25 million on an accounting basis. The transaction covered around £250 million of the Scheme's pensioner liabilities, based on the Technical Provisions basis. As such, some pensioners remain uninsured and not covered by the buy-in. At 31 December 2024, the Society valued the YBS Scheme insurance contract with PIC to be equal to the corresponding IAS 19 defined benefit obligation in respect of the insured members. The assessed value of £140.7 million (2023: £155.8 million) was calculated using a methodology consistent with the approach used to calculate the total pension benefit. Benefits paid over 2024 in respect of the buy-in members totalled £9.5 million (2023: £9.4 million).

Defined contribution post-employment benefits

In addition to the defined benefit section (see below), the Group operates a defined contribution (DC) section of the main scheme. This Scheme is used by the Society to fulfil its auto enrolment duties. In 2024, the total Society contribution into the pension scheme in respect of DC benefits was £12.8 million (2023: £11.9 million). In addition to this the Society also paid £1.0 million (2023: £1.0 million) into the pension scheme to cover the approximate cost of DC expenses, including the cost of life assurance which is provided through the Scheme for all YBS colleagues.

Defined benefit post-employment benefits

The Group operates a funded defined benefit scheme for certain employees, providing benefits based on final salary. However, benefits earned by members of the defined benefit section of the main scheme, with the exception of N&P Section members, from 1 April 2010 are based on career average revalued earnings. N&P Section members' benefits are based on their Final Pensionable Salary (following the removal of the 31 March 2010 freeze). The defined benefit section was closed to new employees in 2000 and to future accrual on 31 December 2015. The assets of the scheme are held in a separate trustee-administered fund. Contributions are assessed in accordance with the advice of an independent qualified actuary using the projected unit method.

The defined benefit section of the Scheme has a weighted average maturity of around 13 years (2023: 14 years). This weighted average duration of a pension scheme is the average discounted term until benefit payments are due, weighted by the size of the payment. A breakdown of the scheme liabilities by members is included below.

	Funded DB scheme 2024 £m	Funded DB scheme 2023 £m	Unfunded DB scheme 2024 £m	Unfunded DB scheme 2023 £m
Deferred in service liability	**31.0**	36.5	**–**	–
Deferred liability	**146.8**	166.3	**–**	–
Pensioner liability	**331.5**	369.7	**7.4**	8.1
Total liabilities	**509.3**	572.5	**7.4**	8.1

GMP equalisation

On 26 October 2018, the High Court ruled that the Lloyds Bank schemes had to equalise pension scheme benefits between males and females for the effects of Guaranteed Minimum Pension (GMP) and identified acceptable methods as to how this can be achieved. The benefits provided under the Scheme are uncertain to the extent that the impact of GMP equalisation has not yet been fully reflected in Scheme benefits. An allowance has been included in the liabilities to reflect the expected value of these additional benefits in line with what was calculated at last year end, i.e. uplifting the DBO by 0.2%.

On 20 November 2020, the High Court ruled that individual transfer payments made since 17 May 1990 would need to be equalised for the effects of GMP. No further allowance has been made for this judgment as the impact is not material.

Scheme specific risks

The ultimate cost of the Scheme to the Society will depend upon actual future events rather than the assumptions made. Many of the assumptions made are unlikely to be borne out in practice and, as such, the cost of the schemes may be higher or lower than disclosed. In general, the risk to the Society is that the assumptions underlying the disclosures, or the calculation of contribution requirements, are not borne out in practice and the cost to the Society is higher than expected. This could result in higher contributions being required from the Society and a higher deficit being disclosed. This may also impact the Society's ability to grant discretionary benefits or other enhancements to members.

The assumptions not being borne out in practice could include:

- The investment return on the Scheme's assets being lower than assumed, resulting in an unaffordable increase in the contributions required from the Society. The level of bond returns will be a key determinant of overall investment return; the investment portfolio is also subject to a range of other risks typical of the asset classes held, in particular equity returns, credit risk on bonds and exposure to the property market.
- Falls in asset values (particularly equities) not being matched by similar falls in the value of liabilities. This risk has been mitigated to some degree by the implementation of an asset liability matching investment strategy which is designed to match a proportion of the Scheme's interest rate exposure.
- Future levels of inflation being higher than assumed, resulting in higher than anticipated annual increases to benefits in payment, revaluations of benefits prior to retirement and salary increases. This risk has been mitigated to some degree by the implementation of an asset liability matching investment strategy which is designed to match a proportion of the Scheme's inflation exposure.
- Unanticipated improvements in the longevity of members leading to an increase in the Scheme's liabilities.

17. Retirement benefit obligations (continued)

Assets

The Scheme's investment strategy, with a significant proportion of the assets invested in liability driven investments (consisting of index-linked government and corporate bonds and swaps), is expected to reduce the volatility of the difference between the market value of the assets and the IAS 19 liabilities.

	Funded DB scheme 2024 %	2023 %
Equities	**1**	1
Index-linked bonds	**41**	53
Corporate and other bonds	**27**	7
Cash and other	**6**	13
Swaps	**(1)**	1
Pensioner buy-in insurance contract	**26**	25
	100	100

Approximately 69% (2023: 61%) of the Scheme's investments are in quoted assets, with the exception of the liability matching assets classified as 'Swaps' and reinsurance assets included in 'Cash and other', where a proportion of these will be invested in unquoted assets and 'Buy in'.

Scheme investment strategy

The Trustees set the investment strategy for the Defined Benefit ("DB") scheme taking into account considerations such as the strength of the Society's covenant, the long-term liabilities of the DB scheme and the funding agreed with the Society.

The Scheme's investment strategy is set in conjunction with the Scheme's investment adviser, recognising and managing a number of risks involved in the investment of the Scheme's assets in order to achieve the Scheme's investment objective.

The Trustees agreed that the investment objectives for the DB scheme should be:

- To achieve a return on the Scheme's assets that is consistent with the long-term assumptions of the Scheme Actuary in determining the funding of the Scheme, whilst at the same time balancing risk.
- To aim for the assets to exceed the liabilities as determined in the event of the Scheme winding up on the basis of cash equivalent transfer values.
- To minimise the requirement for the Society to make further deficit recovery plan contributions.

The investment strategy is set out in its Statement of Investment Principles (SIP). The strategy is to hold:

- A range of instruments that provide a better match both to changes in liability values and expected liability cash flows, including (but not limited to) gilts, corporate bonds and derivatives.
- A diversified range of return-seeking assets, including (but not limited to) equities (implemented physically and/or through equity futures), corporate bonds and secure income assets.
- Passive and actively managed portfolios as appropriate, following consideration of efficiency, liquidity and level of transaction costs likely to prevail within each market as well as the impact of the investment managers' fees on future expected returns.

In 2024, the Trustees worked with its investment advisor and undertook a full strategy review of the Scheme following the completion of the triennial actuarial valuation in November 2023 (effective date of 31 December 2022). During this review, the Trustees assessed whether the current journey plan remained appropriate and reviewed the risk and return characteristics of the DB Scheme.

As a result of the review, the Trustees increased the allocation to synthetic equities. In addition, there were a few changes to how the Scheme's assets were monitored to better reflect the buy and hold nature of the Scheme's portfolio and to therefore better assess whether the strategy is performing as expected. Most specifically the Trustees decided to exclude the buy-in from the monitoring of the Scheme's assets, given the illiquidity of the asset. Hence, the Trustees agreed to adjust the investment strategy to seek to generate returns between 0.90% pa and 1.20% pa above the return of the Scheme's liabilities in the long term, excluding the buy-in.

The Trustees continue to actively monitor the Scheme's investments as part of the Investment Sub Committee, which includes analysis on future expected returns for the investments. Further, the Trustees have an integrated risk management framework in place as to monitor and the challenge the Covenant, Investment and Funding risk linked to the Scheme.

Introduction Strategic Report Governance Financial Statements Other Information

31 December 2022 Actuarial valuation

The most recent actuarial valuation of the Scheme was carried out with an effective date of 31 December 2022 and was completed in November 2023. The next actuarial valuation is expected at 31 December 2025. The value of the benefits promised to members that fall within the DB section of the Scheme are referred to as the Technical Provisions and are valued on a prudent basis as determined by the Trustees, having received advice from the Scheme Actuary.

The funding level (the ratio of assets to Technical Provisions) at 31 December 2022 was 102.0%. As the Scheme was in surplus at 31 December 2022, no recovery plan was required, and therefore, currently the Society does not have to pay any deficit reduction contributions.

Virgin Media Ltd v NTL Pension Trustees II Ltd

The Trustees of the Scheme have engaged legal advisors to consider the potential impact of the Virgin Media Ltd legal judgement of June 2023 which was appealed in July 2024. As at the date of signing, the Trustees have commenced a sample-based review of historic rule changes. Whilst at this stage the review has not identified any matters which indicate an increased risk of non-compliance with Section 37 of the Pension Schemes Act 1993, the review is still in its early stages.

Summary of assumptions

	2024 % pa	2023 % pa
Retail prices index (RPI) inflation	**3.3**	3.2
Consumer price index (CPI) inflation	**2.7**	2.5
Discount rate	**5.5**	4.5
Salary increases	**3.9**	3.8
Rate of increase of pensions in payment*		
In line with RPI, subject to a min of 3% and a max of 5% pa	**3.7**	3.7
In line with RPI, subject to a min of 0% and a max of 5% pa	**3.2**	3.1
In line with RPI, subject to a min of 0% and a max of 2.5% pa	**2.2**	2.1
In line with CPI, subject to a min of 0% and a max of 3% pa	**2.2**	2.2

* Term dependent inflationary increases have been adopted to reflect expected inflation in each future year. Illustrative inflationary assumptions have been provided which have been calculated to reflect the broad profile of the Society's pension obligations.

The most significant non-financial assumption is the assumed rate of longevity. The assumptions made are equivalent to the following life expectancies for scheme member at age 60.

	2024 Years	2023 Years
For a current 60 year old male	**27.7**	27.8
For a current 60 year old female	**29.7**	29.7
For a current 45 year old male	**28.9**	28.9
For a current 45 year old female	**30.8**	30.7

Defined benefit actual contributions paid wholly relate to contributions made by the Society.

Changes in market conditions generate an actuarial gain (decrease in liabilities) and a return on plan less than discount rate (decrease in assets).

17. Retirement benefit obligations (continued)

Reconciliation of funded status

Group and Society	2024 £m	2023 £m
Present value of defined benefit obligation	**(509.3)**	(572.5)
Assets at fair value	**542.3**	611.1
Funded status/defined benefit asset	**33.0**	38.6

Reconciliation of unfunded status

Group and Society	2024 £m	2023 £m
Present value of unfunded defined benefit scheme	**(7.4)**	(8.1)
Present value of unfunded defined benefit scheme	**(7.4)**	(8.1)

Statement of comprehensive income

Group and Society	Funded DB scheme		Unfunded DB scheme	
	2024 £m	2023 £m	2024 £m	2023 £m
Cumulative actuarial (loss)/gains recognised at 1 January	**(41.2)**	(30.8)	**15.6**	16.4
Gain/(loss) due on change in financial assumptions	**61.8**	(4.0)	**0.8**	(0.1)
Gain due to demographic assumptions	**0.9**	12.2	**–**	0.1
Gain/(loss) due to experience	**0.8**	13.2	**(0.1)**	(0.8)
Loss due to investment return different from return implied by the discount rate	**(68.4)**	(31.8)	**–**	–
Total actuarial (loss)/gain recognised in SCI	**(4.9)**	(10.4)	**0.7**	(0.8)
Cumulative actuarial (losses)/gains recognised at 31 December	**(46.1)**	(41.2)	**16.3**	15.6

Components of pension expense as shown in the income statement

Group and Society	Funded DB scheme		Unfunded DB scheme	
	2024 £m	2023 £m	2024 £m	2023 £m
Administrative expenses	**2.4**	2.1	**–**	–
Interest on net defined benefit surplus	**(1.7)**	(2.3)	**0.4**	0.3
Total pension expense	**0.7**	(0.2)	**0.4**	0.3

Reconciliation of present value of defined benefit obligation

Group and Society	Funded DB scheme		Unfunded DB scheme	
	2024 £m	2023 £m	2024 £m	2023 £m
Present value of defined benefit obligation at 1 January	**572.5**	593.4	**8.1**	7.4
Administrative expenses	**2.4**	2.1	**–**	–
Interest cost	**25.2**	27.8	**0.4**	0.3
Actuarial (gain)/loss	**(63.5)**	(21.4)	**(0.7)**	0.8
Defined benefit actual benefits and costs paid	**(27.3)**	(29.4)	**–**	–
Disbursements directly paid by the employer	**–**	–	**(0.4)**	(0.4)
Present value of defined benefit obligation at 31 December	**509.3**	572.5	**7.4**	8.1

Movement in defined benefit fair value of assets

Group and Society	Funded DB scheme	
	2024 £m	2023 £m
Fair value of assets at 1 January	**611.1**	642.2
Interest income on scheme asset	**26.9**	30.1
Return on plan assets less than discount rates	**(68.4)**	(31.8)
Defined benefit actual benefits and costs paid	**(27.3)**	(29.4)
Fair value of plan assets at 31 December	**542.3**	611.1

The defined benefit obligation has reduced over the period, this is primarily driven by an increase in the discount rate assumption to 5.5% (2023: 4.5%). The discount rate is closely linked to bond yields, which have increased to year highs at the end of 2024.

Sensitivities

The IAS 19 liability measurement and the service cost are sensitive to the assumptions made about future inflation and salary growth levels, as well as the assumptions made about life expectation. They are also sensitive to the discount rate, which depends on market yields on Sterling-denominated high quality corporate bonds. A decrease in corporate bond yields will increase the liabilities although this will be partially offset by an increase in matching assets.

The table below shows the sensitivity of the defined benefit obligation combined and Scheme assets to changes in these assumptions. The final assumptions are chosen by the Society.

Principal Sensitivity Illustrations

	Defined benefit obligation £m	Assets £m	Net effect £m
Total as at 31 December 2024	**516.7**	**542.3**	**25.6**
Change in defined benefit obligation/assets given the following change in assumption:			
Discount rate:* 1.00% pa increase	**(56.4)**	**(65.3)**	**(8.9)**
Discount rate:* 1.00% decrease	**68.9**	**77.4**	**8.5**
Salary Escalation: 0.75% increase	**1.0**	**–**	**(1.0)**
Salary Escalation: 0.75% decrease	**(0.9)**	**–**	**0.9**
Inflation:** 0.50% increase	**16.6**	**18.4**	**1.8**
Inflation:** 0.50% decrease	**(15.7)**	**(15.7)**	**–**
Life expectancy: 1 year average increase	**15.4**	**4.8**	**(10.6)**
Life expectancy: 1 year average decrease	**(15.4)**	**(4.8)**	**10.6**

* The change in the discount rate is assumed to be equivalent to a 1% decrease in gilt, swap and credit based interest rates.

** The sensitivity illustrations above are calculated changing each assumption in isolation, keeping all other assumptions constant. In practice this is unrealistic as it ignores the impact from correlation between assumptions.

The asset liability matching strategy implemented for the Scheme means that a change in discount rate or inflation assumption has a broadly similar impact on the liabilities and the assets, reducing the volatility of the net impact. It should be noted that this strategy is based on liabilities on the self-sufficiency basis, i.e. higher liabilities than on an accounting basis. As such, on an accounting basis, for the sensitivities above, the assets increase by more than the liabilities, resulting in an improvement in the accounting balance sheet position.

Introduction Strategic Report Governance Financial Statements Other Information

18. Other assets

	Group 2024 £m	2023 £m	Society 2024 £m	Restated* 2023 £m
Prepayments and accrued interest	**29.7**	23.0	**29.7**	23.0
Due from controlled entities	**–**	–	**74.7**	93.6
Current tax assets*	**–**	–	**–**	–
Other assets	**6.7**	12.1	**4.8**	10.2
Total other assets	**36.4**	35.1	**109.2**	126.8

* Please refer to *reclassification of current tax asset* in Note 1 for details of change in presentation.

Included in the Group and Society's other assets are finance lease receivables of £0.9 million (2023: £1.3 million). The Group has entered into agency sublease arrangements as an intermediate lessor on former branch properties that are considered to be finance leases. As substantially all risks and rewards are passed over as the subleases match the payment terms and duration of the headline leases they are classified as finance leases.

Finance income on net investment in the lease in 2024 has been £20k (2023: £19k).

19. Shares

	Group 2024 £m	2023 £m	Society 2024 £m	2023 £m
Shares comprising balances held by individuals	**52,044.4**	47,056.7	**52,044.4**	47,056.7
Acquisition fair value adjustments	**1.0**	–	**1.0**	–
Total shares	**52,045.4**	47,056.7	**52,045.4**	47,056.7

20. Other deposits

	Group 2024 £m	2023 £m	Society 2024 £m	Restated 2023 £m
Amounts owed to:				
Subsidiary undertakings	**–**	–	**12,842.6**	13,679.0
Other customers	**1,196.8**	983.6	**1,196.8**	983.6*
Total other deposits	**1,196.8**	983.6	**14,039.4**	14,662.6*

* *Amounts owed to other customers* has been restated to correct the recognition of savings accounts in relation to the Accord offset mortgage product. This has increased by £582.4 million from £401.2 million to £983.6 million.

21. Debt securities in issue

	Group 2024 £m	2023 £m	Society 2024 £m	2023 £m
Covered bonds	**2,960.0**	2,968.4	**4,195.9**	4,254.9
Medium-term notes	**1,258.1**	1,262.7	**1,258.1**	1,262.7
Residential mortgage backed securities	**801.2**	688.3	**–**	–
Total debt securities in issue	**5,019.3**	4,919.4	**5,454.0**	5,517.6

Debt securities in issue include amounts secured on certain loans and advances to customers in Group £3.8 billion (2023: £3.7 billion) and Society £4.2 billion (2023: £4.3 billion).

22. Other liabilities

	Group 2024 £m	2023 £m	Society 2024 £m	2023 £m
Accruals and deferred income	**43.4**	43.3	**43.4**	43.3
Finance lease liabilities	**14.9**	17.3	**14.9**	17.3
Other	**16.9**	9.9	**45.4**	58.6
Total other liabilities	**75.2**	70.5	**103.7**	119.2

The lease liabilities are secured by the related underlying assets. The underlying maturity analysis of lease liabilities at 31 December 2024 for the Group is as follows:

	Buildings lease payments £m	Finance charges £m	NPV £m
Within 1 year	**3.4**	**(0.4)**	**3.0**
1–2 years	**2.6**	**(0.3)**	**2.3**
2–3 years	**2.4**	**(0.2)**	**2.2**
3–4 years	**2.1**	**(0.2)**	**1.9**
4–5 years	**1.9**	**(0.1)**	**1.8**
5–10 years	**2.7**	**(0.1)**	**2.6**
10–15 years	**0.5**	**(0.1)**	**0.4**
Over 15 years	**0.9**	**(0.2)**	**0.7**
Total at 31 December 2024	**16.5**	**(1.6)**	**14.9**

23. Provisions for liabilities and charges

Group	Customer redress £m	Restructuring £m	Property related provision £m	Other £m	Total £m
At 1 January 2024	**1.0**	**0.2**	**2.7**	**0.1**	**4.0**
Amounts utilised during the year	**(0.2)**	**(0.1)**	**(0.8)**	**–**	**(1.1)**
Provision (release)/charge	**(0.1)**	**0.8**	**(0.2)**	**0.8**	**1.3**
At 31 December 2024	**0.7**	**0.9**	**1.7**	**0.9**	**4.2**
At 1 January 2023	1.0	0.5	4.1	0.1	5.7
Amounts utilised during the year	(0.2)	(0.1)	(0.8)	–	(1.1)
Provision charge/(release)	0.2	(0.2)	(0.6)	–	(0.6)
At 31 December 2023	1.0	0.2	2.7	0.1	4.0

Society	Customer redress £m	Restructuring £m	Property related provision £m	Other £m	Total £m
At 1 January 2024	**0.9**	**0.2**	**2.7**	**0.1**	**3.9**
Amounts utilised during the year	**(0.1)**	**(0.1)**	**(0.8)**	**0.0**	**(1.0)**
Provision (release)/charge	**(0.1)**	**0.8**	**(0.2)**	**0.8**	**1.3**
At 31 December 2024	**0.7**	**0.9**	**1.7**	**0.9**	**4.2**
At 1 January 2023	1.0	0.5	4.1	0.1	5.7
Amounts utilised during the year	(0.1)	(0.1)	(0.8)	–	(1.0)
Provision release	–	(0.2)	(0.6)	–	(0.8)
At 31 December 2023	0.9	0.2	2.7	0.1	3.9

During the course of its business, the Society receives complaints in relation to past sales or ongoing administration, as well as being subject to enquiries from and discussions with its regulators, governmental and other public bodies, on a range of matters. No provision is made where it is concluded that it is not probable that a quantifiable payment will be made; this will include circumstances where the facts are unclear or further time is required to reasonably quantify the expected payment.

At 31 December 2024, the Group holds customer redress provisions of £0.7 million (2023: £1.0 million) and the Society of £0.7 million (2023: £0.9 million) in respect of various potential customer claims and represent management's best estimate of the likely costs.

Restructuring provisions of £0.9 million (2023: £0.2 million) are held in relation to business and organisational changes announced during 2024 and earlier periods.

Property related provisions of £1.7 million (2023: £2.7 million) are held in respect of lease costs for branch premises that are no longer in use. This will be utilised over the remaining term of the unoccupied leasehold branches.

24. Subordinated liabilities

Group and Society	Maturity date	2024 £m	2023 £m
Senior non-preferred:			
3% Senior non-preferred bonds 2025	18 April 2025	**–**	141.4
1½% Senior non-preferred bonds 2029	15 September 2029	**249.6**	249.2
3.511% Senior non-preferred bonds 2030	11 October 2030	**301.6**	301.5
6⅜% Senior non-preferred bonds 2028	15 November 2028	**352.0**	351.8
7⅜% Senior non-preferred bonds 2027	12 September 2027	**305.5**	305.2
Subordinated notes:			
6⅜% Subordinated Bonds 2024	26 April 2024	**–**	4.1
3⅜% Subordinated Bonds 2028	13 September 2028	**302.2**	301.9
13½% Convertible Tier 2 Capital Notes 2025	01 April 2025	**26.5**	26.5
Fair value hedging adjustments		**(84.1)**	(59.9)
Total subordinated liabilities		**1,453.3**	1,621.7

All senior non-preferred bonds and subordinated bonds are denominated in Sterling. The following notes are repayable at the dates stated or earlier at the option of the Society and with the prior consent of the PRA under the following conditions.

Senior non-preferred:

- Redemption of the 3% Notes at par on the optional call date of 18 April 2024 after giving fifteen to thirty days' notice to the holders. In the event the Society does not redeem the notes on this date the fixed rate of interest will become the sum of the yield on the relevant 1-year UK gilt-edged reference bond plus 2.15%. The Society redeemed the notes on the optional call date of 18 April 2024.
- Redemption of the 1½% Notes at par on the optional call date of 15 September 2028 after giving fifteen to thirty days' notice to the holders. In the event the Society does not redeem the notes on 15 September 2028 the fixed rate of interest will become the sum of the yield on the relevant 1-year UK gilt-edged reference bond plus 1.15%.
- Redemption of the 3.511% Notes at par on the optional call date of 11 October 2029 after giving fifteen to thirty days' notice to the holders. In the event the Society does not redeem the notes on 11 October 2029 the fixed rate of interest will become the sum of the yield on the relevant 1-year UK gilt-edged reference bond plus 2.05%.
- Redemption of the 6⅜% Notes at par on the optional call date of 15 November 2027 after giving fifteen to thirty days' notice to the holders. In the event the Society does not redeem the notes on 15 November 2027 the fixed rate of interest will become the sum of the yield on the relevant 1-year UK gilt-edged reference bond plus 2.65%.
- Redemption of the 7⅜% Notes at par on the optional call date of 12 September 2026 after giving fifteen to thirty days' notice to the holders. In the event the Society does not redeem the notes on 12 September 2026 the fixed rate of interest will become the sum of the yield on the relevant 1-year UK gilt-edged reference bond plus 2.65%.

Subordinated notes:

- Redemption of the 3⅜% Notes at par on the optional call date of 13 September 2027 after giving thirty to sixty days' notice to the holders. In the event the Society does not redeem the notes on this date, the fixed rate of interest will become the sum of the yield on the relevant 1-year UK gilt-edged reference bond plus 3.65%.
- Redemption of the 13½% Convertible Tier 2 Capital Notes will occur on the optional call date of 1 April 2025 unless the notes are converted to Profit Participating Deferred Shares (PPDS). The 'Conversion Trigger' shall occur if on any Calculation Date the Society's Common Equity Tier 1 Capital Ratio, as confirmed in a report of the auditor to the Society and addressed to the Board of Directors of the Society, is less than 5%. Should the 'Conversion Trigger' occur and these notes convert into PPDS, the PPDS will be perpetual in nature.

The rights of repayment of the holders of Subordinated notes are subordinated to the claims of all depositors and members holding shares in the Society, as regards the principal of their shares and interest due on them.

25. Financial commitments

Group and Society	2024 £m	2023 £m
Committed undrawn standby facilities	**105.8**	136.1
Other financial commitments	**–**	2.8
Total financial commitments	**105.8**	138.9

The above amounts represent undrawn elements on credit facilities with customers. The amount has reduced over the year due to further drawdowns against these facilities and the maturity of a number of agreements.

The Society has a contractual commitment of £nil (2023: £2.8 million) for ongoing consultancy services.

26. Derivative financial instruments

Derivative financial instruments (derivatives) used for the management of market risk are contracts or agreements whose value is derived from one or more underlying price, rate or index inherent in the contract or agreement, such as interest rates, exchange rates or stock market indices.

Derivatives are used by the Group in accordance with the Building Societies Act 1986. This means that such instruments are not used in trading activity or for speculative purposes and are only used to reduce the risk of loss on core assets or liabilities arising from changes in interest rates, currency rates or other factors of a prescribed description.

The principal derivatives used in balance sheet risk management are interest rate swaps, interest rate options, cross currency interest rate swaps and foreign exchange contracts. These are used to hedge Group exposures arising from fixed rate mortgage lending and savings products, funding and investment activities.

The following table describes the significant activities undertaken by the Group, the related risks associated with such activities and the type of derivatives which are typically used in managing such risks after considering any offsetting risk from other activities.

Activity	Risk	Type of derivative
Management of the investment of reserves and non-interest bearing liabilities	Sensitivity to changes in interest rates	Interest rate swaps
Fixed rate savings products and debt issuance	Sensitivity to changes in interest rates	Interest rate swaps
Fixed rate mortgage lending	Sensitivity to changes in interest rates	Interest rate swaps
Management of foreign currency risk arising from investment and funding	Sensitivity to changes in foreign exchange rates	Cross currency interest rate swaps and foreign exchange contracts
Floating rate liabilities	Sensitivity to changes in interest rates	Interest rate swaps and capped interest rate options

The Group's objective is to manage risk within its risk tolerance, irrespective of the accounting treatment.

Whilst all derivatives have been entered into for hedging purposes, only certain arrangements meet the conditions necessary to be designated as such for accounting purposes. In some cases, a natural offset can be achieved and hedge accounting is not required. The Group only designates accounting hedges where a high degree of effectiveness can be achieved.

Introduction Strategic Report Governance Financial Statements Other Information

Hedging

The following table shows the balance sheet categories covered by hedge accounting relationships:

Hedge relationship	Balance sheet line item
Fair value hedge for interest rate risk	
Fixed rate mortgages	Loans and advances to customers
Fixed rate debt securities held	Debt securities
Fixed rate savings	Shares
Fixed rate debt securities issued	Debt securities in issue
Fair value hedge for interest rate and FX risk	
Fixed rate debt securities issued	Debt securities in issue
Fixed rate debt securities held	Debt securities
Cash flow hedge for interest rate risk	
Floating rate deposits	Amounts owed to credit institutions
Floating rate debt securities issued	Debt securities in issue

Interest rate risk on fixed rate mortgages and purchased debt securities (fair value)

The Group holds portfolios of long-term fixed rate mortgages and debt securities. These instruments generate fixed rate income whereas the Group liabilities are mostly floating rate. The Group manages this risk exposure by entering into pay fixed/receive floating interest rate swaps. These swaps are then designated into a fair value hedge relationship along with the issued mortgage or debt security.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group. The interest rate risk component is determined as the change in fair value of the long-term fixed rate mortgages arising solely from changes in SONIA (the benchmark rate of interest). Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the hedged item (the mortgage loan) attributable to changes in the benchmark rate of interest with changes in the fair value of the hedging instrument (interest rate swap).

Possible sources of ineffectiveness are as follows:

- differences between the expected and actual volume of prepayments for mortgage portfolios, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience;
- difference in timing of cash flows between the mortgage loans and the interest rate swaps;
- difference in the designated coupon rate % of the hedged asset and the interest rate swaps; and
- interest rate swaps with a non-zero fair value at the date of initial designation.

The exposure from the mortgage portfolio frequently changes due to new loans being originated, contractual repayments and early prepayments made by customers in each period. To mitigate this risk, the Group enters into and tears up swap agreements with external counterparties. These interest rate swaps and the mortgage portfolio are then designated in to a fair value hedge to reduce the profit or loss volatility that would otherwise arise from changes in the fair value of the interest rate swaps alone. This hedge relationship is updated on a monthly basis for changes in the portfolio.

26. Derivative financial instruments (continued)

Interest rate risk on fixed rate savings (fair value)

The Society holds a portfolio of fixed rate savings. The Group manages this risk exposure by entering into receive fixed/pay floating interest rate swaps. Depending on availability of hedged items some of these swaps are then designated into a fair value hedge relationship along with the issued savings balance.

Only the interest rate risk element is hedged and therefore other risks are managed but not hedged by the Group. The interest rate risk component is determined as the change in fair value of the fixed rate savings arising solely from changes in SONIA (the benchmark rate of interest). Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the hedged item (the savings balance) attributable to changes in the benchmark rate of interest with changes in the fair value of the hedging instrument (interest rate swap).

Possible sources of ineffectiveness are as follows:

- difference in timing of cash flows between the savings balance and the interest rate swaps;
- difference in the designated coupon rate % of the hedged liability and the interest rate swaps; and
- interest rate swaps with a non-zero fair value at the date of initial designation.

Foreign Exchange and Interest rate risk on fixed rate debt issuance and purchased debt securities (fair value)

The Group accesses international markets in order to obtain effective sources of liquidity and funding. As part of this process the Group issues fixed rate debt in both GBP and EUR and also purchases debt securities in other foreign currencies, such as JPY and USD. The foreign currency and interest rate risk associated with these instruments is mitigated by the use of cross currency swaps, which exchange fixed interest payments in the foreign currency for floating interest payments in GBP. The interest rate risk associated with the GBP debt is mitigated by the use of interest rate swaps which exchange fixed interest payments with variable payments. These instruments are entered into to match the maturity profile of the Group's debt instruments.

The foreign currency risk component is determined as the change in fair value of the foreign currency debt arising solely from changes in the relevant foreign currency exchange rate. The interest rate risk component is determined as the change in fair value of the debt arising solely from changes in the benchmark rate of interest. Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the debt attributable to changes in the hedged risk(s) with changes in the fair value of the swaps.

Possible sources of ineffectiveness are as follows:

- differences in discounting approach between the hedged item and hedging instrument, including the cross-currency basis spread applied in the valuation of cross currency swaps;
- swaps with a non-zero fair value at the date of initial designation;
- difference in the designated coupon rate % of the hedged liability and the swap; and
- counterparty credit risk which impacts the value of uncollateralised cross currency swaps but not the hedged items.

Interest rate risk on floating rate debt securities issued (cash flow hedge)

The Group has applied a macro cash flow hedge in relation to a portion of its floating rate issuances, this is to hedge part of its fixed rate mortgages. These swaps are transacted prior to the mortgages completing and being recognised on the balance sheet. Until the mortgage completes the swaps are entered into macro cash flow hedges against the Group's floating rate debt securities issued.

Any movements in fair value of the swaps arising due to movements in interest rates are recognised in other comprehensive income to the extent that the hedge relationship is effective. This hedge relationship is updated on a monthly basis for changes in the portfolio. This hedge is terminated and incepted monthly to allow for new derivatives to enter the hedge and for derivatives to enter the macro fair value hedge once the mortgages have completed and are recognised on the balance sheet.

Introduction Strategic Report Governance Financial Statements Other Information

Ineffectiveness

All ineffectiveness is recorded in the income statement in *Net gains/(losses) from financial instruments held at fair value.*

The following table shows the ineffectiveness in relation to the hedging relationships designated by the Group.

	Group		Society	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Fair value hedges				
Fixed rate mortgages	**40.8**	(27.3)	**40.8**	(27.3)
Fixed rate debt securities held	**1.2**	2.7	**1.2**	2.7
Fixed rate savings	**(21.0)**	–	**(21.0)**	–
Fixed rate debt securities issued	**0.7**	(4.4)	**10.6**	(4.3)
Cash flow hedges				
Floating rate debt securities issued	**(0.5)**	(0.1)	**(0.5)**	(0.1)
Total	**21.2**	(29.1)	**31.1**	(29.0)

Interest rates used to determine fair values which are linked to BoE base rate have fluctuated throughout the year due to key UK economic events, this has elevated ineffectiveness of the fixed rate mortgage hedge because of increased fair value movements in the underlying swaps and hedged items. Subsequently, changes in fair values can result in corresponding deterioration in the offset as well as higher amortisation of mortgage fair value balance sheet adjustments.

During 2024, the Group designated two new hedges; a fair value savings macro hedge and a cash flow mortgage pipeline (floating rate debt securities issued) hedge, these two hedges were implemented to mitigate volatility and reduce the Group's exposure within its unmatched swaps portfolio.

26. Derivative financial instruments (continued)

Ineffectiveness (continued)

The following tables summarise the notional and fair value of all derivative financial instruments and the hedging designations in place at that date.

	Contract/ Notional amount	Fair values Assets	Fair values Liabilities	Change in fair value used for calculating ineffectiveness
	£m	£m	£m	£m
Group				
At 31 December 2024				
Interest rate risk				
Interest rate swaps designated as fair value hedges	44,890.8	1,273.7	206.9	(103.7)
Interest rate swaps designated as cash flow hedges	1,530.0	18.3	–	8.8
Interest rate and FX risk				
Cross currency interest rate swaps designated as fair value hedges	2,964.6	100.7	262.4	58.4
Derivatives not designated as hedges:				
Interest rate swaps	14,341.0	66.5	86.5	n/a
Foreign exchange	92.9	7.7	–	n/a
Total derivative financial instruments	63,819.3	1,466.9	555.8	(36.5)
Society				
At 31 December 2024				
Interest rate risk				
Interest rate swaps designated as fair value hedges	44,890.8	1,273.7	206.9	(103.7)
Interest rate swaps designated as cash flow hedges	1,530.0	18.3	–	8.8
Interest rate and FX risk				
Cross currency interest rate swaps designated as fair value hedges	1,721.7	100.7	136.2	22.9
Derivatives not designated as hedges:				
Interest rate swaps	22,593.0	66.5	86.5	n/a
Foreign exchange	83.0	6.8	–	n/a
Total derivative financial instruments	70,818.5	1,466.0	429.6	(72.0)

The expected future cash flows have been discounted using the Overnight Indexed Swap (OIS) curve (SONIA) for all derivatives. Credit Valuation Adjustments (CVA) and Debit Valuation Adjustments (DVA) are incorporated into the fair value of derivative valuations to reflect the impact of counterparty credit risk and the Group's own credit quality respectively for uncollateralised derivatives.

Credit risk on derivative exposures is significantly mitigated within the Group by the existence of a Credit Support Annex (CSA) with the vast majority of the Group's derivative counterparties. Under a CSA, cash is passed between parties to mitigate the counterparty risk inherent in the outstanding positions. Where cash collateral is received, to mitigate the risk inherent in amounts due to the Group, it is included as a liability within amounts owed to credit institutions. Where cash collateral is given, it is included as an asset in loans and advances to credit institutions. Credit risk is also mitigated by the use of central counterparties (CCPs) for eligible derivatives.

Introduction Strategic Report Governance Financial Statements Other Information

	Contract/ Notional amount	Fair values Assets	Fair values Liabilities	Change in fair value used for calculating ineffectiveness
	£m	£m	£m	£m
Group				
At 31 December 2023				
Interest rate risk				
Interest rate swaps designated as fair value hedges	27,894.4	1,548.1	269.9	(949.1)*
Interest rate swaps designated as cash flow hedges	–	–	–	–
Interest rate and FX risk				
Cross currency interest rate swaps designated as fair value hedges	3,091.3	68.4	235.9	102.5*
Derivatives not designated as hedges:				
Interest rate swaps	21,432.1	129.9	191.2	n/a
Foreign exchange	171.1	8.6	0.4	n/a
Total derivative financial instruments	52,588.9	1,755.0	697.4	(846.6)
Society				
At 31 December 2023				
Interest rate risk				
Interest rate swaps designated as fair value hedges	27,894.4	1,548.1	269.9	(949.1)*
Interest rate caps designated as cash flow hedges	–	–	–	–
Interest rate and FX risk				
Cross currency interest rate swaps designated as fair value hedges	1,787.7	68.4	122.8	32.6*
Derivatives not designated as hedges:				
Interest rate swaps	31,215.6	129.9	191.2	n/a
Foreign exchange	104.5	5.5	0.4	n/a
Total derivative financial instruments	61,002.2	1,751.9	584.3	(916.5)

* The allocation of changes in fair value used for calculating ineffectiveness between interest rate swaps and cross currency interest rate swaps has been reclassified. The reclassification has no impact on the previous reported total derivative financial instruments.

26. Derivative financial instruments (continued)

The following tables show the maturity profile, by notional amount, of the hedging instruments designated in hedge relationships used in the Group's hedging strategies:

Group and Society	**Repayable up to three years £m**	**In more than three years but less than five years £m**	**Over five years £m**	**Total £m**
At 31 December 2024				
Interest rate swaps (pay fixed)	**1,095.0**	**150.0**	**285.0**	**1,530.0**
Total cash flow hedges	**1,095.0**	**150.0**	**285.0**	**1,530.0**
At 31 December 2023				
Interest rate swaps (pay fixed)	–	–	–	–
Total cash flow hedges	–	–	–	–

Group	**Repayable up to three years £m**	**In more than three years but less than five years £m**	**Over five years £m**	**Total £m**
At 31 December 2024				
Interest rate swaps (pay fixed)	**24,778.6**	**6,395.1**	**1,246.5**	**32,420.2**
Interest rate swaps (receive fixed)	**11,880.6**	**590.0**	**–**	**12,470.6**
Cross currency interest rate swaps	**1,390.3**	**1,081.2**	**493.1**	**2,964.6**
Total fair value hedges	**38,049.5**	**8,066.3**	**1,739.6**	**47,855.4**
At 31 December 2023				
Interest rate swaps (pay fixed)	16,253.8	8,561.4	1,035.0	25,850.2
Interest rate swaps (receive fixed)	844.2	900.0	300.0	2,044.2
Cross currency interest rate swaps	1,429.7	1,582.8	78.8	3,091.3
Total fair value hedges	18,527.7	11,044.2	1,413.8	30,985.7

Society	**Repayable up to three years £m**	**In more than three years but less than five years £m**	**Over five years £m**	**Total £m**
At 31 December 2024				
Interest rate swaps (pay fixed)	**24,778.6**	**6,395.1**	**1,246.5**	**32,420.2**
Interest rate swaps (receive fixed)	**11,880.6**	**590.0**	**–**	**12,470.6**
Cross currency interest rate swaps	**976.0**	**666.9**	**78.8**	**1,721.7**
Total fair value hedges	**37,635.2**	**7,652.0**	**1,325.3**	**46,612.5**
At 31 December 2023				
Interest rate swaps (pay fixed)	16,253.8	8,561.4	1,035.0	25,850.2
Interest rate swaps (receive fixed)	844.2	900.0	300.0	2,044.2
Cross currency interest rate swaps	995.2	713.7	78.8	1,787.7
Total fair value hedges	18,093.2	10,175.1	1,413.8	29,682.1

Introduction | Strategic Report | Governance | **Financial Statements** | Other Information

The following table shows the average price/rate of the hedging instruments by maturity used in the Group's hedging strategies:

Group and Society	**2024**			2023		
	Repayable up to three years	**In more than three years but less than five years**	**Over five years**	Repayable up to three years	In more than three years but less than five years	Over five years
Average fixed interest rate – Fair value hedges						
Interest rate swaps (pay fixed)	**2.66**	**3.91**	**2.44**	1.65	2.56	1.50
Interest rate swaps (receive fixed)	**4.45**	**2.69**	**–**	3.69	3.19	3.51
Cross currency interest rate swaps	**0.66**	**0.63**	**2.66**	0.70	0.44	0.86
Average fixed interest rate – Cash flow hedges						
Interest rate swaps (pay fixed)	**3.85**	**3.60**	**3.60**	–	–	–
Average EUR:GBP FX rate – Fair value hedges						
Cross currency interest rate swaps	**1.11**	**1.17**	**1.16**	1.13	1.15	1.14
Average JPY:GBP FX rate – Fair value hedges						
Cross currency interest rate swaps	**156.41**	**–**	**–**	156.41	–	–
Average USD:GBP FX rate – Fair value hedges						
Cross currency interest rate swaps	**1.25**	**–**	**–**	–	1.19	–

26. Derivative financial instruments (continued)

The following tables show the fair value hedge exposures covered by the Group's hedging strategies. The change in fair value of the hedged item for calculating ineffectiveness is based on all hedge relationships designated during the year.

	Carrying amount of hedged item		Accumulated fair value adjustments on the hedged item		Change in fair value of the hedged item for calculating ineffectiveness
	Assets	Liabilities	Assets	Liabilities	
	£m	£m	£m	£m	£m
Group					
At 31 December 2024					
Fixed rate mortgages (interest rate risk)	**29,161.9**	**–**	**(454.7)**	**–**	**160.7**
Fixed rate debt securities held (interest rate and FX risk)	**3,706.7**	**–**	**(287.4)**	**–**	**(35.7)**
Fixed rate savings (interest rate risk)	**–**	**10,493.7**	**–**	**1.0**	**(1.0)**
Fixed rate debt securities issued (interest rate and FX risk)	**–**	**4,096.6**	**–**	**195.0**	**(60.0)**
Society*					
At 31 December 2024					
Fixed rate mortgages (interest rate risk)	**29,161.9**	**–**	**(454.7)**	**–**	**160.7**
Fixed rate debt securities held (interest rate and FX risk)	**3,706.7**	**–**	**(287.4)**	**–**	**(35.7)**
Fixed rate savings (interest rate risk)	**–**	**10,493.7**	**–**	**1.0**	**(1.0)**
Fixed rate debt securities issued (interest rate and FX risk)	**–**	**2,844.9**	**–**	**147.3**	**(14.6)**
Group					
At 31 December 2023					
Fixed rate mortgages (interest rate risk)	23,721.6	–	(615.5)	–	892.8
Fixed rate debt securities held (interest rate risk and FX risk)	2,693.2	–	(254.6)	–	104.6
Fixed rate savings (interest rate risk)	–	–	–	–	–
Fixed rate debt securities issued (interest rate and FX risk)	–	4,338.9	–	255.0	(210.2)
Society*					
At 31 December 2023					
Fixed rate mortgages (interest rate risk)	23,721.6	–	(615.5)	–	892.8
Fixed rate debt securities held (interest rate risk and FX risk)	2,693.2	–	(254.6)	–	104.6
Fixed rate savings (interest rate risk)	–	–	–	–	–
Fixed rate debt securities issued (interest rate and FX risk)	–	3,035.0	–	161.9	(140.2)

* For Society the exposure to mortgages includes those within Accord Mortgages Limited as this exposure is transferred via an intercompany loan that mirrors the underlying loans in this entity.

Introduction Strategic Report Governance Financial Statements Other Information

The accumulated amount of fair value hedge adjustments remaining on the balance sheet for hedged items that have ceased to be adjusted for hedging gains and losses is a loss of £9.1 million (2023: £3.3 million loss).

The following tables show the cash flow hedge exposures (gross of tax) covered by the Group's hedging strategies:

Group and Society	Assets	Liabilities	Change in fair value of hedged item used for calculating ineffectiveness	Cash flow hedge reserve Continuing hedges	Cash flow hedge reserve Discontinued hedges
	£m	£m	£m	£m	£m
At 31 December 2024					
Floating rate debt securities issued	**–**	**1,530.0**	**(9.3)**	**–**	**26.4**
At 31 December 2023					
Floating rate debt securities issued	–	–	(5.7)	–	(0.5)
Floating rate liabilities	–	–	3.2	–	–

For Society the exposure to floating rate debt includes those within White Rose Master Issuer PLC as this exposure is transferred via an intercompany loan that mirrors the underlying debt security in this entity.

The following table shows the movements in the cash flow hedge reserve during the year:

Group and Society	2024 £m	2023 £m
At 1 January	**0.4**	9.9
Effective portion of changes in fair value of interest rate swaps:		
Floating rate debt securities issued	**5.7**	–
Floating rate liabilities	**–**	–
Amounts reclassified from reserves to income statement:		
Floating rate debt securities issued	**3.5**	(0.9)
Floating rate liabilities	**–**	(12.3)
Taxation	**(2.6)**	3.7
At 31 December	**7.0**	0.4

27. Liquidity risk

Liquidity risk is an intrinsic part of the Society's business as long-term mortgages are funded by short-term retail customer balances. Most mortgages have a contractual maturity date of around 25 years but in practice are frequently repaid early; currently the estimated average life of a mortgage is approximately five years. Conversely, experience shows that retail deposits, nominally repayable on demand or with short notice periods, actually remain with the Society for relatively long periods. It is this inherent mismatch in the maturity profiles of retail assets and liabilities that creates liquidity risk.

The Society's liquidity management policy is designed to ensure the maintenance of adequate investments in liquid assets to cover statutory, regulatory and operational requirements. The primary function of liquidity is the provision of sufficient assets in realisable form to ensure that the Society is able to meet its liabilities as they arise and to absorb potential cash flow requirements created by the maturity mismatches referred to above or by a liquidity stress scenario.

The Society's liquidity management comprises the following key areas:

- At the highest level, the Society manages its liquidity levels to ensure compliance with the Overall Liquidity Adequacy Rule, as set out by the PRA in Chapter 2 of the Internal Liquidity Adequacy Assessment part of the PRA Rulebook (ILAA rules).
- Limits are established by the Board that govern the quantity, quality and marketability of and returns from the Society's portfolio of liquidity investments. The portfolio is managed by the Treasury function, monitored by the first and second line risk functions and overseen by the Asset and Liability Committee (ALCO) under a series of delegated authorities.
- The Society conducts a series of daily stress tests that are designed to ensure that its liquidity is sufficient to meet its cash flow needs under any one of a number of adverse scenarios should they arise. The scenarios include ones caused by both Society-specific and general market events, and incorporate both severe retail savings outflows and the unavailability of wholesale funding. They are constructed on various timescales as far out as three months. These scenarios are updated and approved by the Board annually through the Internal Liquidity Adequacy Assessment Process (ILAAP).
- The Society also manages liquidity in line with prevailing regulatory requirements, namely the Liquidity Coverage Ratio (LCR), as prescribed under the PRA Rulebook, Liquidity Coverage Ratio (CRR) part. The LCR measures the quantity of High Quality Liquid Assets (HQLA) against net liquidity outflows over a 30 day period. YBS currently reports to the PRA on a monthly basis with 202.7% reported for December 2024 month end. For comparison, as at 31 December 2023 this was 156.2%. These ratios are unaudited.
- The Society monitors and reports its Net Stable Funding Ratio (NSFR), which is a longer term measure of the stability of the Society's funding sources relative to the assets being funded. The Society's NSFR as at 31 December 2024 was 152.39% (2023: 148.80%) and was therefore in excess of the regulatory minimum of 100%. These ratios are unaudited.
- The Society has also implemented internal backstop limits for liquidity, to mitigate the potential risk of liquidity levels under a risk-based approach being able to be reduced to below what is considered a minimum appropriate level for the Society. These backstop limits are linked to balance sheet size.
- The liquidity position of the Society is forecast across the next two years and measured against forecasts of the liquidity requirements on both a regulatory and internal basis. This is to ensure that the short-term plans of the Society do not lead to liquidity limits being breached and the financial sustainability of the organisation being threatened.

The above metrics are the key elements of the suite of measures by which the Society actively seeks to manage its liquidity position, along with other complementary metrics which are included within the Society's risk appetite framework.

Liquidity risk in subsidiary companies, with the exception of other deposits, is mitigated by the use of appropriate intercompany loans and deposits.

Pledged assets

The Society's asset backed funding programmes, reported within debt securities in issue (see Note 21) are secured against certain loans and advances to customers.

In addition, as part of its liquidity management, the Society enters into sale and repurchase agreements whereby the Society sells but agrees to repurchase assets at a future date. Typically this is for up to three months and for UK government securities and listed transferable debt securities. Proceeds of these sale and repurchase agreements are included within amounts owed to credit institutions.

Assets pledged are as follows:

Group	Carrying amount of encumbered assets £m	Carrying amount of unencumbered assets £m	Total £m
2024			
Liquid assets	1,514.2	13,106.8	14,621.0
Loans and advances to customers	5,714.8	43,990.7	49,705.5
Fair value adjustment for hedged risk on loans and advances to customers	–	(454.7)	(454.7)
Other assets	–	1,672.6	1,672.6
Total assets	**7,229.0**	**58,315.4**	**65,544.4**
2023			
Liquid assets	1,688.3	11,110.1	12,798.4
Loans and advances to customers	7,307.1	39,508.8	46,815.9
Fair value adjustment for hedged risk on loans and advances to customers	–	(615.5)	(615.5)
Other assets	–	1,969.9	1,969.9
Total assets	**8,995.4**	**51,973.3**	**60,968.7**

All of the assets pledged as security are shown in the balance sheet, as the Society has retained substantially all the risk and rewards of ownership.

The Society established Yorkshire Building Society Covered Bonds LLP in November 2006. The LLP provides security for issues of covered bonds made by the Society to external counterparties. As at 31 December 2024, the Society had in issue £1,750 million of Sterling denominated covered bonds, of which £1,200 million was retained, and €1,500 million of Euro denominated covered bonds.

The Group established its first securitisation programme in 2011. In 2024, a new Master Issuer securitisation structure was established, issuing £350 million A1 notes publicly. As at 31 December 2024, the Group had in issue £10,617 million of securitisation notes, of which £9,816 million were retained.

27. **Liquidity risk** (continued)

The tables below provide an analysis of gross contractual cashflows. The sum of the balances depicted in the analysis do not reconcile with the carrying value of the liabilities, as disclosed in the consolidated balance sheet. This is because they include estimated future interest payments calculated using balances outstanding at the balance sheet date. Amounts are allocated to the relevant maturity band based on the timing of individual contractual cashflows.

Group	Repayable on demand and up to three months £m	In more than three months but not more than one year £m	In more than one year but not more than five years £m	Over five years £m	Total £m
As at 31 December 2024					
Shares	**38,679.4**	**11,358.2**	**1,988.7**	**18.1**	**52,044.4**
Amounts owed to credit institutions	**1,158.9**	**10.1**	**–**	**–**	**1,169.0**
Other deposits					
Society	**1,191.3**	**5.6**	**–**	**–**	**1,196.9**
Subsidiaries	**–**	**–**	**–**	**–**	**–**
Debt securities in issue	**23.7**	**424.8**	**3,556.9**	**1,543.8**	**5,549.2**
Subordinated liabilities	**–**	**97.1**	**1,323.9**	**312.1**	**1,733.1**
Derivative financial liabilities	**113.8**	**661.2**	**876.1**	**130.4**	**1,781.5**
Total	**41,167.1**	**12,557.0**	**7,745.6**	**2,004.4**	**63,474.1**
As at 31 December 2023 as restated					
Shares	30,281.9	10,704.9	6,066.1	3.4	47,056.3
Amounts owed to credit institutions	743.7	49.5	1,041.6	–	1,834.8
Other deposits					
Society	971.4*	12.9	–	–	984.3*
Subsidiaries	–*	–	–	–	–*
Debt securities in issue	34.3	1,364.1	4,124.1	–	5,522.5
Subordinated liabilities	–	92.8	1,409.9	574.8	2,077.5
Derivative financial liabilities	109.1	186.8	599.8	51.4	947.1
Total	32,140.4	12,411.0	13,241.5	629.6	58,422.5

* *Other deposits* has been restated to correct the recognition of savings accounts in relation to the Accord offset mortgage product. £582.4 million has been moved from *Subsidiaries* to *Society*, reducing *Subsidiaries* by £582.4 million from £582.4 million to £nil and increasing the *Society* by £582.4 million from £401.9 million to £984.3 million.

Introduction Strategic Report Governance Financial Statements Other Information

The table below analyses the Group's financial assets and liabilities into relevant maturity groupings, based on the remaining period between the balance sheet date and the contractual maturity date.

Group	Repayable on demand £m	Less than three months £m	In more than three months but not more than one year £m	In more than one year but not more than five years £m	Over five years £m	Total £m
As at 31 December 2024						
Financial assets						
Cash and balances with the Bank of England	**5,609.7**	**–**	**–**	**–**	**–**	**5,609.7**
Loans and advances to credit institutions	**590.0**	**–**	**–**	**–**	**–**	**590.0**
Debt securities	**–**	**1,234.9**	**1,183.4**	**4,114.7**	**1,888.3**	**8,421.3**
Loans and advances to customers	**–**	**12.6**	**73.7**	**1,289.4**	**48,329.8**	**49,705.5**
Fair value adjustment for hedged risk on loans and advances to customers	**–**	**574.9**	**640.1**	**(1,650.2)**	**(19.5)**	**(454.7)**
Derivative financial instruments	**–**	**54.6**	**161.7**	**994.9**	**255.7**	**1,466.9**
Total financial assets	**6,199.7**	**1,877.0**	**2,058.9**	**4,748.8**	**50,454.3**	**65,338.7**
Financial liabilities						
Shares	**32,548.7**	**6,130.7**	**11,358.2**	**1,988.7**	**18.1**	**52,044.4**
Fair value adjustment for hedged risk on shares	**–**	**127.4**	**1,012.6**	**(1,139.0)**	**–**	**1.0**
Amounts owed to credit institutions	**708.9**	**450.0**	**10.0**	**–**	**–**	**1,168.9**
Other deposits	**842.6**	**348.7**	**5.5**	**–**	**–**	**1,196.8**
Debt securities in issue	**–**	**(6.1)**	**393.0**	**3,385.2**	**1,247.2**	**5,019.3**
Derivative financial instruments	**–**	**19.8**	**87.7**	**445.2**	**3.1**	**555.8**
Subordinated liabilities	**–**	**–**	**26.5**	**1,125.2**	**301.6**	**1,453.3**
Total financial liabilities	**34,100.2**	**7,070.5**	**12,893.5**	**5,805.3**	**1,570.0**	**61,439.5**
As at 31 December 2023						
Financial assets						
Cash and balances with the Bank of England	4,839.1	–	–	–	–	4,839.1
Loans and advances to credit institutions	397.4	–	–	–	–	397.4
Debt securities	–	955.2	971.7	4,205.4	1,429.6	7,561.9
Loans and advances to customers*	–	15.4	128.6	1,240.8	45,431.1	46,815.9
Fair value adjustment for hedged risk on loans and advances to customers*	–	(109.2)	(244.0)	(262.5)	0.2	(615.5)
Derivatives financial instruments	–	64.9	182.8	1,298.6	208.7	1,755.0
Total financial assets	5,236.5	926.3	1,039.1	6,482.3	47,069.6	60,753.8
Financial liabilities						
Shares	26,276.7	4,005.6	10,704.9	6,066.1	3.4	47,056.7
Amounts owed to credit institutions	55.4	807.6	10.3	1,013.0	–	1,886.3
Other deposits	604.2	366.8	12.6	–	–	983.6
Debt securities in issue	–	–	1,189.7	3,041.4	688.3	4,919.4
Derivative financial liabilities	–	28.1	54.8	543.8	70.7	697.4
Subordinated liabilities	–	–	4.1	1,126.8	490.8	1,621.7
Total financial liabilities	26,936.3	5,208.1	11,976.4	11,791.1	1,253.2	57,165.1

* The *Loans and advances to customers* line has been updated to correct the classification of loans reported in the *less than three months* and the *in more than one year but not more than five years* groupings.

28. Market risk

Market risk is the potential change to earnings and capital arising from movements in interest rates, foreign currency exchange rates, and the pricing of financial instruments.

Basis Point value (BP) sensitivity

These measures calculate the change in value of the assets and liabilities resulting from both a one basis point (PV01) and 100 basis points (PV100) parallel upward shift in interest rates. Within the Treasury portfolio, this is calculated separately for each currency and reported on a daily basis and at the full balance sheets level on a monthly basis.

Repricing gap analysis

Repricing dates are analysed primarily to avoid repricing risk concentrations, i.e. the situation where too great a proportion of the Group's assets and liabilities see the interest rates earned or charged on them resetting within a given time period. The aim is to prevent excessive volatility in the net interest margin that could arise if rates shifted adversely within a given time period. Since the Society cannot dictate interest rate movements itself, the best approach is to limit the amount of assets or liabilities that are exposed in this way. The analysis identifies the net asset/liability repricing position across a series of time intervals. Positions are calculated using nominal amounts and exclude interest flows. General reserves, fixed assets and other liabilities are classified as having 'non-specific' repricing characteristics with a zero rate of interest. The measure is calculated as a reverse cumulative gap.

All market risk is managed in the Society on behalf of the Group. PV01 is presented for the Treasury book and PV100 with respect to the full balance sheet.

	Year end £m	Average £m	Maximum £m	Minimum £m
2024				
PV01 sensitivity (Treasury)	**0.0**	**0.0**	**0.0**	**0.0**
PV100 sensitivity	**(14.9)**	**9.3**	**21.9**	**(14.9)**
2023				
SONIA basis	1.3	1.4	1.5	1.2
PV01 sensitivity	0.0	0.1	0.2	0.0
PV100 sensitivity	1.3	10.6	28.3	(0.3)
Treasury VaR	1.5	3.2	5.7	1.3

	Greater than one year £m	Greater than five years £m	Greater than ten years £m
2024			
Repricing gap (Treasury)	**590**	**133**	**–**
2023			
Repricing gap (Treasury)	289	(30)	–

Detail of how the Society manages its interest rate risk is included in the Strategic Report on pages 8 – 146.

Introduction Strategic Report Governance Financial Statements Other Information

29. Currency risk

Currency exchange risk is monitored daily and the Society seeks to minimise its net exposure to assets and liabilities denominated in currencies other than sterling. The Society's existing non-sterling liquidity portfolio and wholesale funding exposures are swapped back into sterling. The maximum month end position in 2024 represented less than 0.02% of total assets.

Actual exposures were:

Group and Society	2024 £m	2023 £m
Year end	**7.2**	5.2
Maximum	**7.8**	5.2

30. Wholesale credit risk

The Group's wholesale credit risk arises principally from assets held for liquidity purposes. The risk is that counterparties with whom the Group invests in liquid assets fail to repay those investments when they fall due. The Group, through the Treasury function, undertakes its own internal rating of all its counterparties and sets individual limits accordingly. These limits are regularly reviewed internally and against the external rating agencies, with revocation or suspension taking place where considered appropriate.

Limits are in place governing the types of instrument in which the Group will invest, as well as geographic limits designed to prevent over-exposure to a given country.

The Group uses an internal credit ratings process to identify potential risks and wholesale related credit risks are reported and discussed monthly at the Asset and Liability Committee.

Whilst recognising that exposures will be maintained across a spectrum of counterparties the Board has maintained a low risk appetite for wholesale credit risk. A diversified range of counterparties is in place to meet business and regulatory requirements in order to meet the Board approved strategies with no credit risk exposures being undertaken by Treasury to counterparties that have not been through an internal approvals process including a formal second line of defence function.

The following tables break down Wholesale Group exposures by type using the composite external ratings*.

	Aaa-Aa3 £m	A1-A3 £m	Baa1-Baa3 £m	Ba1-B3 £m	Caa1-C3 £m	Unrated £m	Total £m
2024							
Central Bank and Sovereigns	**8,082.3**	**219.9**	**–**	**–**	**–**	**–**	**8,302.2**
Financial Institutions	**5,708.5**	**868.6**	**229.3**	**–**	**–**	**–**	**6,806.4**
Supranationals	**979.3**	**–**	**–**	**–**	**–**	**–**	**979.3**
Total	**14,770.1**	**1,088.5**	**229.3**	**–**	**–**	**–**	**16,087.9**
2023							
Central Bank and Sovereigns	5,732.9	241.0	–	–	–	–	5,973.9
Financial Institutions	6,222.6	1,800.7	68.4	–	–	–	8,091.7
Supranationals	487.8	–	–	–	–	–	487.8
Total	12,443.3	2,041.7	68.4	–	–	–	14,553.4

* The composite rating is derived from an average external rating.

Introduction Strategic Report Governance Financial Statements Other Information

30. Wholesale credit risk (continued)

The Group has a low risk appetite to exposures outside the UK. This is reflected in the country exposures by type shown in the tables below.

	Central Banks and Sovereigns £m	Financial institutions £m	Supranationals £m	Total £m
2024				
United Kingdom	**8,024.5**	**4,370.3**	**–**	**12,394.8**
Australia	**–**	**609.5**	**–**	**609.5**
Canada	**–**	**1,111.2**	**–**	**1,111.2**
France	**57.8**	**49.0**	**–**	**106.8**
Germany	**288.1**	**–**	**–**	**288.1**
Japan	**219.9**	**196.6**	**–**	**416.5**
Netherlands	**–**	**164.4**	**–**	**164.4**
Norway	**–**	**71.2**	**–**	**71.2**
Spain	**–**	**71.2**	**–**	**71.2**
Sweden	**–**	**62.6**	**–**	**62.6**
Switzerland	**–**	**0.3**	**–**	**0.3**
United States	**–**	**100.1**	**–**	**100.1**
International	**–**	**–**	**691.2**	**691.2**
Total	**8,590.3**	**6,806.4**	**691.2**	**16,087.9**
2023				
United Kingdom	5,691.5	5,357.0	–	11,048.5
Australia	–	442.5	–	442.5
Canada	–	1,409.7	–	1,409.7
France	41.4	34.6	–	76.0
Germany	–	240.6	–	240.6
Japan	241.0	9.3	–	250.3
Netherlands	–	85.7	–	85.7
Norway	–	104.0	–	104.0
Spain	–	63.0	–	63.0
Sweden	–	61.5	–	61.5
Switzerland	–	179.9	–	179.9
United States	–	103.9	–	103.9
International	–	–	487.8	487.8
Total	5,973.9	8,091.7	487.8	14,553.4

The Group's main Sovereign exposure is to the UK which had an average external rating of 'AA-'. At the year end, UK Sovereign exposure was £5,609.7 million (2023: £4,839.1 million) to the Bank of England and £2,414.8 million (2023: £852.4 million) in UK Government bonds.

None of the wholesale exposures are either past due or impaired and there are no assets that would otherwise be past due or impaired whose terms have been renegotiated.

The key trigger events used to evaluate impairments are set out in Note 1 on page 147.

Wholesale credit risk is recorded in the following balance sheets as below:

Group	**2024 £m**	2023 £m
Cash and balances with the Bank of England	**5,609.7**	4,839.1
Loans and advances to credit institutions	**590.0**	397.4
Debt securities	**8,421.3**	7,561.9
Derivative financial instruments	**1,466.9**	1,755.0
Total wholesale credit risk	**16,087.9**	14,553.4

31. Credit risk on loans and advances to customers

Gross contractual exposure

The table below splits the loans and advances to customers balance per the balance sheet into its constituent parts and reconciles to the gross exposures used in the expected credit loss (ECL) model. Effective Interest Rate (EIR) and hedging adjustments have been excluded from the ECL model as these do not form part of the contractual cash flows from the assets.

EIR is the measurement method used for financial assets held at amortised cost, including loans and advances to customers, which spreads income and fees over the life of the asset. See Note 1 for more details. Hedging is described in more detail in Note 26. The fair value rate adjustment reflects the market value adjustment on acquired portfolios of mortgage assets in respect of interest rates on the underlying products. This is amortised over the expected life of the acquired portfolio. The fair value credit adjustment is the fair value discount applied on purchased or originated credit impaired (POCI) mortgage assets acquired as part of the Norwich & Peterborough Building Society (N&P) and Chelsea Building Society (CBS) acquisitions. Impairment represents the difference between the total ECL and the fair value credit adjustment.

ECL is calculated using models that take historical default and loss experience and apply predictions of future economic conditions (e.g. unemployment and house prices) and customer behaviour (e.g. default rates). In certain circumstances, the core models may not accurately reflect factors that have resulted in an increase in credit risk. When this happens, post model adjustments (PMAs) are overlaid to reflect the impact on ECL. The economic scenarios and the PMAs applied at 31 December 2024 are described below.

	Group		**Society**	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Gross contractual exposures	**49,758.5**	46,868.6	**10,645.7**	11,001.1
EIR and other adjustments	**29.7**	39.4	**(23.8)**	(17.6)
Fair value rate adjustment	**(24.1)**	(32.2)	**(24.1)**	(32.2)
Gross loans and advances to customers	**49,764.1**	46,875.8	**10,597.8**	10,951.3
Impairment	**(39.2)**	(37.7)	**(7.3)**	(8.5)
Fair value credit adjustment	**(19.4)**	(22.3)	**(19.4)**	(22.3)
ECL	**(58.6)**	(60.0)	**(26.7)**	(30.8)
Loans and advances to customers	**49,705.5**	46,815.8	**10,571.1**	10,920.5

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

Expected Credit Losses (ECL)

Economic scenarios

Accounting standards require ECL to be calculated by applying multiple economic scenarios. Each economic scenario is provided a weighting, and these are combined to arrive at the total ECL.

These scenarios are generated internally using external data, statistical methodologies, and senior management judgement, to span a range of plausible economic conditions. The Group continues to apply four scenarios: an upside scenario that assumes more benign economic conditions; our core or central best estimate scenario; a more negative downturn scenario; and a severe downturn scenario.

Scenarios are projected over a 5-year window, reverting to long-term averages past that point. The Group allows all macroeconomic scenarios to impact staging.

Current macroeconomic conditions

The economic and political environment experienced significant change in 2024. Heightened domestic and geopolitical uncertainty was a key theme throughout, with ongoing conflict in Ukraine and the Middle East, and elections in both the UK and the US.

Progress was made towards the inflation target, with headline inflation ending the year at 2.5%. Wage pressures and services inflation remain elevated, despite this, the Bank of England started cutting interest rates in August, from 5.25%, to 4.75% by the end of 2024. These cuts have continued in to 2025.

The combination of falling interest rates and positive real wage growth eased affordability pressures and increased confidence in the housing market. Property transactions and gross lending increased versus 2023, alongside house prices. This trend is expected to continue into 2025, as interest rates are expected to fall gradually, and wage growth is expected to continue to outperform inflation.

That said, interest rate expectations remain volatile and there are risks to both sides of the interest rate forecast. If inflation remains higher than anticipated both domestically and globally, there could be fewer interest rate cuts in 2025. Conversely, if growth is slower than anticipated and labour market loosening accelerates, the Bank of England may increase the pace of interest rate cuts in the second half of 2025.

Despite the Bank of England reducing interest rates in 2024, there will still be many customers remortgaging onto higher interest rates in 2025, which could lead to affordability challenges. The credit performance of our mortgage book forms a key measure as part of our established risk management processes and will continue to be monitored closely. We will continue, where possible, to work with borrowers who are facing difficulties and support them as they navigate their individual circumstances.

Upside

High business confidence and strong investment lead to strong growth. Domestic inflationary pressures fall quickly, and consumer confidence rises. The BoE note the slowdown of inflation and cut rates to more sustainable levels. Strong consumer confidence and lower interest rates encourage housing market activity and house price growth.

Core

The core scenario is the Group's best estimate of how the UK economy will evolve and is aligned with the central scenario used in the Group's financial planning processes.

Modest growth is forecast over the period. The BoE cut interest rates gradually throughout 2025. Inflation returns to target in 2026. Unemployment rises slowly, peaking in 2026. Housing market activity rebounds from 2023 levels with house prices grow moderately throughout the planning period.

Downturn

This can be described as a stagflation scenario. Growth plateaus and is sluggish throughout the plan. Domestic inflationary pressures persist, including wage growth, with ongoing public sector wage demands spilling into the private sector. BoE keep rates higher for longer as a result. The labour market and housing market weaken, with rising unemployment and negative house price growth.

Severe Downturn

Geopolitical tensions escalate such that oil prices spike alongside material supply chain difficulties.

This leads to another round of inflation and further interest rate hikes. A deep recession ensues, with unemployment rising and house prices falling significantly.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

Macroeconomic assumptions

The following table shows the values of the key economic variables used by each economic scenario for the period until December 2029. The table includes the three key parameters used to predict probability of default (PD) – unemployment, HPI and UK Bank of England base rate. GDP is also presented as it is the key input for determining the economic parameters used and provides context to the nature of the overall scenario.

	2024 Scenario					2023 Scenario				
	2025	**2026**	**2027**	**2028**	**2029**	2024	2025	2026	2027	2028
HPI										
Upside	**6.0**	**5.5**	**4.0**	**4.0**	**4.0**	2.0	3.0	3.5	4.0	4.5
Core	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	(4.0)	2.0	3.0	3.5	4.0
Downturn	**(4.0)**	**1.0**	**0.5**	**1.2**	**1.2**	(7.5)	(4.0)	2.5	0.5	1.2
Severe Downturn	**(14.3)**	**(9.5)**	**(1.6)**	**6.1**	**0.5**	(12.0)	(12.5)	(6.0)	(1.0)	0.5
GDP										
Upside	**1.9**	**2.0**	**2.4**	**2.2**	**2.2**	1.5	1.8	2.0	1.9	1.9
Core	**1.3**	**1.5**	**1.6**	**1.6**	**1.7**	0.3	0.8	1.0	1.2	1.3
Downturn	**0.5**	**0.7**	**1.0**	**1.2**	**1.2**	(0.1)	0.1	0.1	0.2	0.3
Severe Downturn	**(4.5)**	**(1.5)**	**0.5**	**0.8**	**0.8**	(4.5)	(1.5)	–	0.5	1.0
Unemployment										
Upside	**4.2**	**4.2**	**4.2**	**4.2**	**4.2**	4.0	4.0	4.0	4.0	4.0
Core	**4.6**	**4.7**	**4.6**	**4.5**	**4.5**	5.0	4.8	4.6	4.4	4.0
Downturn	**6.0**	**5.8**	**5.5**	**5.0**	**4.8**	6.5	6.0	5.8	5.5	5.0
Severe Downturn	**8.0**	**8.4**	**7.0**	**6.5**	**6.0**	7.0	9.0	8.0	7.0	6.5
Bank base rate										
Upside	**3.5**	**3.5**	**3.5**	**3.3**	**3.3**	4.8	4.0	3.5	3.5	3.3
Core	**4.0**	**3.8**	**3.8**	**3.8**	**3.5**	5.0	4.5	4.3	4.3	4.0
Downturn	**4.8**	**4.3**	**4.3**	**4.3**	**4.3**	6.0	5.5	5.5	4.0	3.5
Severe Downturn	**6.5**	**5.5**	**5.0**	**5.0**	**4.5**	7.0	6.0	5.5	5.0	5.0

Introduction Strategic Report Governance Financial Statements Other Information

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

Expected Credit Losses (ECL) (continued)

Economic scenarios (continued)

The values in the table below are calculated as either a simple average of the rate across the 5 year forecasting period or as peak to trough.

	Upside		Core		Downturn		Severe Downturn	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
5 year average								
GDP	**2.1**	1.8	**1.5**	1.0	**0.9**	0.2	**(0.8)**	(0.8)
HPI	**4.7**	3.4	**3.0**	1.7	**–**	(1.5)	**(3.8)**	(6.4)
Unemployment	**4.2**	4.0	**4.6**	4.6	**5.4**	5.8	**7.2**	7.6
Bank base rate	**3.4**	4.0	**3.8**	4.5	**4.4**	5.1	**5.3**	5.8
Peak to trough								
GDP	**–**	–	**–**	(4.7)	**–**	0.9	**(5.9)**	(1.8)
HPI	**–**	–	**–**	(14.1)	**(5.1)**	5.2	**(26.4)**	(26.1)
Unemployment	**4.2**	4.2	**4.7**	5.0	**6.0**	6.5	**9.0**	9.0

Weightings

The following table shows the expected credit loss under each of the four economic scenarios along with the weightings that have been applied to arrive at the weighted average ECL. PMAs are calculated using the weighted scenario results and so their sensitivity in each of the individual scenarios cannot be accurately determined. For completeness they have been included as a uniform adjustment across each scenario.

Group	**2024**		2023	
Scenario	**Weighting %**	**ECL £m**	Weighting %	ECL £m
Upside	**10**	**39.1**	5	35.3
Core	**60**	**41.4**	40	38.7
Downturn	**20**	**83.7**	35	63.9
Severe Downturn	**10**	**130.2**	20	102.1
Weighted scenario	**100**	**58.6**	100	60.0

A modelling approach using quantitative analysis is applied to assess the weightings which uses industry-level write-off data to infer the Society's loss rates over the period, as internal loss data isn't available to establish a historical loss rate distribution which reflects the nature of our losses (i.e. relatively low losses in 'normal' times but the potential to make more substantial losses in recessionary conditions). An econometric model was developed which could be used to infer future loss rates based on a range of different economic scenarios.

The loss rates were mapped under each of the IFRS 9 economic scenarios to the historical loss rate distribution and using the distribution-defined probabilities of each loss rate being realised to derive relative likelihoods of each scenario occurring.

SME judgment is applied in the final assessment of weights, informed by assessment of the quantitative analysis/model. Weighting has been moved from Downturn and Severe scenarios to both Core and Upside to reflect the more positive economic outlook, updates to the Gen 4 model, predicted BOE base rate cuts and HPI increases.

Post model adjustments

Post model adjustments ('PMA') are applied when an increase in credit risk is identified that is not effectively captured in the core expected credit loss models. A rigorous review of the PMAs has been performed to determine whether the identified risks are still applicable, and if any additional risks have been identified. Adjustments were made to which PMAs were required and to the magnitude of those that were maintained.

A PMA working group has been established which includes colleagues from Finance, Balance Sheet Management and Credit Risk. This working group has been used to review the on-going suitability of existing PMAs and discuss whether additional PMAs are required in relation to emerging risks or issues.

The PMAs applied at 31 December 2024 are as follows:

	2024 £m	2023 £m
Affordability	**1.2**	7.1
Model Performance	**10.6**	10.0
Other	**0.9**	(1.5)
Total PMA	**12.7**	15.6

Affordability

Inflation is not a direct input into the underlying ECL models and, as such, does not have a direct influence on the output. Although the lending undertaken by the Group is risk-averse, with a significant amount of affordability assessment undertaken as part of the decision to advance mortgage loans, there are several segments of the mortgage book that are likely to be at greater risk of affordability stresses due to the cost-of-living pressures.

A post model adjustment was established to reflect the risks of rising inflation, and its impact on customers' ability to meet repayments on their mortgage, not captured in the underlying ECL models.

The PMA has been established by considering affordability levels of the mortgage book by applying a stress to the monthly expenditure amounts to reflect external pressures such as increase in outgoings, interest rate changes, cost-of-living challenges and income decreases. Both elements are used to identify accounts that would be most vulnerable to stresses and find their mortgage unaffordable.

The PMA has been refined over 2024 as actual increases in credit risk in relation to affordability materialise and are being captured within the ECL models.

PD estimates of the accounts identified as vulnerable to affordability stresses are uplifted to the equivalent of what they would need to be for the model to assign them to Stage 2 as a result of meeting the SICR criteria.

The level of uplifted PD applied varies depending on whether the customer has a fixed term end date in the next 12 months, the current risk grade associated with the account and how close the account is to SICR thresholds with accounts that are relatively close to meeting the SICR criteria will be higher risk.

The decrease in this PMA is due to a combination of the increased credit risk as a result of the impact of the cost of living crisis on mortgage repayments starting to emerge as either increased modelled ECLs or write offs leading to a more targeted methodology resulting in a lower PMA required, as well as easing inflation and mortgage rates across the industry beginning to reduce; this means the payment shock experienced by customers might reduce going forward. This PMA will be monitored as the Group progresses through the year and will be held until a sufficient reduction in inflation and cost of living pressures is observed.

Introduction Strategic Report Governance Financial Statements Other Information

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

Expected Credit Losses (ECL) (continued)

Post model adjustments (continued)

Model Performance

PD Underprediction

The Society's 4th generation (Gen 4) models were implemented in 2023 for the first time. A level of underprediction, also present within the previous models, has been observed since implementation. A PMA to adjust PD estimates upwards is therefore considered necessary to ensure model outputs reflect the level of risk experienced. A PMA has been established to account for this which adjusts the PD estimates used to establish ECLs. Accounts are then re-staged if their revised PD estimate exceeds the SICR threshold for the risk grade.

Predictive accuracy monitoring on a perfect foresight basis has been developed by the Society to support an evaluation of the risk. This monitoring has been produced at a product level over a range of outcome periods. The results for each portfolio were evaluated and the need for an adjustment was acknowledged. The under-prediction factors for Prime and BTL have been incorporated into PD estimates by directly uplifting each month's PD estimate by the associated under-prediction factor and recalculating staging and ECLs using the adjusted PD value.

Recalibration of the existing model will be evaluated in 2025. Longer-term, the underlying scorecards and IRB models are being redeveloped with enhancements to be incorporated into redeveloped IFRS 9 models when complete. These changes would be expected to result in the removal or reduction in this PMA.

Sensitivity of Models to Economic Stresses

The fourth generation IFRS 9 PD model has displayed limited sensitivity to the different economic scenarios because of the benign economic conditions in the data period used to develop the model. A narrow range in average PD estimates across the four economic scenarios of differing severity highlighted the model weakness. A PMA has been established to mitigate against the lack of sensitivity in IFRS 9 PDs to economic factors.

An internally developed model was used to inform this PMA. The results of the model across all scenarios were established and outcomes from the Core scenario compared to the Upside, Downside and Stress. Adjustments were then applied to these non-Core scenarios to produce adjusted PD estimates for each individual scenario.

The Core scenario and PD were chosen as it is the nearest approximation to the actual macro-economic factors. The ratios obtained are applied to the weighted IFRS 9 PDs to produce adjusted PD estimates for each individual scenario.

The scalars are applied to each individual account PD to obtain the adjusted PDs at account level. EAD, LGD and discount rate are combined with the adjusted PDs to obtain the adjusted ECL.

As with the PD Underprediction PMA, this could be expected to drive a change in staging as there will be accounts where the probability weighted PD at observation will now be above the SICR threshold associated with a transfer to stage 2. While this was ultimately considered an appropriate treatment for the under-prediction PMA as this reflected a deterioration in the performance of the model, there are different considerations for this adjustment as it is driven by a fundamental weakness in the PD model that has been inherent since its development. As this means origination PDs will be as affected as current PDs, restaging all accounts in the same manner as the underprediction PMA was not considered appropriate as accounts could meet the SICR criteria more due to misalignment in the methodology between initial recognition and current PDs.

Other

Climate risk

The Group has assessed the risks associated with climate change, both physical and transitional, in the context of ECL and concluded that the majority of these risks do not meet the requirements for recognition as:

There have been no observed climate related defaults and therefore no identifiable significant increase in credit risks ('SICR'); and the material transition risks identified are expected to occur over a timescale in excess of the current behavioural life of our portfolio (i.e. the average term before a customer either moves onto an alternative deal or transfers to another provider) and, as such, any potential impact would be against loans yet to be underwritten.

This PMA aims to identify properties which are or will in the near future be at most risk from a climate perspective and assess the additional ECLs that we could expect to incur if material costs/reductions to the value of security arise from those risks. The four main risks considered are Energy Performance Certificate (EPC) impacts, flood risk, subsidence risk and coastal erosion risk.

A similar approach has been taken within each of these areas where the properties with the very highest risks associated are identified, appropriate adjustments are applied to the valuation of the properties and the impacts of these changes then quantified and held as a PMA. The total PMA held is £0.9 million (2023: £0.7 million).

Staging and POCI

The tables below show the staging of loans and advances plus those classed as purchased or originated credit impaired (POCI) recognised as part of the acquisitions of Norwich & Peterborough Building Society (N&P) and Chelsea Building Society (CBS). The fair value discount applied on acquisition is recognised as the fair value credit adjustment.

The Group has £290.4 million of POCI loans (2023: £339.7 million). Of these, 84% (2023: 85%) are now considered performing loans but are not permitted to be reclassified to stage 1 or 2.

Details of the movements in staging are explained in the *movement analysis* section of this Note.

	Gross exposure £m	%	PMA £m	Total ECL £m	Coverage %	Average LTV %
2024						
Stage 1	**44,489.2**	**89.4**	**2.8**	**7.8**	**–**	**52.1**
Stage 2	**4,458.8**	**9.0**	**9.6**	**23.5**	**0.5**	**39.3**
Stage 3	**520.1**	**1.0**	**0.3**	**16.7**	**3.2**	**44.5**
POCI	**290.4**	**0.6**	**–**	**10.6**	**3.7**	**38.6**
Total	**49,758.5**	**100.0**	**12.7**	**58.6**	**0.1**	**50.9**
2023						
Stage 1	41,597.7	88.8	3.0	8.5	–	50.2
Stage 2	4,521.8	9.6	13.1	26.5	0.6	36.5
Stage 3	409.4	0.9	(0.5)	13.8	3.4	42.5
POCI	339.7	0.7	–	11.2	3.3	40.1
Total	46,868.6	100.0	15.6	60.0	0.1	49.0

The cost of risk measure has been calculated using the impairment charge for the year divided by the average balance over the period, which is 0.0% for 2024. Problem loans represent the total of the Group's stage 3 balances and the non-performing portion of our POCI loans.

	2024 £m	%	2023 £m	%
Gross exposures				
Stage 1	**44,489.2**	**89.4**	41,597.7	88.8
Stage 2	**4,458.8**	**9.0**	4,521.8	9.6
Stage 3	**520.1**	**1.0**	409.4	0.9
POCI	**290.4**	**0.6**	339.7	0.7
Total gross exposures	**49,758.5**	**100.0**	46,868.6	100.0
Problem loans	**566.9**	**1.1**	458.9	1.0
Cost of risk	**–**	**–**	–	–
ECL and Coverage ratios				
Stage 1	**7.8**	**–**	8.5	–
Stage 2	**23.5**	**0.5**	26.5	0.6
Stage 3	**16.7**	**3.2**	13.8	3.4
POCI	**10.6**	**3.7**	11.2	3.3
Total ECL	**58.6**	**0.1**	60.0	0.1
Of which impairment	**39.2**	**66.9**	37.7	62.8
Of which fair value credit adjustment	**19.4**	**33.1**	22.3	37.2

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

Expected Credit Losses (ECL) (continued)

Staging and POCI (continued)

The following table shows expected credit losses, split by impairment and fair value credit adjustments, and a best estimate of the collateral against these mortgages. The collateral is calculated as the lower of the value of the property and the outstanding loan amount so does not represent the overall value of properties backing the loans.

Group	Gross exposure		Collateral		Impairment		Fair value credit adjustment	
	2024 £m	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Stage 1	**44,489.2**	41,597.7	**44,487.0**	41,596.3	**7.8**	8.5	**–**	–
Stage 2	**4,458.8**	4,521.8	**4,458.2**	4,521.4	**23.0**	25.3	**0.5**	1.2
Less than 30 days past due	**4,279.8**	4,331.4	**4,279.2**	4,331.1	**20.5**	22.6	**0.4**	0.9
More than 30 days past due	**179.0**	190.4	**179.0**	190.3	**2.5**	2.7	**0.1**	0.3
Stage 3	**520.1**	409.4	**519.0**	409.1	**12.8**	10.0	**3.9**	3.8
Less than 30 days past due	**234.7**	161.1	**234.7**	161.1	**2.6**	2.2	**0.5**	0.5
30-90 days past due	**96.4**	83.8	**96.4**	83.8	**1.1**	1.1	**0.2**	0.5
More than 90 days past due	**189.0**	164.5	**187.9**	164.2	**9.1**	6.7	**3.2**	2.8
POCI	**290.4**	339.7	**289.8**	339.1	**(4.4)**	(6.1)	**15.0**	17.3
Less than 30 days past due	**254.5**	294.5	**253.9**	293.9	**(4.9)**	(6.1)	**12.9**	14.6
30-90 days past due	**20.5**	29.4	**20.5**	29.4	**0.3**	0.3	**0.9**	1.2
More than 90 days past due	**15.4**	15.8	**15.4**	15.8	**0.2**	(0.3)	**1.2**	1.5
Total	**49,758.5**	46,868.6	**49,754.0**	46,865.9	**39.2**	37.7	**19.4**	22.3

Society	Gross exposure		Collateral		Impairment		Fair value credit adjustment	
	2024 £m	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Stage 1	**9,087.3**	9,233.4	**9,085.0**	9,232.0	**2.2**	2.8	**–**	–
Stage 2	**1,128.9**	1,294.3	**1,128.4**	1,294.0	**8.1**	10.1	**0.5**	1.3
Less than 30 days past due	**1,083.5**	1,236.5	**1,083.0**	1,236.2	**7.1**	9.1	**0.4**	1.0
More than 30 days past due	**45.4**	57.8	**45.4**	57.8	**1.0**	1.0	**0.1**	0.3
Stage 3	**139.1**	133.8	**138.3**	133.8	**1.5**	1.7	**3.9**	3.7
Less than 30 days past due	**62.9**	55.8	**62.9**	55.8	**0.3**	0.4	**0.6**	0.5
30-90 days past due	**25.6**	24.2	**25.6**	24.2	**0.1**	0.2	**0.2**	0.5
More than 90 days past due	**50.6**	53.8	**49.8**	53.8	**1.1**	1.1	**3.1**	2.7
POCI	**290.4**	339.6	**289.8**	339.0	**(4.5)**	(6.1)	**15.0**	17.3
Less than 30 days past due	**254.5**	294.4	**253.9**	293.8	**(4.9)**	(6.1)	**12.9**	14.6
30-90 days past due	**20.5**	29.4	**20.5**	29.4	**0.3**	0.3	**0.9**	1.2
More than 90 days past due	**15.4**	15.8	**15.4**	15.8	**0.1**	(0.3)	**1.2**	1.5
Total	**10,645.7**	11,001.1	**10,641.5**	10,998.8	**7.3**	8.5	**19.4**	22.3

All accounts in stage 1 are less than 30 days past due.

Introduction Strategic Report Governance Financial Statements Other Information

Lending by type

Group Percentage split of gross contractual exposure	**2024 %**	2023 %
Residential Prime	**79.9**	79.8
Residential Sub-Prime/Self-Cert	**0.3**	0.4
Retail Buy-To-Let	**15.2**	15.4
Social Housing	**0.2**	0.4
Commercial lending (exc. Social Housing)	**4.4**	4.0
	100.0	100.0

Credit risk management

The *Retail and commercial credit risk* section of the *Risk management report* describes how the Group manages credit risk via a robust risk appetite, credit risk framework, governance framework and through stress testing.

The Group's exposure to mortgage related credit risk is monitored and reporting on risk exposures is provided regularly to the Group's risk committees, including analysis of mortgages in arrears and monitoring of the characteristics of the loan portfolios (e.g. geographic location and loan-to-value).

Group	**2024**		2023	
Arrears	**Retail %**	**Commercial %**	Retail %	Commercial %
No arrears	**98.0**	**98.8**	97.6	98.7
Less than three months	**1.7**	**1.1**	2.1	0.8
Equal to or more than three months, less than six months	**0.2**	**–**	0.2	0.3
Equal to or more than six months, less than twelve months	**0.1**	**–**	0.1	0.1
Twelve months or more	**–**	**–**	–	0.1
Property in possession	**–**	**0.1**	–	–
Total gross exposure (contractual amounts)	**100.0**	**100.0**	100.0	100.0
Number of properties in possession at the year end	**111**	**–**	67	–

The percentage of retail mortgages with arrears of three months or more (as a % of outstanding balances, including possessions) has increased during 2024 from 0.39% to 0.43%.

The UK Finance industry average ratio for mortgage arrears is measured using the number of accounts (including possessions). On this basis, the Group's retail mortgage arrears ratio of 0.50% (2023: 0.50%) is below the comparable UK Finance ratio 0.97% (2023: 0.87%). Arrears on more recent lending are minimal, reflecting the Group's credit risk appetite.

Arrears for the buy-to-let portfolio is also lower than average with an arrears ratio of 0.27% (2023: 0.23%) with an average LTV of 60% (2023: 57%) for this cohort.

Society Arrears	**2024 %**	2023 %
No arrears	**97.5**	97.0
Less than three months	**1.8**	2.3
Equal to or more than three months, less than six months	**0.3**	0.3
Equal to or more than six months, less than twelve months	**0.2**	0.2
Twelve months or more	**0.1**	0.1
Property in possession	**0.1**	0.1
Total	**100.0**	100.0
Number of properties in possession at the year end	**67**	48

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

Retail mortgage lending

The Group's retail mortgage exposure can be broken down by customer type and geographical region as follows:

Group	Book		New lending	
	2024	2023	**2024**	2023
Retail Mortgage Customer Type	**%**	%	**%**	%
First-time buyer	**23.8**	23.6	**24.1**	23.5
Other buyers e.g. movers	**34.6**	35.5	**32.5**	29.6
Re-mortgage	**25.6**	24.8	**31.8**	32.5
Buy-to-let	**16.0**	16.1	**11.6**	14.4
Other	**–**	–	**–**	–
	100.0	100.0	**100.0**	100.0

Retail Mortgage Geographical Distribution	2024 %	2023 %
Scotland	**6.6**	6.6
North East	**3.2**	3.2
Yorkshire & Humberside	**8.0**	8.4
North West	**10.2**	10.4
Midlands	**13.1**	13.2
East	**11.0**	10.8
South West	**7.5**	7.5
Greater London	**18.2**	18.1
South East	**18.0**	17.6
Wales & Northern Ireland	**4.2**	4.2
Non-UK	**–**	–
	100.0	100.0

The Group's retail mortgages are secured on property. The value of these properties is updated on a quarterly basis using the Office for National Statistics (ONS) regional property price indices which comprise relative house price movements across the UK. These indexed valuations provide senior management with a view of the value and risk of the properties on which retail mortgages are secured.

Introduction Strategic Report Governance Financial Statements Other Information

Group	Book		New lending	
	2024	2023	**2024**	2023
Loan-to-value distribution of retail mortgages	**%**	%	**%**	%
100% or greater	**–**	–	**–**	–
95 to 100%	**0.4**	0.3	**0.9**	–
90 to 95%	**2.8**	1.6	**6.8**	4.6
85 to 90%	**6.2**	4.2	**19.8**	17.2
80 to 85%	**7.9**	5.9	**19.1**	15.7
75 to 80%	**8.0**	7.4	**9.9**	9.4
70 to 75%	**9.7**	9.5	**12.1**	13.0
60 to 70%	**19.2**	21.0	**10.4**	12.3
Less than 60%	**45.8**	50.1	**21.0**	27.8
	100.0	100.0	**100.0**	100.0
Average LTV (all retail)	**50.9**	49.0	**71.4**	67.2
Average LTV (buy-to-let)	**55.4**	54.8	**59.8**	58.9

Group	2024		2023	
	Not impaired	**Impaired**	Not impaired	Impaired
Loan-to-value distribution of retail mortgages	**%**	**%**	%	%
100% or greater	**–**	**–**	–	–
95 to 100%	**0.4**	**–**	0.3	–
90 to 95%	**2.8**	**–**	1.6	–
85 to 90%	**6.2**	**–**	4.2	–
80 to 85%	**7.9**	**0.1**	5.9	–
75 to 80%	**7.9**	**0.1**	7.4	–
70 to 75%	**9.6**	**0.1**	9.4	0.1
60 to 70%	**18.9**	**0.3**	20.8	0.2
Less than 60%	**44.6**	**1.1**	48.9	1.2
	98.3	**1.7**	98.5	1.5

The definition of default/impaired includes accounts that are 90 days past due, interest only accounts past term end, those under certain forbearance measures and others exhibiting other unlikeliness to pay indicators. Accounting standards require accounts considered to be credit impaired at the time of business combinations (POCI) to be classed as impaired until de-recognition.

Introduction Strategic Report Governance Financial Statements Other Information

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

Commercial lending

The Group offers commercial lending though the YBS brand, providing loans to commercial owner occupiers and corporate entity landlords of commercial and residential property. The majority of loans are advanced against commercial properties using a vacant possession valuation to mitigate against future losses. Loans against specialist properties are strictly limited and no lending is given against land only.

The valuations of commercial properties are updated on a quarterly basis using MSCI's commercial property price indices based on region and property type. Residential valuations are indexed using the regional ONS house price indices. The indexed valuations are used to assess the risk of loss on individual loans and to monitor whether loan-to-value covenants are met. Where borrowers are more than two months in arrears, consideration is given to obtaining a professional valuation of the property.

Group and Society	2024	2023
Average loan to value (%)	**58.3**	55.8
Average loan size (£m)	**0.8**	0.7
Value of security held (£m)	**3,641.3**	3,213.0
Balance of loans >100% LTV (£m)	**28.2**	21.9
Largest exposure to a single counterparty (£m)	**20.0**	20.0

At the year end 0.54% (2023: 0.54%) of commercial balances (including repossessions) were more than three months in arrears.

'Watch list' loans include those where there are circumstances which could impact on the quality and recoverability of the loan. Examples include borrowers requesting forbearance or reporting trading losses. Loans on the watch list total increased to £69.3 million in 2024 (2023: £46.9 million).

Corporate buy-to-let loans increased to £1,632.8 million (2023: £1,207.3 million) and these loans are mainly interest only. They are continuously monitored to ensure that full repayment is made on the expiry of the loan term.

Group and Society Commercial mortgage balances by geographical region	2024 %	2023 %
Scotland	**–**	–
North East	**0.5**	0.5
Yorkshire & Humberside	**2.1**	2.5
North West	**4.6**	4.2
Midlands	**5.9**	5.8
East	**2.8**	3.1
South West	**6.5**	7.1
Greater London	**49.6**	49.8
South East	**26.9**	25.8
Wales & Northern Ireland	**1.1**	1.2
	100.0	100.0
Commercial mortgage balances by lending type		
Commercial owner occupied	**1.9**	2.6
Commercial investment property*	**22.9**	29.7
Corporate Buy-To-Let*	**70.9**	59.0
Social Housing	**4.3**	8.7
	100.0	100.0

The Group has an active business lending to housing associations in England and Wales, via the Yorkshire Building Society brand. This sector has particularly robust credit characteristics and the lending is low risk albeit at low margins. At 31 December 2024 this loan book was £97.6 million (2023: £177.9 million). The Group has written further undrawn Term Loan/Revolving Credit facilities in the region of £105.8 million (2023: £136.1 million) and these are expected to draw down over the next 5 years.

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

Risk assessment

The following tables are included to give an overview of the Group's credit risk. This includes analysis of exposures by 12 month probability of default (PD) bands and origination year.

The risk models cover the majority of loans underwritten by the Group, with exceptions for portfolios subject to bespoke modelling requirements including Accord buy-to-let, commercial lending and POCI accounts. The Accord BTL population currently has very strict underwriting criteria and limited behavioural history, with only a single possession to date. Commercial lending has significantly different behavioural characteristics to the retail mortgages.

Lending by risk grade

Group	2024						2023	
	Stage 1	Stage 2	Stage 3	POCI	Total exposure	ECL	Total exposure	ECL
PD Band	£m	£m	£m	£m	£m	£m	£m	£m
0.00%–<0.15%	27,885.1	1,373.3	–	–	29,258.4	0.8	28,671.7	1.0
0.15%–<0.25%	4,415.2	288.7	–	–	4,703.9	0.5	3,919.7	0.5
0.25%–<0.50%	1,374.7	157.0	–	–	1,531.7	0.3	1,286.9	0.4
0.50%–<0.75%	850.9	170.7	–	–	1,021.6	0.3	891.5	0.3
0.75%–<1.00%	700.8	341.7	–	–	1,042.5	0.5	868.3	0.6
1.00%–<2.50%	392.3	1,003.9	–	–	1,396.2	2.7	1,237.5	3.2
2.50%–<10.0%	28.7	335.6	–	–	364.3	2.4	313.7	2.8
10.0%–<100%	14.3	158.9	–	–	173.2	2.5	175.5	2.5
Default	–	–	502.1	39.0	541.1	17.2	430.0	14.8
Accord buy-to-let	6,720.6	429.6	9.4	–	7,159.6	4.8	6,715.4	3.6
Commercial	2,012.7	176.8	8.6	7.7	2,205.8	7.4	1,867.3	9.3
Other	93.9	22.6	–	243.7	360.2	7.9	491.1	9.0
PMAs	–	–	–	–	–	11.3	–	12.0
Total	44,489.2	4,458.8	520.1	290.4	49,758.5	58.6	46,868.6	60.0

Society	2024						2023	
	Stage 1	Stage 2	Stage 3	POCI	Total exposure	ECL	Total exposure	ECL
PD Band	£m	£m	£m	£m	£m	£m	£m	£m
0.00%–<0.15%	5,644.9	384.1	–	–	6,029.0	0.2	6,551.0	0.2
0.15%–<0.25%	721.2	79.8	–	–	801.0	0.2	772.6	0.2
0.25%–<0.50%	211.1	42.2	–	–	253.3	0.1	254.8	0.2
0.50%–<0.75%	145.4	47.9	–	–	193.3	0.1	203.0	0.1
0.75%–<1.00%	124.3	70.9	–	–	195.2	0.2	212.1	0.2
1.00%–<2.50%	116.3	180.7	–	–	297.0	0.7	335.7	0.9
2.50%–<10.0%	20.1	65.4	–	–	85.5	0.7	87.6	0.8
10.0%–<100%	10.0	47.5	–	–	57.5	0.9	64.7	0.9
Default	–	–	130.5	39.0	169.5	6.4	161.8	6.8
Commercial	2,000.6	188.4	8.6	7.7	2,205.3	7.4	1,866.8	9.3
Other	93.4	22.0	–	243.7	359.1	8.2	491.0	8.9
PMAs	–	–	–	–	–	1.6	–	2.3
Total	9,087.3	1,128.9	139.1	290.4	10,645.7	26.7	11,001.1	30.8

Lending by origination year

The table below shows exposures and expected credit losses by origination year for retail loans. The table shows that the credit quality of newly written business is of significantly higher quality than that written before 2009 or acquired as part of business combinations.

Group	2024						2023	
	Stage 1	Stage 2	Stage 3	POCI	Total exposure	ECL	Total exposure	ECL
Origination Year	£m	£m	£m	£m	£m	£m	£m	£m
2024	8,956.1	518.7	26.4	–	9,501.2	4.6	–	–
2023	7,901.1	602.0	39.3	–	8,542.4	7.3	9,199.2	6.5
2022	7,528.3	616.3	47.0	–	8,191.6	7.3	9,570.7	8.2
2021	5,699.4	547.8	55.0	–	6,302.2	5.6	7,010.6	6.3
2013 – 2020	12,577.3	1,357.8	167.4	–	14,102.5	12.2	17,348.5	14.2
2009 – 2012	650.5	75.6	9.7	–	735.8	0.3	884.1	0.4
Pre-2009	545.8	463.8	106.0	–	1,115.6	3.8	1,335.6	5.8
Acquired loans	630.7	276.8	69.3	290.4	1,267.2	17.5	1,519.9	18.6
Total	44,489.2	4,458.8	520.1	290.4	49,758.5	58.6	46,868.6	60.0

For 2009 and post lending, the average indexed LTV is 53.0% and the 90 days plus arrears rate is 0.2%. For Lending prior to 2009 the average indexed LTV is 25.6% and the 90 days arrears rate is 3.1%.

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

Movement analysis

The tables on pages 202 to 205 detail the movement in the gross exposures and ECL from the beginning to the end of the reporting period split by stage.

The level of PD underprediction, that was observed within the third generation models, is still present to an extent in the new fourth generation models. A PMA has been established to account for this which adjusts the PD estimates used to establish ECLs. Accounts are then re-staged if their revised PD estimate exceeds the SICR threshold for the risk grade. This can be seen on the Transfers from stage 1 to 2 line of the gross exposures movement table.

The following tables detail the movement in the gross exposures and ECL from the beginning to the end of the reporting period split by class of financial instrument.

Group	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Gross exposure at 31 December 2023	**41,597.7**	**4,521.8**	**409.4**	**339.7**	**46,868.6**
Transfers from stage 1 to 2	**(2,828.0)**	**2,828.0**	**–**	**–**	**–**
Transfers from stage 1 to 3	**(118.7)**	**–**	**118.7**	**–**	**–**
Transfers from stage 2 to 1	**605.9**	**(605.9)**	**–**	**–**	**–**
Transfers from stage 2 to 3	**–**	**(128.8)**	**128.8**	**–**	**–**
Transfers from stage 3 to 1	**30.9**	**–**	**(30.9)**	**–**	**–**
Transfers from stage 3 to 2	**–**	**57.0**	**(57.0)**	**–**	**–**
Changes to carrying value	**561.9**	**(1,977.9)**	**20.4**	**(10.8)**	**(1,406.4)**
New financial assets originated or purchased	**9,401.9**	**–**	**–**	**–**	**9,401.9**
Financial assets derecognised during the year	**(4,762.4)**	**(235.4)**	**(62.0)**	**(36.8)**	**(5,096.6)**
Write-offs	**–**	**–**	**(7.3)**	**(1.7)**	**(9.0)**
Gross exposure at 31 December 2024	**44,489.2**	**4,458.8**	**520.1**	**290.4**	**49,758.5**
ECL at 31 December 2023	**8.5**	**26.5**	**13.8**	**11.2**	**60.0**
Transfers from stage 1 to 2	**(0.2)**	**7.1**	**–**	**–**	**6.9**
Transfers from stage 1 to 3	**–**	**–**	**3.4**	**–**	**3.4**
Transfers from stage 2 to 1	**0.5**	**(3.8)**	**–**	**–**	**(3.3)**
Transfers from stage 2 to 3	**–**	**(1.7)**	**4.5**	**–**	**2.8**
Transfers from stage 3 to 1	**–**	**–**	**(0.5)**	**–**	**(0.5)**
Transfers from stage 3 to 2	**–**	**0.3**	**(0.9)**	**–**	**(0.6)**
Changes in PDs/LGDs/EADs	**(1.8)**	**3.6**	**2.1**	**1.1**	**5.0**
New financial assets originated or purchased	**2.9**	**–**	**–**	**–**	**2.9**
Changes to model assumptions and methodologies	**(1.6)**	**(3.6)**	**(3.2)**	**(0.7)**	**(9.1)**
Unwind of discount	**–**	**–**	**0.5**	**0.3**	**0.8**
Financial assets derecognised during the year	**(0.3)**	**(1.4)**	**(2.4)**	**(1.2)**	**(5.3)**
Write-offs	**–**	**–**	**(1.3)**	**(0.1)**	**(1.4)**
PMA	**(0.2)**	**(3.5)**	**0.7**	**–**	**(3.0)**
ECL at 31 December 2024	**7.8**	**23.5**	**16.7**	**10.6**	**58.6**

Introduction Strategic Report Governance Financial Statements Other Information

Group	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Gross exposure at 31 December 2022	40,251.1	4,277.3	338.3	385.4	45,252.1
Transfers from stage 1 to 2	(3,200.5)	3,200.5	–	–	–
Transfers from stage 1 to 3	(77.4)	–	77.4	–	–
Transfers from stage 2 to 1	2,428.8	(2,428.8)	–	–	–
Transfers from stage 2 to 3	–	(111.8)	111.8	–	–
Transfers from stage 3 to 1	26.9	–	(26.9)	–	–
Transfers from stage 3 to 2	–	57.7	(57.7)	–	–
Changes to carrying value	(1,397.6)	(45.7)	10.9	(9.1)	(1,441.5)
New financial assets originated or purchased	9,020.6	–	–	–	9,020.6
Financial assets derecognised during the year	(5,454.2)	(427.4)	(40.4)	(35.5)	(5,957.5)
Write-offs	–	–	(4.0)	(1.1)	(5.1)
Gross exposure at 31 December 2023	41,597.7	4,521.8	409.4	339.7	46,868.6
ECL at 31 December 2022	7.5	26.3	11.3	13.3	58.4
Transfers from stage 1 to 2	(0.2)	6.0	–	–	5.8
Transfers from stage 1 to 3	–	–	2.6	–	2.6
Transfers from stage 2 to 1	0.9	(4.7)	–	–	(3.8)
Transfers from stage 2 to 3	–	(1.1)	3.4	–	2.3
Transfers from stage 3 to 1	–	–	(0.6)	–	(0.6)
Transfers from stage 3 to 2	–	0.3	(0.8)	–	(0.5)
Changes in PDs/LGDs/EADs	(1.8)	8.0	3.7	0.1	10.0
New financial assets originated or purchased	3.6	–	–	–	3.6
Changes to model assumptions and methodologies	(1.3)	(1.9)	(0.1)	(0.6)	(3.9)
Unwind of discount	–	–	0.4	0.3	0.7
Financial assets derecognised during the year	(0.2)	(1.5)	(1.2)	(1.4)	(4.3)
Write-offs	–	–	(1.0)	(0.5)	(1.5)
PMA	–	(4.9)	(3.9)	–	(8.8)
ECL at 31 December 2023	8.5	26.5	13.8	11.2	60.0

Introduction Strategic Report Governance Financial Statements Other Information

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

Movement analysis (continued)

Society	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Gross exposure at 31 December 2023	**9,233.4**	**1,294.3**	**133.8**	**339.6**	**11,001.1**
Transfers from stage 1 to 2	**(654.3)**	**654.3**	**–**	**–**	**–**
Transfers from stage 1 to 3	**(23.9)**	**–**	**23.9**	**–**	**–**
Transfers from stage 2 to 1	**148.3**	**(148.3)**	**–**	**–**	**–**
Transfers from stage 2 to 3	**–**	**(35.2)**	**35.2**	**–**	**–**
Transfers from stage 3 to 1	**10.2**	**–**	**(10.2)**	**–**	**–**
Transfers from stage 3 to 2	**–**	**15.0**	**(15.0)**	**–**	**–**
Changes to carrying value	**(8.6)**	**(566.5)**	**(1.4)**	**(10.7)**	**(587.2)**
New financial assets originated or purchased	**1,306.2**	**–**	**–**	**–**	**1,306.2**
Financial assets derecognised during the year	**(924.0)**	**(84.7)**	**(22.5)**	**(36.8)**	**(1,068.0)**
Write-offs	**–**	**–**	**(4.7)**	**(1.7)**	**(6.4)**
Gross exposure at 31 December 2024	**9,087.3**	**1,128.9**	**139.1**	**290.4**	**10,645.7**
ECL at 31 December 2023	**2.8**	**11.4**	**5.4**	**11.2**	**30.8**
Transfers from stage 1 to 2	**(0.2)**	**7.6**	**–**	**–**	**7.4**
Transfers from stage 1 to 3	**–**	**–**	**3.4**	**–**	**3.4**
Transfers from stage 2 to 1	**0.2**	**(3.8)**	**–**	**–**	**(3.6)**
Transfers from stage 2 to 3	**–**	**(1.8)**	**4.5**	**–**	**2.7**
Transfers from stage 3 to 1	**–**	**–**	**(0.5)**	**–**	**(0.5)**
Transfers from stage 3 to 2	**–**	**0.3**	**(0.9)**	**–**	**(0.6)**
Changes in PDs/LGDs/EADs	**(2.8)**	**1.2**	**(2.4)**	**0.7**	**(3.3)**
New financial assets originated or purchased	**2.9**	**–**	**–**	**–**	**2.9**
Changes to model assumptions and methodologies	**(0.4)**	**(1.3)**	**(1.0)**	**(0.8)**	**(3.5)**
Unwind of discount	**–**	**–**	**0.4**	**0.7**	**1.1**
Financial assets derecognised during the year	**(0.3)**	**(1.4)**	**(2.4)**	**(1.2)**	**(5.3)**
Write-offs	**–**	**–**	**(1.3)**	**(0.1)**	**(1.4)**
PMA	**–**	**(3.6)**	**0.2**	**–**	**(3.4)**
ECL at 31 December 2024	**2.2**	**8.6**	**5.4**	**10.5**	**26.7**

Society	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Gross exposure at 31 December 2022	8,942.6	1,889.1	111.0	385.1	11,327.8
Transfers from stage 1 to 2	(835.5)	835.5	–	–	–
Transfers from stage 1 to 3	(18.0)	–	18.0	–	–
Transfers from stage 2 to 1	1,102.8	(1,102.8)	–	–	–
Transfers from stage 2 to 3	–	(46.5)	46.5	–	–
Transfers from stage 3 to 1	9.4	–	(9.4)	–	–
Transfers from stage 3 to 2	–	13.6	(13.6)	–	–
Changes to carrying value	(495.5)	(87.5)	(1.2)	(9.2)	(593.4)
New financial assets originated or purchased	1,377.4	–	–	–	1,377.4
Financial assets derecognised during the year	(849.8)	(207.1)	(15.8)	(35.2)	(1,107.9)
Write-offs	–	–	(1.7)	(1.1)	(2.8)
Gross exposure at 31 December 2023	9,233.4	1,294.3	133.8	339.6	11,001.1
ECL at 31 December 2022	4.0	12.3	3.6	13.2	33.1
Transfers from stage 1 to 2	(0.1)	2.5	–	–	2.4
Transfers from stage 1 to 3	–	–	0.7	–	0.7
Transfers from stage 2 to 1	0.3	(2.7)	–	–	(2.4)
Transfers from stage 2 to 3	–	(0.6)	1.7	–	1.1
Transfers from stage 3 to 1	–	–	(0.2)	–	(0.2)
Transfers from stage 3 to 2	–	0.1	(0.2)	–	(0.1)
Changes in PDs/LGDs/EADs	(0.6)	5.2	2.8	(0.2)	7.2
New financial assets originated or purchased	1.2	–	–	–	1.2
Changes to model assumptions and methodologies	(0.4)	(0.8)	–	(0.6)	(1.8)
Unwind of discount	–	–	0.3	0.7	1.0
Financial assets derecognised during the year	(0.1)	(1.1)	(0.5)	(1.4)	(3.1)
Write-offs	–	–	(0.3)	(0.5)	(0.8)
PMA	(1.5)	(3.5)	(2.5)	–	(7.5)
ECL at 31 December 2023	2.8	11.4	5.4	11.2	30.8

Introduction Strategic Report Governance Financial Statements Other Information

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

Forbearance

Forbearance tools are used, in line with industry guidance, where they are deemed appropriate for an individual customer's circumstances. These include capitalisation, interest only concessions, arrears arrangements and term extensions. Forbearance measures are incorporated into the calculation of ECLs.

The table below shows the retail accounts that are forborne. These accounts have been further classified as follows:

- non-performing – where an account meets the definition of default at the point it is granted a forbearance measure; and
- probationary – for accounts that have exited forbearance measures and been re-classed from non-performing in the last 2 years.

The definition of non-performing and stage 3 are aligned such that no accounts in stage 2 are classed as non-performing. Any accounts that were previously in default have a cure period of 12 months, after which they are able to move back into stage 2 or 1.

Group	Arrangements		Other concessions		Term extension		Interest only	
	Exposure £m	ECL £m	Exposure £m	ECL £m	Exposure £m	ECL £m	Exposure £m	ECL £m
2024								
Probation	**43.8**	**0.1**	**3.7**	**–**	**48.6**	**–**	**6.8**	**–**
Stage 1	**8.8**	**–**	**1.5**	**–**	**29.6**	**–**	**2.7**	**–**
Stage 2	**35.0**	**0.1**	**2.2**	**–**	**19.0**	**–**	**4.1**	**–**
Non-performing	**236.1**	**7.7**	**17.7**	**0.8**	**54.4**	**0.5**	**15.3**	**0.6**
Stage 3	**212.6**	**6.2**	**15.8**	**0.7**	**46.1**	**0.5**	**13.4**	**0.2**
POCI	**23.5**	**1.5**	**1.9**	**0.1**	**8.3**	**–**	**1.9**	**0.4**
Total	**279.9**	**7.8**	**21.4**	**0.8**	**103.0**	**0.5**	**22.1**	**0.6**
2023								
Probation	47.2	0.3	5.9	–	39.3	–	9.7	–
Stage 1	8.8	–	2.9	–	25.3	–	4.0	–
Stage 2	38.4	0.3	3.0	–	14.0	–	5.7	–
Non-performing	193.1	6.6	13.3	1.0	52.5	0.7	11.4	0.7
Stage 3	167.9	5.3	10.8	0.7	42.5	0.7	9.0	0.1
POCI	25.2	1.3	2.5	0.3	10.0	–	2.4	0.6
Total	240.3	6.9	19.2	1.0	91.8	0.7	21.1	0.7

All requests for forbearance on commercial loans are subject to full credit risk appraisal and are predominantly for a period of interest only, which allows the borrower to improve income from trading or rent receipts, pending the sale of the property. The appraisal process considers the likelihood of a loss being substantiated from any borrower granted a concession and ensures that the concession is in the interests of both the borrower and the Group. In 2024 there were 4 accounts (2023: 3) in the commercial loans portfolio subject to forbearance with a total balance of £2.3 million (2023: £1.6 million). There has been no underlying increase in the risk of the portfolio.

Loans Purchased or Originated Credit Impaired (POCI)

The table below shows the status of the Group's POCI loans and how they are distributed across loan-to-value (LTV) bands. A substantial proportion of POCI balances, were they not required to be classified as stage 3 by accounting standards, would transfer to other stages. The table below shows that 67.5% (2023: 69.4%) of balances have been fully up to date for the last 24 months and only 16.1% (2023: 14.6%) of balances would be classified as in default.

Group and Society	Up to date for the last 24 months £m	Some arrears in the last 24 months £m	Meets definition of default £m	Total £m
2024				
Gross exposure	**195.9**	**47.7**	**46.8**	**290.4**
ECL	**5.6**	**2.7**	**2.3**	**10.6**
2023				
Gross exposure	235.9	54.3	49.5	339.7
ECL	6.1	2.7	2.4	11.2
2024 LTV Split				
Less than 60%	**177.6**	**40.2**	**36.6**	**254.4**
From 60 to 70%	**11.6**	**4.7**	**6.6**	**22.9**
From 70 to 80%	**3.5**	**1.8**	**2.3**	**7.6**
From 80 to 90%	**1.0**	**0.4**	**0.6**	**2.0**
90% or greater	**2.2**	**0.6**	**0.7**	**3.5**
Total	**195.9**	**47.7**	**46.8**	**290.4**
2023 LTV Split				
Less than 60%	211.6	46.0	37.3	294.9
From 60 to 70%	16.6	5.0	9.3	30.9
From 70 to 80%	3.8	2.2	2.0	8.0
From 80 to 90%	1.0	0.8	0.2	2.0
90% or greater	2.9	0.3	0.7	3.9
Total	235.9	54.3	49.5	339.7

32. Fair values

Fair value is the price that would be paid upon the purchase of an asset or received upon the sale of a liability in an arm's length transaction between two entities at a specific measurement date.

Where external market prices are available these are used to determine the fair value. When these are not available internal pricing models using external market data are used. The following hierarchy is used when measuring fair value:

Level 1: Quoted prices are available for identical assets or liabilities in active markets, these are unadjusted.

Level 2: Significant inputs to the calculated fair values are taken from observable market data, other than those in Level 1. This may include direct inputs (i.e., prices) or indirect inputs (i.e., derived from prices).

Level 3: Fair value is derived from non-observable inputs and not solely based on external market data.

The table below summarises the carrying value and fair value of financial assets and liabilities measured at amortised cost as at the Balance Sheet date.

2024	**Notes**	**Carrying value £m**	**Fair values Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total fair value £m**
Group						
Assets						
Loans and advances to credit institutions	1	**590.0**	**–**	**590.0**	**–**	**590.0**
Loans and advances to customers	2	**49,705.5**	**–**	**–**	**49,119.8**	**49,119.8**
Debt securities – amortised cost		**1,091.1**	**1,094.2**	**–**	**–**	**1,094.2**
Liabilities						
Shares	3	**52,044.4**	**–**	**51,938.3**	**–**	**51,938.3**
Amounts due to credit institutions		**1,168.9**	**–**	**1,168.9**	**–**	**1,168.9**
Other deposits		**1,196.8**	**–**	**1,196.8**	**–**	**1,196.8**
Debt securities in issue		**5,019.3**	**4,218.8**	**806.8**	**–**	**5,025.6**
Subordinated liabilities	4	**1,453.3**	**1,464.6**	**26.8**	**–**	**1,491.4**
Society						
Assets						
Loans and advances to credit institutions	1	**433.9**	**–**	**433.9**	**–**	**433.9**
Loans and advances to customers	2	**10,571.6**	**–**	**–**	**10,516.3**	**10,516.3**
Debt securities – amortised cost		**11,658.8**	**11,622.3**	**–**	**–**	**11,622.3**
Liabilities						
Shares	3	**52,044.4**	**–**	**51,938.3**	**–**	**51,938.3**
Amounts due to credit institutions		**1,168.9**	**–**	**1,168.9**	**–**	**1,168.9**
Other deposits		**14,039.4**	**–**	**14,039.4**	**–**	**14,039.4**
Debt securities in issue		**5,454.0**	**5,422.8**	**–**	**–**	**5,422.8**
Subordinated liabilities	4	**1,453.3**	**1,464.6**	**26.8**	**–**	**1,491.4**

Introduction Strategic Report Governance Financial Statements Other Information

2023	Notes	Carrying value £m	Fair values Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Group						
Assets						
Loans and advances to credit institutions	1	397.4	–	397.4	–	397.4
Loans and advances to customers	2	46,815.9	–	–	45,298.5	45,298.5
Debt securities – amortised cost		2,339.0	2,332.2	–	–	2,332.2
Liabilities						
Shares	3	47,056.7	–	46,976.7	–	46,976.7
Amounts due to credit institutions		1,886.3	–	1,886.3	–	1,886.3
Other deposits		983.6	–	983.6	–	983.6
Debt securities in issue		4,919.4	4,222.9	693.4	–	4,916.3
Subordinated liabilities	4	1,621.7	1,566.8	32.4	–	1,599.2
Society						
Assets						
Loans and advances to credit institutions	1	208.6	–	208.6	–	208.6
Loans and advances to customers	2	10,920.6	–	–	10,502.6	10,502.6
Debt securities – amortised cost		14,131.4	14,116.2	–	–	14,116.2
Liabilities						
Shares	3	47,056.7	–	46,976.7	–	46,976.7
Amounts due to credit institutions		1,886.3	–	1,886.3	–	1,886.3
Other deposits*		14,662.6	–	14,662.6	–	14,662.6
Debt securities in issue		5,517.6	5,435.0	–	–	5,435.0
Subordinated liabilities	4	1,621.7	1,566.8	32.4	–	1,599.2

* Please refer to *restatement of other deposits and investments* in Note 1 for details of this restatement.

1. The fair values of all cash in hand, balances with the Bank of England and loans and advances to credit institutions have been measured at par as they are all due in under one year.
2. The fair value of loans and advances to customers is assessed as the value of the expected future cash flows. Future cash flows are projected using contractual interest payments, contractual repayments and the expected prepayment behaviour of borrowers. The resulting expected future cash flows are discounted at current market rates to determine fair value.

   For standard variable rate mortgage products, the interest rate on such products is equivalent to a current market product rate and as such the Group considers the fair value of these mortgages to be equal to their carrying value. Fixed rate mortgages have been discounted using current market product rates. The difference between book carrying value and fair value results from market rate volatility relative to the fixed rate at inception of the loan; in addition to assumptions applied in relation to redemption profiles, which are regularly reviewed and updated where necessary.

   As these redemption profiles are not considered to be observable by the market, then the fair value of loans and advances to customers continues to be a Level 3 valuation technique. Overall, the fair value is lower than the carrying value by £585.7 million (2023: £1,517.4 million lower), which arises primarily due to the fair value losses being calculated on a lifetime basis for all mortgage accounts.
3. All the Group's non-derivative financial liabilities are initially recorded at fair value less directly attributable costs and are subsequently measured at amortised cost. The only exception is where an adjustment is made to certain fixed rate shares balances that are in hedging relationships. The fair value of shares and deposits that are available on demand approximates to the carrying value. The fair value of fixed term shares and deposits is determined from the projected future cash flows from those deposits, discounted at the current market rates. In 2024, the estimated fair value of share balances, using a Level 2 method, is lower than the carrying value by £106.1 million (2023: £80.0 million lower).
4. The Society's accounts include some subordinated liabilities classified as level 2 as fair values are calculated using a method based on observable market prices. The fair value of subordinated liabilities, which is a fixed rate product, is lower than the carrying value due to the volatility in market rates over the course of the year.
5. The Society's accounts include investments in controlled entities and amounts owed to subsidiary undertakings, for which the carrying value is deemed a reasonable approximation of fair value.

32. Fair values (continued)

The table below classifies all financial instruments held at fair value on the face of the Group's Balance Sheet according to the method used to establish the fair value.

Group	Fair values Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
2024				
Assets				
Debt securities	**27.6**	**–**	**–**	**27.6**
Debt securities – fair value through OCI	**7,302.6**	**–**	**–**	**7,302.6**
Derivative financial instruments	**–**	**1,466.0**	**0.9**	**1,466.9**
Investments	**–**	**–**	**1.6**	**1.6**
Liabilities				
Derivative financial instruments	**–**	**555.8**	**–**	**555.8**
2023				
Assets				
Debt securities	27.3	–	–	27.3
Debt securities – fair value through OCI	5,195.7	–	–	5,195.7
Derivative financial instruments	–	1,751.9	3.1	1,755.0
Investments	–	–	3.3	3.3
Liabilities				
Derivative financial instruments	–	697.4	–	697.4

The Group's Level 1 portfolio of available for sale debt securities comprises liquid securities for which traded prices are readily available.

Some derivative financial instruments are also included within Level 2 as fair values are derived from discounted cash flow models using yield curves based on observable market data.

Level 3 instruments

Derivative financial instruments within Level 3 are interest rate swaps held in the SPVs. These are valued using similar valuation techniques as Level 2 derivatives, namely present value calculations using interest rate curves, but these valuations are not solely based on market observable data.

The interest rate swap notionals are tracked and projected in line with the underlying mortgage portfolios. The movements in fair value of these instruments related to Level 3 parameters will largely offset across the interest rate swaps as the Group is effectively hedged across these positions. Sensitivity analysis to the individual Level 3 parameters is not disclosed as the Group is not significantly exposed.

Investments classified in Level 3 relate to the Group's holding in equity preference shares. These shares are convertible into common equity shares at various intervals during the life of the instrument. This is based on a conversion factor set by the issuer. The valuation method therefore uses the quoted share price of the unrestricted stock as a base, applies the current estimated conversion factor as advised by the issuer and applies a discount.

This discount reflects the current illiquidity of the instrument and the risks to changes in the conversion factor between the balance sheet date and the next conversion date. Whilst the valuation is primarily based on an observable market price, the level and significance of the unobservable input relating to the calculation of the discount moves this asset into Level 3.

Changes in the carrying value of Level 3 financial instruments in the period relate to the redemption of a derivative financial instrument and changes in fair value. There have been no changes in methodology, additions or transfers in or out of Level 3 in the year.

Fair value through other comprehensive income and hedging reserve

Amounts within the fair value through comprehensive income reserve are transferred to the income statement upon the disposal of debt securities. During the year a gain of £1.1 million (2023: £1.2 million gain) was recognised in net realised gains and losses.

33. Offsetting

In accordance with IAS 32 'Financial Instruments: Presentation' the Society must offset in the financial statements, financial assets and liabilities where there is a legally enforceable right to offset the recognised amounts and there is the intention to settle these amounts on a net basis.

The Group enters into derivative contracts to mitigate various risks, see Note 26 for further details. These derivatives are governed by International Swaps and Derivatives Association (ISDA) master agreements, an agreement is in place with each counterparty the Group transacts derivatives with. These agreements define the terms of how the Group will enter derivative contracts with the counterparty, including any netting arrangements.

In addition to these ISDA agreements the Group has various Credit Support Annexes (CSAs) with counterparties which defines how collateral will be exchanged with a counterparty to mitigate market risk.

The following table shows the impact on the financial statements of these arrangements:

	2024 Gross amounts* £m	Master netting arrangements £m	Financial collateral** £m	Net amount £m	2023 Gross amounts* £m	Master netting arrangements £m	Financial collateral** £m	Net amount £m
Group								
Financial assets								
Derivative financial instruments	**1,466.9**	**(321.6)**	**(1,160.0)**	**(14.7)**	1,755.0	(479.7)	(1,254.5)	20.8
Total financial assets	**1,466.9**	**(321.6)**	**(1,160.0)**	**(14.7)**	1,755.0	(479.7)	(1,254.5)	20.8
Financial liabilities								
Derivative financial instruments	**555.8**	**(321.6)**	**(107.1)**	**127.1**	697.4	(479.7)	(103.5)	114.2
Total financial liabilities	**555.8**	**(321.6)**	**(107.1)**	**127.1**	697.4	(479.7)	(103.5)	114.2
Society								
Financial assets								
Derivative financial instruments	**1,466.0**	**(321.6)**	**(1,160.0)**	**(15.6)**	1,751.9	(479.7)	(1,254.5)	17.7
Total financial assets	**1,466.0**	**(321.6)**	**(1,160.0)**	**(15.6)**	1,751.9	(479.7)	(1,254.5)	17.7
Financial liabilities								
Derivative financial instruments	**429.6**	**(321.6)**	**(107.1)**	**0.9**	584.3	(479.7)	(103.5)	1.1
Total financial liabilities	**429.6**	**(321.6)**	**(107.1)**	**0.9**	584.3	(479.7)	(103.5)	1.1

* As recognised in the balance sheet.
** Collateral is restricted by the value of the related financial asset or liability.

Collateral is received and paid in the form of cash. Where cash is received from counterparties it is included as a liability in amounts owed to credit institutions. Where cash is paid to a counterparty it is recorded as loans and advances to credit institutions. Cash collateral paid and received is not restricted and is returned at the end of the contract.

34. Related parties

Identity of related parties

The Society has related party relationships with its controlled entities, a joint venture, the pension schemes and key management personnel. The Society considers its key management personnel to be its directors.

Contributions to the pension schemes

The Society paid contributions of £23.5 million to the pension schemes (2023: £19.3 million).

Remuneration of and transactions with directors

Full details of directors' remuneration, including the highest paid director, bonuses and pensions are given in the *Directors' Remuneration Report*. In addition, past directors' pensions in respect of services as directors from the closed scheme amounted to £25,313 (2023: £24,345).

None of the directors of the Society had any equity interest in, or loans to or from, any subsidiary of the Society at any time during the financial year.

A register containing details of loans, transactions and arrangements between the Society and its directors and connected persons is maintained at the head office of the Society. A statement containing the details of this register for 2024 will be available for inspection at the head office by members for a period of 15 days up to and including the date of the Annual General Meeting.

Key management personnel compensation

The directors of the Society are considered to be the key management personnel as defined by IAS 24 *Related Party Disclosures*. Total key management personnel compensations was as follows:

	2024 **£000**	2023 £000
Short-term employee benefits*	**4,788.5**	6,286.5
Post-employment benefits	**173.0**	162.0
Total key management personnel compensation	**4,961.5**	6,448.5

* Includes bonus of £1.4 million for the year.

Key management compensation in 2024 includes amounts paid to key management personnel who both retired and joined the Society during 2024. The number of key management personnel at 31 December 2024 totalled 12 (31 December 2023: 12).

Introduction Strategic Report Governance Financial Statements Other Information

Transactions with key management personnel

Key management personnel and their close family members have undertaken the following transactions with the Society under normal business terms.

	2024		2023	
	No. of key management personnel	**Amounts in respect of key management personnel and their close family £000**	No. of key management personnel	Amounts in respect of key management personnel and their close family £000
Deposit accounts and investments				
At 1 January	**12**	**1,136.6**	9	1,462.5
Net movements in the year	**–**	**211.2**	3	(325.9)
At 31 December	**12**	**1,347.8**	12	1,136.6

There were £nil mortgage loan transactions or balances key management personnel and their close family members in 2024 (2023: £nil).

Amounts relating to directors who joined or left during the year are included in net movement in the year.

Mortgage loans made to key management personnel and their close family members were granted in the ordinary course of business and are subject to repayment under normal lending terms. The maximum outstanding balances during the year 2024 were £nil (2023: £nil).

Amounts deposited by key management personnel and their close family members earn interest at the same rates offered to the public.

Key management personnel and their close family members paid interest totalling £nil (2023: £nil), received interest totalling £40,846.87 (2023: £27,054.53), and paid no fees and commissions during the year 2024. Interest paid includes amounts relating to 'offset' mortgages where savings balances are used to reduce the interest-bearing balance of mortgage loans.

34. Related parties (continued)

Transactions with controlled entities

The Society transacts with its controlled entities in the form of intra-group loans and equity shareholdings in the normal course of business. The value of related party transactions and outstanding balances at the year end for the financial year are as follows:

	Shares in subsidiaries £m	Loans to controlled entities as restated £m	Deposits from controlled entities £m
At 1 January 2024 (as restated)	**104.9**	**37,936.8**	**(13,672.3)**
Net movements	**(0.9)**	**3,390.6**	**871.6**
At 31 December 2024	**104.0**	**41,327.4**	**(12,800.7)**
At 1 January 2023	104.9	36,075.0	(15,137.3)
Net movements	–	1,861.8*	1,465.0
At 31 December 2023	104.9	37,936.8	(13,672.3)

The value of related party transactions income and expense for the financial year is as follows:

	2024 £m	Restated 2023 £m
Interest revenue on loans**	**1,749.3**	1,372.4
Interest expense on deposits**	**(1,195.9)**	1,205.5
Fees and expenses revenue	**101.1**	87.6
Fees and expenses expense	**–**	–
Dividends received	**75.0**	50.0

* Please refer to restatement of other deposits in Note 1 for details of this restatement.
** This includes £35.6 million (2023: £23.4 million) charged by Accord to the Society in lieu of interest receivable on mortgage offset accounts recognised in Accord's financial statement. This was due to the interest offset in respect of interest due on savings accounts held by the Society.

Other

The Society had a joint-venture investment in Arkose Funding Limited, which entered liquidation on 24 September 2024. In 2014, a loan of £4.0 million to Arkose Funding Limited was fully impaired. The carrying value of the investment at 31 December 2024 is £nil (2023: £nil).

35. Notes to the cash flow statements

	Group **2024 £m**	Group 2023 £m	Society **2024 £m**	Society 2023 £m
Non-cash or non-operating items included in profit before tax:				
Depreciation and amortisation	**23.7**	20.4	**23.7**	20.4
Loss/(profit) on sale of assets	**–**	0.3	**–**	0.3
Interest on subordinated liabilities	**76.7**	51.5	**76.7**	51.5
Impairment charge/(release) for the year	**0.2**	4.0	**(2.0)**	–
Provision (release)/charge for the year	**1.3**	(0.6)	**1.3**	(0.6)
Non-cash movements on subordinated liabilities	**(25.8)**	73.0	**(25.8)**	73.0
Loss/(gain) on realisation of debt securities	**1.5**	(1.6)	**1.5**	(1.6)
Non-cash or non-operating items included in profit before tax	**77.6**	147.0	**75.4**	143.0
(Increase)/decrease in operating assets:				
Loans and advances to credit institutions	**–**	–	**–**	–
Change in loans and advances to customers and related fair value adjustments for hedged risk, excluding impairment	**(3,050.6)**	(2,509.0)	**190.2**	(574.5)
Investments	**–**	(0.5)	**(3,389.7)**	(1,722.8)
Derivative financial assets	**297.3**	588.3	**295.1**	558.6
Decrease/(increase) in cash ratio deposit, other assets and non-OCI element of retirement benefit surplus	**176.0**	(16.0)	**194.9**	(182.1)*
Net increase in operating assets	**(2,577.3)**	(1,937.2)	**(2,709.5)**	(1,920.8)*
Increase/(decrease) in operating liabilities:				
Shares and related fair value adjustments for hedged risk	**4,988.7**	5,048.5	**4,988.7**	5,048.5
Amounts owed to credit institutions	**(717.4)**	(3,274.6)	**(717.4)**	(3,274.6)
Non cash movements on debt securities	**(14.3)**	84.6	**(63.1)**	23.1
Other deposits	**213.2**	(154.5)	**(623.2)**	(1,616.6)*
Derivative financial liabilities	**(141.6)**	31.1	**(154.7)**	77.3
Cash movements in other liabilities and provisions	**5.9**	9.6	**(14.3)**	25.2
Net increase in operating liabilities	**4,334.5**	1,744.7	**3,416.0**	282.9*

* Net increase in operating assets and operating liabilities for the Society have been restated to correct the recognition of savings accounts in relation to the Accord offset mortgage product. Please refer to Note 1 for details.
- Other assets within "net increase in operating assets" has increased by £139.5 million from £42.6 million to £182.1 million.
- Other deposits within "net increase in operating liabilities" has decreased by £139.5 million from £1,756.1 million to £1,616.6 million.

35. Notes to the cash flow statements (continued)

The following table reconciles liabilities arising from financing activities.

Liabilities from financing activities	Brought forward	Cash flows Redemption	Issue	Non-cash changes caused by: Foreign exchange	Accrued interest	Fair value and other movements	Carried forward
	£m	£m	£m	£m	£m	£m	£m
2024 – Group	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Debt securities in issue	4,919.4	**(1,429.4)**	**1,543.6**	**(104.7)**	**5.9**	**84.5**	**5,019.3**
Subordinated liabilities	1,621.7	**(142.6)**	**–**	**–**	**(3.0)**	**(22.8)**	**1,453.3**
Total	6,541.1	**(1,572.0)**	**1,543.6**	**(104.7)**	**2.9**	**61.7**	**6,472.6**
2023 – Group							
Debt securities in issue	5,259.3	(1,423.7)	999.2	(58.6)	3.4	139.8	4,919.4
Subordinated liabilities	1,035.1	(136.4)	650.0	–	6.6	66.4	1,621.7
Total	6,294.4	(1,560.1)	1,649.2	(58.6)	10.0	206.2	6,541.1
2024 – Society							
Debt securities in issue	5,517.6	**(1,194.1)**	**1,193.6**	**(104.6)**	**6.5**	**35.0**	**5,454.0**
Subordinated liabilities	1,621.7	**(142.6)**	**–**	**–**	**(3.0)**	**(22.8)**	**1,453.3**
Total	7,139.3	**(1,336.7)**	**1,193.6**	**(104.6)**	**3.5**	**12.2**	**6,907.3**
2023 – Society							
Debt securities in issue	6,153.4	(1,165.4)	506.5	(52.1)	1.7	73.5	5,517.6
Subordinated liabilities	1,035.1	(136.4)	650.0	–	6.6	66.4	1,621.7
Total	7,188.5	(1,301.8)	1,156.5	(52.1)	8.3	139.9	7,139.3

36. Non-adjusting post balance sheet events

In January 2025, Yorkshire Building Society issued a 5 year Euro Covered Bond of €600 million. The bond will mature on 28 January 2030.

OTHER INFORMATION

ANNUAL BUSINESS STATEMENT

1. Statutory percentages

	2024 %	2023 %	Statutory limit %
Lending limit	**6.2**	6.4	25.0
Funding limit	**12.4**	14.2	50.0

The above percentages have been calculated in accordance with the provisions of the *Building Societies Act 1986.*

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.

The statutory limits are as laid down under the *Building Societies Act 1986* and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its members.

2. Other percentages

	2024 %	2023 %
As a percentage of shares and borrowings		
Gross capital	**9.13**	9.70
Free capital	**8.92**	9.46
Liquid assets	**24.60**	23.34
Profit after taxation for the financial year as a percentage of mean total assets	**0.45**	0.55
Management expenses as a percentage of mean total assets	**0.58**	0.56

The above percentages have been prepared from the Group financial statements and further details on the above percentages can be found in the *Glossary*.

Introduction | Strategic Report | Governance | Financial Statements | Other Information

3. Information relating to the directors at 31 December 2024

Director name and date of birth	Business occupation	Date of appointment	Other Directorships
A V F Durbin, BComm LLB MSc 9 October 1963	Chair of the Board	18 December 2023	Persimmon Plc Petershill Partners Plc
S M Allen, OBE, BA Hons (Econ) ACIB ACT 1 September 1966	Chief Executive	2 March 2023	Alzheimer's Society TheCityUK
G L T Bainbridge, MA (Cantab), ACA 13 September 1960	Non-Executive Director	1 January 2019	ICE Clear Europe Limited Manulife Financial Corporation The Manufacturers Life Insurance Company 71-72 Oakley Street Limited
P D Bole, MA Chartered Accountant 16 October 1969	Non-Executive Director	1 September 2024	esure Group Plc esure Broker Limited esure Finance Limited esure Holdings Limited esure Insurance Limited esure Property Limited esure Services Limited
A J Darlington, BSC FIA 7 May 1968	Non-Executive Director	26 April 2022	Rothesay Life Plc Rothesay Limited
D J Davies, BA (Hons) 8 February 1963	Non-Executive Director	26 July 2023	AXA UK Plc AXA PPP Healthcare Limited AXA Insurance UK Plc Intrum AB (Sweden)
A E Hutchinson, CBE, BSc* 5 February 1967	Charity Chief Executive	4 February 2015	DFS Furniture Plc Foresight Group Holdings Limited Your Penny Limited
D Matta, BSc, BA 15 May 1962	Non-Executive Director	27 April 2021	Fat Fractal Inc
M A Parsons, BA, FCMA 24 October 1961	Non-Executive Director	20 October 2020	Fairstone Capital Group Limited Fairstone Private Wealth Limited
J E Pope BSc Econ, MSc Economics, MBA 2 September 1960	Non-Executive Director	29 October 2024	CAF Bank Limited Foundation for Credit Counselling
T A Ranger BA Hons 20 November 1977	Chief Financial Officer and Executive Director	18 June 2024	Accord Mortgages Limited
J L Tilling, BBus, BA* 19 June 1969	Non-Executive Director	1 November 2021	Marketing with Insight Limited Guide Dogs for the Blind Association (The)

* Stepped down from the Board on 31 December 2024.

Mr T A Ranger entered into a contract on 15 February 2024 and was appointed to the Board on 18 June 2024 and his mutual contractual notice period is 12 months.

Ms Allen entered into a contract on 5 August 2022 and was appointed to the Board on 2 March 2023 and her mutual contractual notice period is 12 months.

Documents may be served on the above named directors: Ref. 'Yorkshire Building Society' c/o PricewaterhouseCoopers LLP at the following address: Central Square, 29 Wellington Street, Leeds, LS1 4DL.

4. Registered office

Yorkshire Building Society is a building society incorporated and domiciled in the United Kingdom. The address of the principal office is Yorkshire House, Yorkshire Drive, Bradford, BD5 8LJ.

COUNTRY-BY-COUNTRY REPORT

Disclosure requirements under CRD IV country-by-country reporting

We are required to disclose the following information in our Annual Report and Accounts to comply with the Regulations of Article 89 of the Capital Requirements Directive IV (CRD IV) country-by-country reporting (CBCR).

This regulation requires us to disclose financial information by country. Yorkshire Building Society has a number of subsidiaries; these can be found in Note 8 to these financial statements.

All the activities of Yorkshire Building Society and its subsidiaries (together, 'the Group') are conducted in the United Kingdom.

Country	Nature of activities	Number of employees (average full time equivalent)	Turnover (Note i) £m	Profit before tax £m	Corporation tax paid £m
United Kingdom	Provision of financial services	3,540	751.8	383.7	80.6

i) Turnover represents 'total income' on the Group's income statement as disclosed in the Group's Annual Report and Accounts.

No public subsidies were received by the Group in 2024.

Basis of preparation

The Group's CBCR disclosure has been prepared to comply with the Regulations. The requirements place certain reporting obligations on financial institutions that are within the scope of CRD IV. CBCR requires annual publication of certain statutory information on a consolidated basis, by country, where an institution has a subsidiary or branch.

The CBCR disclosure has been prepared solely to comply with the requirements of the Regulations and may not be relied on for any other purpose.

Full-time equivalent employees

The figures disclosed above represent the average number of FTE's all of which were employed in the UK.

Turnover and Profit before tax

Turnover and profit before tax are compiled from the Yorkshire Building Society Group consolidated financial statements for the year ended 31 December 2024, which are prepared in accordance with IFRS.

Corporation tax paid

Corporation tax paid represents the net cash taxes paid during 2024. Corporation tax paid is reported on a cash basis and will normally differ from the tax expenses recorded for accounting purposes due to:

Timing differences in the accrual of the tax charge

Brought forward losses from previous years

Other differences between when income and expenses are accounted for under IFRS and when they become taxable.

Introduction Strategic Report Governance Financial Statements Other Information

Independent auditors' report to the directors of Yorkshire Building Society

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

Opinion

In our opinion, Yorkshire 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 listed 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 country-by-country report 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:

- performing a risk assessment to identify factors that could impact the going concern basis of accounting, including the current and forecast financial performance;
- understanding and evaluating management's going concern assessment, including consideration of the impact of current economic environment;
- understanding and evaluating management's forecasts and the stress testing of liquidity and regulatory capital performed by management;
- evaluating management's ability to accurately forecast financial performance by comparing budgeted financial information with historical actual results; and
- reviewing regulatory correspondence, and relevant reports provided to governance forums.

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 in the country-by-country information, and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

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

Independent auditors' report (continued)

Responsibilities for the country-by-country information and the audit (continued)

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 and the industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority's ('FCA') regulations, the Prudential Regulation Authority's ('PRA') 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 the posting of inappropriate manual journal entries that could be used to manipulate financial performance and the potential for management bias in accounting estimates.

Audit procedures performed included:

- Review of correspondence with the PRA, FCA and HMRC;
- Challenging estimates and judgements made by management in forming significant accounting estimates;
- Identifying and testing journals that meet the higher risk criteria;
- Incorporation of an element of unpredictability in our testing through altering the nature, timing and/or extent of work performed;
- Discussions with management and those charged with governance in relation to known or suspected instances of noncompliance with laws and regulation; and
- Review of internal audit reports in so far as they related to the country-by-country information.

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

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

Use of this report

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

The engagement partner responsible for this audit is Michael Whyte

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

26 February 2025

GLOSSARY

The following glossary defines terminology used within the Annual Report and Accounts:

Additional Tier 1 (AT1) capital	Capital that meets certain criteria set out in CRD IV. In particular, the criteria require that upon the occurrence of a trigger event, the AT1 capital instrument converts to a form of Common Equity Tier 1 capital or the principal is written down on a permanent basis.
Arrears	Amounts unpaid at their contractual date. A customer is in arrears when they fall behind in meeting their obligations to pay their mortgage.
Buy-to-let (BTL) mortgages	Lending on property that is rented out to individuals.
Capital Requirements Directive (CRD) & Capital Requirements Regulation	European legislation that defines the regulatory capital framework in the UK. The latest legislation – the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) (together commonly referred to as CRD IV) came into effect from 1 January 2014.
Collateral (for loans and advances to customers)	Security (property) pledged for the repayment of a loan. Collateral is valued as the lower of the value of the property or the outstanding loan amount.
Commercial lending	Secured loans to a commercial borrower.
Common Equity Tier 1 (CET1) capital	The highest quality regulatory capital resources, comprising retained earnings less regulatory adjustments, as defined under CRD IV. Equivalent to Core Tier 1 defined under previous CRD legislation.
Contractual maturity	The final payment date of a loan or financial instrument, at which all the outstanding loan and interest is repayable.
Council of Mortgage Lenders (CML)	A not-for-profit organisation and trade association for the mortgage lending industry.
Covered bonds	A type of wholesale funding backed by cash flows from mortgages that are segregated from the issuer's other assets to be solely for the benefit of the holders of the covered bonds.
Credit Valuation Adjustment (CVA)	The risk of financial loss arising from a failure of a customer or counterparty to settle their financial and contractual obligations as they fall due. These are adjustments applied to the fair values of derivatives to reflect the creditworthiness of the counterparty.
Cross currency interest rate swap	An arrangement in which two parties exchange equivalent principal amounts of different currencies at inception and subsequently exchange interest payments on the principal amounts. At the maturity of the swap, the principal amounts are re-exchanged at the original rates.
Currency risk	The exposure to risk from assets and liabilities denominated in currencies other than Sterling.
Debt securities in issue	Transferable certificates of indebtedness including certificates of deposits and fixed and floating rate notes.
Debit Valuation Adjustment (DVA)	These are adjustments applied to the fair values of derivatives to reflect the entity's own credit risk.
Defined Benefit Obligation	The present value of expected future benefit payments resulting from past service of employees in the defined benefit pension plan.
Derivative financial instruments	Contracts or agreements whose value is derived from one or more underlying prices, rates or indices inherent in the contract or agreement, such as interest rates, exchange rates or stock market indices. Examples of derivatives include interest rate swaps, forward rate agreements and futures.
Effective interest rate	The method used to calculate the amortised cost of financial instruments and to recognise interest receivable or payable over the relevant period. The effective interest rate is the rate that exactly discounts estimated cash flows (excluding credit losses) to zero, through the expected life of the instrument.
Encumbered assets	Assets on the balance sheet which are pledged in order to secure, collateralise or credit-enhance a financial transaction from which they cannot be freely withdrawn.
Expected credit losses	An estimate of the potential losses on current exposures due to potential defaults.

Other Information > **Glossary**

Exposure	The maximum loss that a financial institution might suffer if a borrower or counterparty fails to meet its obligations to the Group.
Exposure at default (EAD)	An estimation of the amount of exposure that will be outstanding at the time of default.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.
Financial Conduct Authority (FCA)	The UK conduct regulator which is responsible for regulation of conduct in retail, as well as wholesale, financial markets and the infrastructure that supports those markets. The FCA's objective is to protect consumers, promote competition and enhance market integrity.
Forbearance	The Group grants concessions to assist borrowers who experience difficulties in meeting their obligations to pay their mortgage. Examples of forbearance tools are described in Note 31.
Free capital	The aggregate of gross capital and collective impairment provision less property, plant and equipment, intangible assets and investment properties.
Gross capital	The aggregate of general reserve, hedging reserve, available for sale reserve, subordinated liabilities and subscribed capital.
High Quality Liquid Assets (HQLA)	Assets which can be easily and immediately converted into cash at little or no loss of value.
Impaired loans	Loans which have been assessed and there is evidence to suggest a measurable decrease in the present value of cash flows expected from the loans that have occurred after initial recognition of the asset, but before the balance sheet date.
Internal Liquidity Adequacy Assessment Process (ILAAP)	The Group's internal assessment of the levels of liquidity that need to be held by the Society to meet its regulatory liquidity requirements.
Interest rate swap	An arrangement under which two counterparties agree to exchange periodic interest payments based on a predetermined notional principal amount.
Internal Capital Adequacy Assessment Process (ICAAP)	The Group's internal assessment of the levels of capital that need to be held by the Society to meet its regulatory capital requirements.
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).
Liquidity Coverage Ratio (LCR)	A liquidity metric which aims to ensure that a firm maintains an adequate level of liquidity to meet its needs for a 30 calendar day time horizon under a severe stress scenario.
Liquid assets	The total of cash in hand and balances with the Bank of England, loans and advances to credit institutions, debt securities and other liquid assets.
Liquidity risk	The risk that the Group does not hold sufficient liquidity, in terms of quantity and quality, to meet its liabilities as they fall due.
Loan-to-value (LTV)	A ratio showing outstanding loan balance as a percentage of the value of the security.
Loss given default (LGD)	An estimate of the difference between exposure at default (EAD) and the net amount of the expected recovery expressed as a percentage of EAD.
Management expenses	The aggregate of administrative expenses, depreciation and amortisation.
Market Risk	The risk that the value of, or income derived from, the Group's assets and liabilities changes unfavourably due to movements in interest rates or foreign currency rates.
Mean total assets	The amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
Medium-term notes	Corporate notes continuously offered by a company to investors through a dealer. Investors can choose from differing maturities.

Introduction Strategic Report Governance Financial Statements Other Information

Member	A person who has a share account or a mortgage loan with the Society.
Minimum Requirement for Eligible Liabilities (MREL)	The minimum requirements a financial institution must hold to meet the loss absorption and recapitalisation components if an institution were to fail.
Net interest income	The difference between the interest received on assets and the interest paid on liabilities.
Net interest margin	The ratio of net interest income as a percentage of mean total assets.
Operational risk	The risk of direct and indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.
Other income	The income received from selling non-mortgage and savings products (e.g. home and contents insurance, investment products and other insurances).
PRA Remuneration Code	Guidance provided by the PRA on directors' remuneration.
Probability of default (PD)	An estimate of the probability that a borrower will default on their credit obligations.
Prudential Regulation Authority (PRA)	The UK prudential regulator, which is a part of the Bank of England and alongside the FCA has responsibility for the oversight of building societies, banks and insurers. The PRA's objective is to promote the safety and soundness of regulated firms.
Repossessions	Property taken into ownership by the Society as a result of the borrower's failure to make contractual loan repayments.
Residential Mortgage Backed Securities (RMBS)	An asset backed security that represents a claim on the cash flows from residential mortgage loans through a process known as securitisation.
Risk appetite	The level of risk that the Group is willing to take (or not take) in order to safeguard the interests of members whilst achieving business objectives.
Risk weighted assets	A regulatory measure that adjusts the value of assets to reflect their level of risk when calculating capital requirements.
Securitisation	A process by which a group of assets, usually loans, are aggregated into a pool which is used to back the issuance of debt securities in issue. A firm transfers these assets to a special purpose vehicle which then issues securities backed by the assets. The Group has established securitisation structures as part of its funding activities and uses residential mortgages as the asset pool.
Shares	Money deposited by members in a retail savings account with the Society and held as a liability in the balance sheet.
Shares and borrowings	The total of shares, amounts owed to credit institutions, amounts owed to other customers and debt securities in issue.
SONIA (Sterling Overnight Interbank Average)	An index that tracks actual market overnight funding rates calculated as a weighted average overnight deposit rate for each business day.
Subordinated liabilities	Tier 2 capital that is subordinated to the claims of all depositors, creditors and members holding shares in the Society (other than holders of PIBS).
Term Funding Scheme with additional incentives for small and medium sized entities (TFSME)	A scheme launched by the Bank of England designed to boost lending to households and businesses by providing term funding to banks and building societies participating in the scheme at rates close to Bank Rate.
Tier 1 (T1) capital	The sum total of Common Equity Tier 1 and Additional Tier 1 capital.
Tier 1 capital ratio	The ratio of Tier 1 capital to risk weighted assets.
Tier 2 capital	A measure of regulatory capital that includes subordinated liabilities and provisions for collective impairment, less regulatory adjustments.

Other Information > **Glossary**

Total capital	The total capital resources, including retained earnings, PIBS and subordinated liabilities, less regulatory adjustments.
Total capital ratio	The ratio of total capital to risk weighted assets.
UK Corporate Governance Code	The UK Corporate Governance Code (the Code), first published by the Financial Reporting Council in October 2012 which sets out standards of good practice in relation to Board leadership and effectiveness, accountability and remuneration. Reporting in relation to these accounts is based on the version of the Code published in July 2018 which applies for the 2024 financial year (with the most recent Code published in January 2024 beginning to apply from accounting years after 1 January 2025, with the exception of Provision 29 which will apply from January 2026)
Value at Risk (VaR)	A risk management tool which evaluates the potential losses that may be incurred as a result of movements in market conditions over a specified holding period and to a given level of confidence.
Watch list	The watch list is used by the commercial lending team to flag those loans where there are circumstances which could impact on the quality and safety of the loan.
Wholesale funding	The funding that is available between banks and other financial or commercial institutions. Examples of wholesale funding include covered bonds, deposits and government guarantees.

Introduction Strategic Report Governance Financial Statements Other Information

The following glossary defines Alternative Performance Measures (APM) used within the Annual Report and Accounts:

APM	Calculation of Measure	Reconciling items to statutory measure	Definition and purpose
Income Statement measures			
Core operating profit	Profit before tax adjusted for one-off items.	A full reconciliation between profit before tax as shown in the income statement and core operating profit is shown in the *Strategic Report.*	Core operating profit excludes items such as fair value volatility and material one-time charges that do not reflect the Group's day-to-day activities. Our Board considers core operating profit to be a more appropriate measure of the underlying performance of the business and this is how financial performance is reported to and assessed by the Board.
Cost to core income ratio	Management expenses as a percentage of core income.	Management expenses = administrative expenses plus depreciation and amortisation per the income statement. Core income = total income less gains/(losses) from financial instruments held at fair value per the income statement.	This is a measure of the Group's costs in relation to its income excluding fair value volatility. This is used by the Group to monitor and manage its overall cost position and understand how efficient the Group is at generating income on an underlying basis.
Cost to income ratio	Management expenses as a percentage of total income.	Management expenses = administrative expenses plus depreciation and amortisation per the income statement. Total income as per the income statement.	This is an industry-standard measure of the Group's costs in relation to its income. This is used by the Group to monitor and manage its overall cost position and understand how efficient the Group is at generating income.
Management expense ratio	Management expenses (the aggregate of administrative expenses, depreciation and amortisation) as a percentage of mean total assets.	Administrative expenses and depreciation and amortisation (management expenses) are as shown in the income statements. Mean total assets are calculated by taking the average of the value of the opening balance for the year and the value of the closing balance, as shown in the balance sheets.	This is an industry-standard ratio of the Group's costs as a proportion of its mean assets during the year, and is used to measure how efficient the Group is at maintaining its asset base.
Net interest margin	Net interest income as a percentage of mean total assets.	Net interest income is as shown in the income statements. Mean total assets are calculated by taking the average of the value of the opening balance for the year and the value of the closing balance, as shown in the balance sheets.	This is an industry-standard measure of the relationship between net interest income (the difference between the interest received on assets and the interest paid on liabilities) and assets. This is a key measure used by the Board to monitor how the Group manages income from its assets and interest paid on funding.
Balance Sheet items			
Asset growth	Total assets at the end of the year less total assets at the start of the year.	Total assets are as shown in the balance sheets.	Movement in total asset over the period.
Average savings rate differential	None	Not applicable	Calculates the average savings rate applied to the Group's savings accounts during the period versus the average UK savings interest rates for the rest of the market, based on savings stock from CACI's Current Account and Savings Database (CSDB), based on stock value. This is used to assess how much the Group is paying out in interest in comparison to peers.
Gross lending	None	Not applicable	The total value of mortgage loans advanced by the Group in the period, including loans for house purchase, further advances, re-mortgages etc.

Other Information > **Glossary**

APM	Calculation of Measure	Reconciling items to statutory measure	Definition and purpose
Lending to first time buyers	None	Not applicable	The total value of mortgage loans advanced by the Group in the period to first time home buyers. This measure displays how the Group is helping people overcome the challenge of buying their first property.
Liquidity ratio	Cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities as a percentage of shares and borrowings.	Cash in hand, balances with the Bank of England, loans and advances to credit institutions, debt securities, and shares are as shown in the balance sheets. Borrowings comprise amounts owed to credit institutions, other deposits and debt securities in issue, also as shown in the balance sheets.	The liquidity ratio measures those assets available to meet requests by savers to withdraw their money, to fund mortgage advances and to fund general business activities. It expresses cash and assets easily converted into cash as a percentage of the Group's liabilities to investors.
Loan to deposit ratio	Loans and advances to customers as a percentage of shares and other retail customer deposits.	Not applicable	This is an industry-standard measure of the relationship between Loans and advances to customers and retail customer deposits.
Mortgages funded by retail savings and retained profits	Shares and total reserves as a percentage of loans and advances to customers.	Shares, total reserves and loans and advances to customers are as shown in the balance sheets.	The retail savings and reserves to mortgages ratio shows the extent to which the Group is dependent on financing from the wholesale markets.
Mortgage balance growth	Loans and advances to customers at the end of the year less loans and advances to customers at the start of the year.	Loans and advances to customers are as shown in the balance sheets.	Movement in mortgage balances including impairment provisions and fair value accounting adjustments over the period.
Net lending	Loans and advances to customers at the end of the year less loans and advances to customers at the start of the year, excluding movements in provisions and accounting adjustments detailed in Note 12.	Mortgage growth less movements in provisions and accounting adjustments detailed in Note 12.	Net lending represents gross lending less repayment of principal and redemptions and is a key measure to monitor the Group's overall lending performance. This measures our effectiveness in both new mortgage lending and in retaining borrowers.
Number of accounts more than three months in arrears	None	Not applicable	The number of mortgage accounts where the amount of arrears is greater than three monthly payments, or the account is in possession, as a proportion of the total number of mortgage accounts. The industry average for mortgage arrears is measured as the number of accounts more than three months in arrears (including possessions). We produce this KPI to assess how our level of mortgage arrears compares to the market.
Percentage of outstanding retail mortgage balances in arrears by three months or more	None	Not applicable	The percentage of mortgage account balances where the amount of arrears is equal to or greater than three monthly payments, or the account is in possession, as a proportion of the entire mortgage book. This measures the overall quality of our mortgage book.
Retail Savings balance growth	Shares at the end of the year less shares at the start of the year.	Shares are as shown in the balance sheets.	Movement in overall savings balances over the period, including capitalised interest and accounting adjustments.
Savings inflow/ outflow	None	Not applicable	Displays the cash in/out of savings accounts held, excluding capitalised interest. The Group uses this to monitor its main funding source throughout the year.

Introduction Strategic Report Governance Financial Statements Other Information

APM	Calculation of Measure	Reconciling items to statutory measure	Definition and purpose
Share of the gross mortgage market	None	Not applicable	Displays the Group's total gross lending as a percentage of the gross lending in the UK housing market by banks, building societies and other lenders as measured by the Council of Mortgage Lenders (CML), which represents 97% of the UK mortgage market. From 1 July 2017 the Council of Mortgage Lenders integrated into a new trade association, UK Finance.
Regulatory Measures			
Common Equity Tier 1 (CET1) capital ratio	None	Common equity tier 1 capital ratio is defined as a percentage of risk weighted assets.	This ratio represents the relationship between the strongest form of capital (primarily accumulated profits that have built up over time) and assets, weighted by the level of risk they carry. It is a regulatory-defined ratio whose purpose is to ensure that institutions are able to absorb unexpected losses. It is a key measure of financial sustainability.
Leverage ratio	Reserves as a percentage of total assets.	Leverage ratio measures the Society's Tier 1 capital as a percentage of total assets adjusted for certain off-balance sheet exposures. The CRR leverage ratio is defined by the EU's Capital Requirements Regulation, while the UK leverage ratio modifies this ratio to exclude Central Bank reserves.	The leverage ratio is also a regulatory-defined ratio used to assess capital adequacy, but removes the risk-weighting element of assets. It is therefore a more simplified measure of financial sustainability.
Total capital ratio	None	Total capital ratio is defined as a percentage of risk weighted assets.	This measure is used to assess the total amount of capital the Group retains compared to its risk weighted assets, hence it includes externally issued capital. It is also defined by the regulatory authorities.
Non-financial measures			
Absenteeism	None	Not applicable	This indicator is for measuring the average absenteeism rate, as a % of the total working days. This KPI can be an indicator of colleague motivation as a high absence rate may indicate poor motivation and engagement.
Colleague engagement score	None	Not applicable	Our annual colleague engagement survey is used to calculate an engagement score which helps to understand our people's needs and what will lead to their enjoyment and commitment in work.
Net Promoter Score (NPS)	None	Not applicable	NPS is a measure of how willing customers are to recommend the Group to others. It measures the difference between the percentage of 'promoters' (those willing to recommend the Group to others) and 'detractors' (those unwilling to recommend the Group). The score can range from -100 if all customers are 'detractors' to +100 if all customers are 'promoters'. The Group uses this as a key measure of customer satisfaction with our products and service.
Peakon survey result	None	Not applicable	This is an external benchmarking exercise conducted by Peakon, involving an employee survey and a culture audit. The Group uses this measure to understand how successful we are at delivering our vision as a workplace where our people can give their best and thrive. This is monitored annually and reported to the Board as a colleague engagement measure.

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements, which are made in good faith based on the information available up to the time of the approval of this report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Introduction Strategic Report Governance Financial Statements Other Information

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