Interim Financial Report

30 June 2022

Leeds Building Society

2022: Our performance so far

Gross residential lending of

£2.5bn
(H1 2021: £2.0bn)

We helped **23,000** more people have the home they want

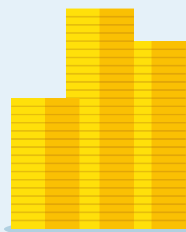
Total assets of

£24.1bn
(Dec 2021: £22.5bn)

Savings balances

£16.4bn
(Dec 2021: £15.3bn)

We helped **41,000** more people save for their future



Paid an average interest rate of

0.73%
to our savers
compared to the rest of the market average of **0.28%**[1]

Profit before tax

£146.5m
(H1 2021: £70.3m)

Common Equity Tier 1 Capital[2]

33.3%
(Dec 2021: 38.0%)

Reserves available to protect us from future problems

Member satisfaction[3]

92%
(2021: 93%)

We have an ongoing commitment to be customer focused in everything we do

We've donated

£755,000
to good causes in 18 months

Over half way to our target of £1.5 million by 2025

1. CACI's CSDB, Stock, May 2021 to April 2022, latest data available. **2.** Common Equity Tier 1 ratio reduced due to regulatory change in calculation of capital requirements (see page 11). **3.** Overall member satisfaction in a survey of 1,637 members from January to June 2022.

Chief Executive Officer's Review

Leeds Building Society has delivered a strong performance in the first half of 2022, breaking records for the number of people we've helped into their homes.

We have built on our 2021 performance, with gross lending climbing to £2.5 billion (six months to June 2021: £2.0 billion) and net lending rising to £1.2 billion (six months to June 2021: £0.6 billion), both record half-year amounts for the Society.

Nine of our ten biggest days for lending applications ever occurred during the first six months of this year leading to our highest number of completions in the first half of a year. Our total membership grew to 815,000, including the 9,000 new members who chose the Society when deciding to buy their first home.

Our lending growth was supported by a corresponding rise in savings balances, with the increase topping £1 billion, taking total savings balances to £16.4 billion (31 December 2021: £15.3 billion).

Being mindful of our roots as a mutual, we've reaffirmed our purpose – to put home ownership within reach of more people – and future generations of first-time buyers are integral to our plans. To successfully deliver on that purpose means ensuring we offer a competitive savings range. We've consistently paid above the market average rate – which equates to an extra £66.3 million[1] in our savings members' pockets – and our fixed rate products have been a notable strength, appealing to new and existing savers alike.

The value that we give to savers is especially important during a cost of living crisis and we have also been considerate of the challenges facing our borrowers too. While the Bank of England Base Rate increased four times during the first half of the year, we raised our variable savings rates on each occasion but only raised our standard variable mortgage rate (SVR) once.

I'm proud we were able to attract so many new members but acknowledge the elevated demand for our savings products led to some long waiting times for callers. We didn't always meet the high standards of service we strive for but I'm pleased that we've taken steps to address this and the situation has now returned to normal.

Work is ongoing to increase online functionality and capacity for savings members and this remains a key focus over the coming months to ensure our savings processes are simpler and quicker to use. This should deliver benefits like those seen since upgrading our mortgage systems – Mortgage Hub, our online mortgage platform, is now capable of processing applications from intermediaries in as little as 11 seconds and further enhancements are planned.

Our ambitious multi-year IT transformation is progressing to plan and on budget and during the first six months of 2022 we successfully completed the transfer of our data centres, boosting our resilience and security, both of which must be priorities for any financial services provider. Our investment this year also includes improvements and refurbishment across our 50-strong national network of branches, as part of a commitment to face-to-face service where this is sustainable.

We've continued to recruit, creating a further 65 skilled jobs, such as adding to the varied and specialist IT skills within the Society. One in five of our colleagues now works in a 'tech' role and we are successfully trialling hybrid working to make effective use of our energy-efficient new head office in Leeds city centre.

Developing and future-proofing our operations helps us to carry on doing what we do best, meeting consumer need with product innovation, such as launching mortgages that incentivise greener homes. We have also taken significant steps in reaching net zero as a business and supporting our stakeholders to do the same. Having already reached carbon neutral status on scope 1 and 2 emissions and business travel, we are now assessing our scope 3 emissions to help us reduce our indirect impact on the environment.

Our strong lending performance in the first half of the year delivered profit before tax of £146.5 million (six months to June 2021: £70.3 million), buoyed by an exceptional fair value adjustment of £42.0 million. We

[1] We paid an average rate of 0.73% against the rest of the market rate of 0.28%. CACI's CSDB, Stock, May 2021 to April 2022, latest data available

maintain capital and reserves well above the regulatory requirement, as well as continuing to retain very strong levels of liquidity.

The success of our business model and a keen focus on efficiency mean we have a reduced cost to income ratio of 30.1% and a stable cost to mean asset ratio of 0.56% (six months to June 2021: 44.9% and 0.56% respectively), both among the best in the building society sector. The proportion of residential mortgages in arrears, calculated as 1.5% or more of outstanding mortgage balance, fell to 0.62% (31 December 2021: 0.66%), reflecting our responsible approach to lending and our members' financial resilience in the face of inflationary pressures.

Having reaffirmed our purpose and looked at how we deliver on this, we've taken the decision to withdraw from lending on second homes. Second homes reduce the number of properties available to live in and we want to direct more of our efforts to other sectors, especially first-time buyers.

Serving our members and supporting their communities remains at the heart of our business, as demonstrated daily by the commitment, drive and expertise of our fantastic people throughout what has been another extremely demanding period. Our colleagues and members continued their enthusiastic support for our national partnership with Dementia UK, taking fundraising beyond £400,000 as our 'Closer to Home' project expands to bring specialist dementia care into more communities across the UK.

Their compassion and generosity were evident again in the speed and scale of donations for the humanitarian disaster in Ukraine. With matched funding from the Society, more than £100,000 was given to relief efforts in Ukraine and the UK, including refugee aid in our home city of Leeds. In Peterborough, work is ongoing to redevelop vacant office space above our city centre branch for use as emergency accommodation for refugees, which has been a widely-supported and collaborative effort with local businesses and stakeholders.

The past couple of years have been challenging for everyone but reminded us all of how we can achieve more when we work together, and this remains true as concerns about Covid-19 are overtaken by new worries about rising bills and inflation. We'll continue to support our members and look for new ways we can help and deliver on the purpose for which we were founded almost 150 years ago.

Keeping the needs of our members and their communities at the heart of our business, combined with our enduring financial strength and security, means I continue to look to the future with confidence.

Richard Fearon

Chief Executive Officer

2022 First Half Key Performance Indicators

Leeds Building Society is the fifth largest building society in the UK. Our purpose is **"Putting home ownership within reach of more people – generation after generation"**. Our strategic drivers set out how we deliver on our purpose:

- **More responsive model** – it's our responsibility to serve members and society for generations. We will build foundations that are strong and responsive to the changing context we face.
- **Close-the-gap innovation** – there are too many barriers to people getting the home they deserve. We will be relentless in partnering and creating solutions to help people onto and up the ladder of home ownership.
- **Step-up savings** – savers are the lifeblood of our business. For them we will create experiences that are straightforward and human no matter the channel, and ensure that when people save with us they save with purpose.

We measure our performance against our strategic drivers using a number of key performance indicators (KPIs), including both financial measures, as defined under IFRS, and non-financial measures. Alternative Performance Measures (APMs) used below are in common usage across the financial services industry and are useful in explaining the performance of the business. The APMs are defined on page 244 of the 2021 Annual Report and Accounts.

The 2022 first half KPIs are shown below. The KPIs are the same as those used in the 2021 Annual Report and Accounts and comparative figures are shown for the full year unless otherwise stated.

More responsive model

KPI	Result	Commentary
Profit before tax	**£146.5 million** Six months to June 2021: £70.3 million	Profits have increased over 2021 driven by a significant rise in net interest income and boosted by an exceptional accounting fair value gain due to the rising interest rate environment.
Net interest margin APM	**1.50%** Year to December 2021: 1.31%	Net interest margin has continued to increase, being supported by rises in the Base Rate, along with growth in the mortgage book at strong margins due to high levels of demand and funding costs remaining relatively low.
Common Equity Tier 1 (CET1) ratio	**33.3%** December 2021: 38.0%	An industry-wide regulatory change to the calculation of capital requirements has caused our capital ratios to reduce. Our strong profitability has increased our capital resources which are well above internal and regulatory requirements.
UK leverage ratio	**6.1%** December 2021: 6.1%	Our UK leverage ratio remains strong and well above internal limits due to careful management of our balance sheet and elevated profitability.
Cost to income ratio APM	**30.1%** Year to December 2021: 43.9%	We continue to invest in our technology and our colleagues, while keeping costs under tight control. In the first half of 2022, the cost to income ratio has benefitted from significantly elevated income, including the fair value gain.
Cost to mean asset ratio APM	**0.56%** Year to December 2021: 0.58%	Costs have increased compared to the first half of 2021, with similar growth in our balance sheet resulting in a broadly stable cost to mean asset ratio.

2022 First Half Key Performance Indicators

More responsive model (continued)

Colleague engagement score	**Not measured in the period** Year to December 2021: 86%	Our overarching aim is to deliver our purpose through our highly engaged colleagues. Our next colleague engagement survey is due to take place in the second half of 2022 when we will seek feedback on how our new ways of working have embedded.

Close-the-gap innovation

New (gross) residential lending APM	**£2.5 billion** Six months to June 2021: £2.0 billion	We have continued our high levels of lending since the pandemic as mortgage market demand remained strong. Our focus on key segments is allowing us to support more people into home ownership.
Net residential lending APM	**£1.2 billion** Six months to June 2021: £0.6 billion	Our record level of new lending has translated into significantly increased net lending in the first half of the year.
Number of days from mortgage application to offer	**15 days** Year to December 2021: 18 days	Our investment in technology and the automation and simplification of processes have enabled us to reduce the average time from mortgage application to offer and allowed colleagues more time to provide value and service to our members.
Broker Net Promoter Score	**63** Year to December 2021: 56	Our broker Net Promoter Score continues to increase as we improve the broker experience through enhancements to the Mortgage Hub.

Step-up savings

Savings balances	**£16.4 billion** December 2021: £15.3 billion	We have grown savings balances by £1.1 billion by offering attractive products, in order to fund our purpose of putting home ownership within reach of more people – generation after generation.
Savings rate benefit	**Annual benefit of £66.3 million**[2] Year to December 2021: £71.5 million	We consistently pay above average market rates to our savers, paying an average of 0.73% compared to the rest of market average of 0.28%.
Customer satisfaction	**92%** Year to December 2021: 93%	Customer satisfaction has remained high despite the challenges experienced with service levels at times during the period due to record levels of demand.

[2] CACI's CSDB, Stock, May 2021 to April 2022, latest data available

Financial and Business Review
for the six months ended 30 June 2022

The first half of 2022 has been another successful period for the Society. Our strong financial performance from the previous year has continued and we have achieved record levels of new lending. We have used our robust underlying financial position to continue to support our members and the wider housing market, working towards our purpose of putting home ownership within reach of more people.

The economic environment in the UK remains uncertain, with geopolitical instability, inflation at its highest level for over 40 years and the Bank of England increasing Base Rate as a response. It is important that we continue to balance the interests of our savings and mortgage members through this period of rising central rates while also considering the long term sustainability of the business by managing current and future financial risks.

Mortgage lending

Despite the challenges caused by high inflation, the housing and mortgage markets remain resilient, supported by the strong labour market. The increases in interest rates have driven higher remortgage activity as borrowers look to lock in lower fixed rates in anticipation of further rises to come.

As a result, our volume of new lending has increased to £2.5 billion (six months to June 2021: £2.0 billion; year to December 2021: £4.4 billion). We achieved record monthly new mortgage applications twice in the period, reflecting the strength of our product proposition and the service we provide for our broker partners and our members.

Our new purpose of "putting home ownership within reach of more people – generation after generation" is reflected in the mix of our new lending, with an increase in higher loan to value (LTV) owner occupied lending, while shared ownership and other affordable home ownership schemes represented 13% of our lending. Buy to let remains an important sector of the market to us, at approximately one fifth of our new loans, in order to balance the risks across our mortgage book and support our purposeful lending.

We are conscious of the impact of increases in the cost of living on mortgage affordability. As Bank Base Rate has risen from 0.1% to 1.25%, we have supported members by only passing on a 0.25% increase to our mortgage Standard Variable Rate. We also continue not to charge arrears fees at this time, if customers fall behind on their payments. We have tightened lending criteria where appropriate in light of the current situation so that we continue to give mortgages to people who can afford them over the term of the loan.

The average LTV of new lending in 2022 was 67.5% (2021: 67.4%), reflecting our conservative lending policy and balanced approach to managing risk while delivering purposeful lending. Positive house price inflation in the year has resulted in overall book LTV reducing to 49.5% (2021: 50.5%).

Financial performance

Profit before tax for the first six months of 2022 was £146.5 million (six months to June 2021: £70.3 million). This significant increase in profits is primarily due to a £45.0 million increase in net interest income as our strong margin performance from the previous year has continued. Our first half profitability was also boosted by £42.0m of fair value gains driven by the rising level of interest rates. These gains are a result of the accounting rules for certain financial instruments and are temporary in nature, so are not considered to be indicative of the underlying performance of the business.

The Income Statement is summarised below:

	Six months to June 2022 £m	Six months to June 2021 £m	Year to December 2021 £m
Net interest income	172.7	127.7	282.2
Fees, commissions and other (expense) / income	(0.4)	1.7	5.3
Fair value gains / (losses)	42.0	(1.2)	(0.5)
Total income	214.3	128.2	287.0
Management expenses	(64.4)	(57.5)	(126.0)
Impairment (charge) / credit on loans and advances to customers	(3.4)	0.7	4.1
Other provisions	-	(1.1)	(1.4)
Profit before tax	**146.5**	**70.3**	**163.7**

Net interest income

	Six months to June 2022 £m	Six months to June 2021 £m	Year to December 2021 £m
Net interest income	172.7	127.7	282.2
Mean total assets	23,290.1	20,863.8	21,576.7
	%	%	%
Net interest margin APM	**1.50**	**1.23**	**1.31**

Net interest income was £172.7 million for the six month period to 30 June 2022 (six months to June 2021: £127.7 million). The increase was driven by both balance sheet growth and increased margins. Since the mortgage market reopened in summer 2020 after the first lockdown of the pandemic, demand for lending products has driven margins higher on our new lending, supported by our focused approach on those segments of the market where we have particular experience and expertise. By continuing to add new mortgages at these higher margins over the past two years, we have significantly increased our net interest income.

Alongside higher lending margins, funding costs remain low relative to historic levels. Although the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME) is now closed for new drawings, this funding remains in place. We raised new wholesale funding in 2022 at favourable rates with the issuance of a £500 million covered bond in May.

Across the retail savings market, we have continued to offer competitive rates to our members as interest rates have increased in response to the movements in the Bank of England Base Rate. The minimum rate we pay across all our variable rate accounts has been increased to 0.65% and we continue to pay above market rates, paying an average of 0.73% to our savers over the 12 months to April 2022, compared to the rest of the market average rate of 0.28%[3].

Fair value gains and losses

We transact derivatives in order to mitigate the risk to income from movements in interest rates and foreign exchange rates. These are held at fair value in the accounts, with the movement in this fair value recognised

[3] CACI's CSDB, Stock, May 2021 to April 2022, latest data available.

in the Income Statement. Changes in fair value are primarily due to timing differences, which will trend to zero as the asset or liability reaches maturity and should not be considered part of underlying profitability.

During the year to June, significant increases in market interest rates have resulted in fair value gains of £42.0 million (six months to June 2021: £1.2 million loss). These gains have largely been recorded on swaps which have been transacted to hedge the mortgage pipeline between application and completion, to manage interest rate risk, and which have taken advantage of favourable market conditions.

Management expenses

	Six months to June 2022 £m	Six months to June 2021 £m	Year to December 2021 £m
Colleague costs	38.0	32.5	73.0
Other administrative expenses	21.5	20.4	43.9
Depreciation and amortisation	4.9	4.6	9.1
Total management expenses	**64.4**	**57.5**	**126.0**

	%	%	%
Cost to income ratio APM	30.1	44.9	43.9
Cost to mean asset ratio APM	0.56	0.56	0.58

We continue to focus on operating the Society efficiently with close control over our costs. Our cost ratios remain among the best in our sector. We are reinvesting our financial success for the long term benefit of the Society and its members and are in the midst of a multi-year programme of technological change. We continue to invest in enhancements to our website to improve the experience for our savings members and we're also improving the resilience of our systems through upgraded infrastructure.

Alongside this investment in technology, we continue to strengthen key areas of the business so that we are well positioned to deliver the service that our members and partners value. This has resulted in an increase in headcount with the average number of colleagues (full time equivalent) employed by the Society in 2022 to date increasing to 1,413 (year to December 2021: 1,361).

As a result of these investments, management expenses have increased by 12.0% compared to the same period last year.

Impairment

	Six months to 30 June 2022 £m	Six months to 30 June 2021 £m	Year to 31 December 2021 £m
Residential loans	3.4	(0.6)	(3.9)
Commercial loans	-	(0.1)	(0.2)
Total impairment charge / (credit) on loans and advances to customers	**3.4**	**(0.7)**	**(4.1)**

Impairment provisions are made to cover expected credit losses across a range of assumptions about future economic outcomes. The economic environment is highly uncertain, due to the impacts of the ongoing war in Ukraine and other factors which contribute to both increased cost of living and also a greater risk of economic downturn. However, unemployment remains low and house prices have continued to increase, mitigating some of the potential adverse impacts on our mortgage book. The key judgements and estimates involved in the calculation of impairment loss provisions, including the use of post model adjustments, are set out in note 2 to the accounts on pages 23 to 30.

A residential impairment charge of £3.4 million was taken in the first half of 2022 (six months to June 2021: £0.6 million credit), reflecting the impact of the growing book and risks over affordability resulting from the increased cost of living. As a result, residential provision coverage has increased over the six months from 0.20% to 0.21%.

Arrears levels have remained broadly stable, with the balance of mortgages in arrears by 1.5% of balance or more rising from £122.3 million to £122.7 million, with the effects of the cost of living crisis yet to be seen in the number of members entering distress. As a proportion of the mortgage book, arrears fell from 0.66% to 0.62%.

Total residential impairment loss provisions at 30 June 2022 were £40.5 million (31 December 2021: £37.3 million).

Assets

Our strong lending growth in the first half of the year has meant our total assets increased by 6.9% from £22.5 billion at 31 December 2021 to £24.1 billion.

Loans and advances to customers

	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m
Residential loans	19,525.8	17,364.6	18,340.3
Commercial loans	9.3	16.0	10.4
Other loans	186.0	213.9	218.0
Impairment provision	(44.7)	(45.5)	(41.5)
Loans and advances to customers	**19,676.4**	**17,549.0**	**18,527.2**

	%	%	%
Proportion of mortgages in arrears[4]	0.62	0.64	0.66
Balance-weighted average indexed LTV of mortgage book	49.5	52.2	50.5
Balance-weighted average LTV of new lending	67.5	65.0	67.4

Residential mortgage balances have increased by 6.5%. Gross new lending during the six month period was £2.5 billion (six months to June 2021: £2.0 billion). Redemption volumes were slightly lower than last year, so the increased gross lending translated into an increase in net lending from £0.6 billion in the first half of 2021 to £1.2 billion in 2022.

Liquid assets

	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m
Liquid assets	**4,002.9**	**3,063.0**	**3,646.8**

	%	%	%
Liquidity Coverage Ratio	191	169	195
Liquid assets as a percentage of shares and borrowings	18.5	16.1	17.9

[4] Arrears of more than 1.5% of the balance or in possession

The level of liquid assets (including reserves with the Bank of England and other High Quality Liquid Assets) varies throughout the year depending on the level and timing of funding receipts compared to mortgage completions and other obligations, and reflects forecasted and stressed outflows on a dynamic basis. We have maintained good levels of liquidity through the first half of the year and the half year position is strong, which provides protection and flexibility in this uncertain economic environment.

At 30 June 2022, liquidity included £3.6 billion of High Quality Liquid Assets (31 December 2021: £3.4 billion), which are either in cash or are readily realisable as cash when required. 100% of assets are rated A or above (31 December 2021: 100%). We also have access to additional contingent liquidity through the Bank of England's Sterling Monetary Framework. Our liquidity ratios remain well ahead of regulatory minimum levels.

Funding

	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m
Shares (retail savings)	16,398.7	14,470.8	15,258.0
Wholesale funding	5,224.3	4,597.9	5,111.0
Total funding	**21,623.0**	**19,068.7**	**20,369.0**

	%	%	%
Wholesale funding as a proportion of total	24.2	24.1	25.1

Shares (retail savings)

As a mutual building society we remain committed to providing savers with a safe home for their money as well as a compelling proposition and competitive interest rates. Our savings members are vital to us and the achievement of our purpose, as their funds allow us to support more people into home ownership. We are investing in our branch network and our online channel to provide our savings members with high quality service however they choose to interact with us.

We aim to support our members through this challenging period of higher living costs by paying the highest rates possible while managing current and future financial risks. As Base Rate has increased in the first half of the year, we have increased the rates on our variable rate accounts with our minimum variable rate now at 0.65%.

During the first half of 2022, our competitive retail savings offering has allowed us to increase our savings balances by £1.1 billion (six months to June 2021: £0.3 billion). Our growth has been particularly driven by our fixed rate ISA products which had market-leading rates around the start of the tax year.

Wholesale funding

In May 2022, we issued a £500 million covered bond, while €500 million of senior unsecured debt was repaid on maturity. We maintain robust credit ratings from two key agencies reflecting our strong capital base, good profitability and sound funding position.

	Long term senior unsecured	Short term deposits	Outlook
Moody's	A3	P-2	Stable
Fitch	A	F1	Stable

Capital

Capital resources	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m
Total equity attributable to members	1,384.8	1,206.1	1,274.6
Adjustments	(46.5)	(40.1)	(45.9)
Common Equity Tier 1 (CET1) capital	1,338.3	1,166.0	1,228.7
Additional Tier 1 capital	-	2.5	2.5
Total Tier 1 capital	1,338.3	1,168.5	1,231.2
Tier 2 capital	230.4	229.4	227.5
Total regulatory capital resources	**1,568.7**	**1,397.9**	**1,458.7**
Tier 3 capital	350.0	350.0	350.0
Total MREL resources	**1,918.7**	**1,747.9**	**1,808.7**
Risk-weighted assets (RWAs) *	**4,013.0**	**3,098.5**	**3,231.2**
CRD Capital Ratios	**%**	**%**	**%**
MREL ratio *	47.8	56.3	56.0
Total capital ratio *	39.1	45.1	45.1
CET1 ratio *	33.3	37.6	38.0
UK leverage ratio **	6.1	5.9	6.1

* Revised capital requirements regulations (effective 1 January 2022) have been reflected in the calculation of RWAs, which have consequently increased and caused a reduction in capital ratios. The revised regulations include changes to the IRB approach which we have applied through a temporary post model adjustment (PMA) to our IRB modelled outputs. Until the latest generation of IRB models is approved by the PRA, the PMA is subject to change and may lead to further movements in regulatory capital ratios. Please refer to the Society's half year Pillar 3 disclosures on our website for more details.

** The UK regime is not currently legally binding as the Society operates below the applicable threshold set by the regulator (>£50bn retail deposits), as reconfirmed by the PRA in June 2021.

Our strong levels of profitability have allowed us to increase our capital resources by £110.0 million in the six months to June 2022 and we remain highly capitalised. Despite the reduction in capital ratios resulting from the industry wide regulatory change in the calculation of RWAs, these ratios remain well above regulatory requirements and we retain significant headroom above our risk appetite.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

Due to the Society having a balance sheet in excess of £15 billion, the Bank of England has stated a preferred resolution strategy for us as bail-in, requiring us to hold both recovery and resolution MREL requirements. The transitional MREL requirement set for us by the Bank of England is 18% of RWAs until 20 July 2023. End state MREL requirements are two times minimum regulatory requirements plus any regulatory buffers, active from 21 July 2023. The Society has capital resources considerably in excess of both end-state and transitional requirements and continues to forecast significant headroom moving forward.

Responsible Business

Climate impact

We continue to play our part in the transition to net zero and supporting our stakeholders to do the same. As we have already achieved carbon neutral status on scope 1 and 2 emissions and business travel, we are now focusing on the next phase of our green strategy and the development of our future net zero targets and transition plans. A programme of work has commenced in the first half of the year, with support from our third party advisors Carbon Intelligence, to benchmark our carbon footprint, measure and understand our scope 3 (indirect) emissions and agree actions to reduce emissions across our full value chain.

As Covid-19 restrictions have eased, we have welcomed more colleagues to our new head office which is net carbon neutral in operation and rated 'A' for energy efficiency. Our partnership with the Canal and River Trust has seen us adopt a mile of the canal behind our new offices in Leeds – with colleagues donating over 250 volunteer hours in the first half of 2022 to clear the towpath, paint locks, build bug hotels and improve the habitat for native wildlife.

We purchased more trees in the Yorkshire Dales, thanks to the success of our child savings account, which sees us planting a tree to represent each child's savings. Working with the Yorkshire Dales Millennium Trust, later in the year colleagues will be volunteering their time to plant and maintain the saplings.

Sustainable communities

Our members and colleagues responded quickly to the humanitarian crisis in Ukraine, and with matched funding from the Society, raised over £100,000 to help provide food, water, clothing and shelter to people affected by the conflict. This included a £25,000 Society donation to the Disasters Emergency Committee appeal and £10,000 to the 'Leeds Together' Ukrainian refugee appeal run by Leeds City Council.

The Homes for Ukraine scheme allows people to use their home as accommodation for those who have been displaced. As it stands, our members don't need to tell us if they become a sponsor and there'll be no charges or increases in fees for our mortgage members who are providing refuge to those in need. We're providing practical support ourselves, by converting office space above our Peterborough branch into accommodation for Ukrainians, working in partnership with local charities and authorities, as well as many businesses throughout the UK.

Twelve months after Dementia UK launched their innovative Closer to Home project, using funds raised by our members and colleagues, we're delighted that 1,700 families have now accessed these virtual clinics. Being able to book video or phone appointments with specialist Admiral Nurses at a time that is convenient to them has helped families across the UK access the essential clinical, emotional and practical support they need to help their loved ones live positively with dementia. Halfway into our four year partnership, we're proud that we've raised over £400,000 for the charity, and we are well on our way to achieving our £500,000 target by 2024.

Our charitable foundation has awarded over £60,000 in grants to 67 charities in the first half of 2022. The Foundation trustees have developed a new purpose – 'to support people in need of a safe and secure home' – and are introducing larger, multi-year strategic grants to charities that align with this new purpose in the North East and Yorkshire and Humber regions. It will also continue to provide grants of up to £1,000 to charities across the UK to fund vital equipment.

Every colleague has 14 hours each year to support good causes and in the first half of this year over 1,000 volunteering hours have been donated. We've delivered financial education sessions to 720 children, including 120 Year 3 and 4 pupils attending the Money Talks exhibition, which we sponsored at Leeds City Museum. We've also partnered with Mencap on their supported learner programme, inviting young people with learning difficulties to our offices in Leeds to learn about the world of work and delivered an Environment Day alongside our partners Canal and River Trust and the Yorkshire Dales Millennium Trust.

Members raised an amazing £10,773 for charity by casting votes as part of our annual general meeting (AGM) in April. The Society donated 15p for every paper vote and 25p for every online vote returned, with members able to choose to give to either the Society's charity partner Dementia UK or Leeds Building Society Foundation.

We demonstrated our commitment to paying the right amount of tax by sponsoring Fair Tax Week in June. In 2018 we became the first national high street financial services institution to obtain the Fair Tax Mark and we're pleased to have been reaccredited every year since then.

Inclusion and diversity

At the beginning of this year, we launched our new inclusion and diversity strategy 'Being You, Transforming Us' which sets out our strategic objectives for the years to come, in service of becoming 'an organisation where difference is embraced, and all colleagues feel included and valued for who they are and the unique perspectives they bring'.

Key activity has seen the launch of our Inclusive Leadership programme, with interactive workshops for all our leaders, and preparations underway for our 'This is Me' campaign, during which colleagues will share a bit about themselves and what matters to them.

As part of our refreshed strategy we have also launched an Inclusion Steering Committee (ISC). Led by two of our Executive Committee members, the ISC will bring together our forums to enable a truly intersectional approach to our inclusion agenda.

Our colleague forums have delivered some great initiatives over the first half year, such as the launch of menopause champions and awareness raising to support the celebration of key religious dates. We have focused on Pride month in June, including an LGBTQ+ themed "takeover" of our logo both internally and externally and colleague training and awareness activities. In August we will be celebrating our sponsorship of Leeds Pride, during which colleagues and their families have the opportunity to be involved in the parade.

We're proud that in 2022 the Society was ranked first in the latest 'Financial Services Best Companies to work for' league table, receiving the top 3-star accreditation from Best Companies, which demonstrates 'world-class' levels of engagement from colleagues.

Risk Management Report

The Society's purpose of "putting home ownership within reach of more people – generation after generation" can only be achieved if risks are identified, understood and managed effectively. By understanding the nature of our risks, we can make informed decisions, which support our longer term viability and protect members' interests.

Enterprise Risk Management Framework

To ensure that risks are appropriately managed across the organisation, the Society operates a Board approved Enterprise Risk Management Framework (ERMF), which sets out a structured approach to identifying, assessing, controlling and monitoring risks.

Further information on the Society's ERMF and its key components can be found on pages 136 to 141 in the Society's 2021 Annual Report and Accounts.

Principal risks

The Society has identified eight principal risks, which are inherent within its strategy and have the potential to significantly impact performance or viability. These principal risk categories are outlined below and remain consistent with those disclosed within the 2021 Annual Report and Accounts.

Principal risk	Risk description
Strategic/ Business risk	• The risk that the Society is unable to deliver its strategic objectives. • This risk mainly relates to poor execution of the Society's strategy or changes within its operating environment.
Credit risk	• The risk that a borrower or wholesale counterparty is unable to make their loan repayment obligations. • The Society's main sources of credit risk emanate from its mortgage portfolio, liquidity holdings and off-balance derivatives.
Funding and liquidity risk	• Funding risk is the inability to generate sufficient stable funding at appropriate cost. • Liquidity risk represents the Society's inability to meet its financial obligations as they fall due.
Market risk	• The risk that market movements adversely impact the Society. • The Society's market risk exposures mainly relate to interest rate risk (including basis and optionality risks) and foreign currency risk.
Capital risk	• The risk that the Society has insufficient quality or quantity of capital resources to meet current or future business requirements.
Model risk	• The risk of incorrect decision making principally based upon the inputs / outputs of models, due to errors in the development, implementation, or use of such models.
Operational risk	• The risk of financial or reputational loss, as a result of inadequate or failed processes, people, systems or external events. • The drivers of operational risk are: legal and regulatory; people; information security (including cyber); IT; business continuity and resilience; data; financial crime; and financial reporting risks.
Conduct risk	• The risk that actual or potential customer detriment arises, or may arise, from the way the Society conducts its business.

Further detail on the Society's principal risks and how they are managed is available in the 2021 Annual Report and Accounts.

Emerging risks

Emerging risks are new or evolving risks where the impact is uncertain but they have the potential to materially impact the Society's performance or strategic objectives.

When assessing emerging risks, we consider the likelihood of the risk materialising and the potential impact on our business strategy and stakeholders. These risks are considered by the Board and the Board Risk Committee on an ongoing basis, as part of our strategic and business planning processes.

Risk Management Report

The most significant emerging risks are described below, together with key developments and a summary of actions we are taking to manage the risk.

<table>
<tr><th>Emerging risk</th><th>Description and management response</th></tr>
<tr><td>Macroeconomic risks</td><td>The outlook for the UK economy remains highly uncertain following the removal of Covid-19 restrictions and the Russian invasion of Ukraine.
While unemployment levels and house prices remain strong, elevated levels of inflation not seen since the 1990s are eroding household real income and in turn lowering consumption. These inflationary pressures alongside rising interest rates, as the Bank of England seeks to address inflation expectations, have the potential to push the economy towards a recession and impact customer affordability over the medium term.
Further geopolitical risks remain prevalent, which may impact the UK economy and the Society's performance, including the appointment of a new Prime Minister and Government, a potential second independence referendum in Scotland and renegotiation of the Northern Ireland protocol agreed as part of Brexit.
In response to the worsening outlook the Society has:
Regularly assessed macroeconomic risks under both central and stressed conditions to understand and manage the impact on the business model e.g. tightening of lending appetite (volume, risk premia and mix);
Ensured it has no direct exposure to Ukraine or Russia;
Updated its mortgage affordability assessments for new lending and refined lending criteria for higher risk segments such as first time buyers and high LTV mortgages. In addition, the Society maintains close monitoring of its mortgage backbook to understand any potential changes in performance;
Retained strong levels of capital and liquidity over regulatory minima; and
Continued to invest in arrears management capabilities in anticipation of a deterioration in customer affordability.</td></tr>
<tr><td>Operational and resilience risks</td><td>The war in Ukraine has also heightened the operational risk profile of the Society over the short to medium term.
The most material operational impacts are as follows:
Cyber risk – The war in Ukraine has increased the cyber threat posture across the financial services industry. In response, the Society has reviewed its cyber threat landscape, implemented additional monitoring capabilities, expedited elements of its cyber strategy, undertaken colleague awareness exercises and conducted cyber related continuity exercises. The Society continues to monitor events closely.
Financial crime – During the first half of 2022, the UK Government outlined a broad range of sanctions targeted towards Russian elites, companies, and financial institutions. In response, the Society has increased the frequency of sanction monitoring reflective of the real time updates.
Supply chain – Although the Society is predominately a UK centric business, the conflict has the potential to impact delivery of critical third party services. In response, the Society has undertaken an impact assessment to understand potential direct and indirect vulnerabilities for our key suppliers, and continues to monitor developments closely.</td></tr>
</table>

<table>
<tr><th>Emerging risk</th><th>Description and management response</th></tr>
<tr><td>Competition</td><td>The Society operates in highly competitive markets, raising the threat of a loss of market share, reduced revenue and lower profitability. Competition risks mainly relate to changes in regulation, developments in digital technology, new entrants to the market and changes in customer behaviour.
Management carefully considers these risks as part of our strategic and business planning activities, which have set the future path for strategic investment to ensure that the Society is able to adapt accordingly.</td></tr>
<tr><td>People risk</td><td>The UK labour market continued to tighten during the first half of 2022, with unemployment reducing to circa 3.8% and vacancies reaching record levels. This has resulted in higher levels of wage inflation and an excess of demand versus supply across various niche skill sets required by the Society, such as IT and Digital.
In response, the Society has continued to invest in its people strategy across various dimensions including:
Salary and reward benchmarking;
Implementation of flexible / hybrid working arrangements;
Career development pathways; and
Responding to market dynamics on a real time basis to improve colleague retention whilst looking to fill vacant positions.</td></tr>
<tr><td>Climate risk</td><td>Climate risk continues to be classified as an emerging risk due to uncertainty surrounding the exact nature and timing of the impact on the Society’s strategy and operations. Both transitional and physical risks could materially affect the Society’s eight principal risks, with impacts dependent on the future path of climate change and timescales of government intervention and actions.
Stakeholder expectations continue to rise with regards to the Society’s management and response to climate risk, which could present heightened reputational risks.
In response, the Society has agreed a revised green strategy during the first half of 2022 and is continuing to embed its Climate Risk Management Framework across the organisation.
Further information as to how the Society manages the risks from climate change is detailed within the 2021 Annual Report and Accounts.</td></tr>
</table>

Condensed Consolidated Income Statement

	Notes	**Six months to 30 June 2022 (Unaudited) £m**	Six months to 30 June 2021 (Unaudited) £m	Year to 31 December 2021 (Audited) £m
Interest receivable and similar income	3	**271.0**	201.6	424.7
Interest payable and similar charges	4	**(98.3)**	(73.9)	(142.5)
Net interest receivable		**172.7**	127.7	282.2
Fees and commissions receivable		**2.9**	3.1	6.8
Fees and commissions payable		**(0.3)**	(0.2)	(0.4)
Fair value gains / (losses) from financial instruments	5	**42.0**	(1.2)	(0.5)
Other operating expense		**(3.0)**	(1.2)	(1.1)
Total income		**214.3**	128.2	287.0
Administrative expenses	6	**(59.5)**	(52.9)	(116.9)
Depreciation and amortisation		**(4.9)**	(4.6)	(9.1)
Impairment (charge) / credit on loans and advances to customers	7	**(3.4)**	0.7	4.1
Provisions charge		**-**	(1.1)	(1.4)
Operating profit and profit before tax		**146.5**	70.3	163.7
Tax expense	8	**(33.9)**	(18.0)	(43.5)
Profit for the period		**112.6**	52.3	120.2

Condensed Consolidated Statement of Comprehensive Income

	Six months to 30 June 2022 (Unaudited)	Six months to 30 June 2021 (Unaudited)	Year to 31 December 2021 (Audited)
	£m	£m	£m
Profit for the period	**112.6**	52.3	120.2
Items that may subsequently be reclassified to profit and loss:			
Fair value losses on investment securities measured at fair value through other comprehensive income	**(6.6)**	(1.8)	(4.6)
Losses / (gains) on investment securities measured through other comprehensive income reclassified to profit or loss on disposal	**2.3**	(0.1)	(1.9)
Tax relating to items that may subsequently be reclassified	**1.2**	0.6	1.3
Effect of change in corporation tax rate	**-**	(0.4)	0.5
Items that may not subsequently be reclassified to profit and loss:			
Actuarial (loss) / gain on retirement benefit surplus	**(1.7)**	1.1	7.1
Revaluation loss on properties	**-**	-	(1.0)
Tax relating to items that may not be reclassified	**3.1**	(0.2)	(1.0)
Effect of change in corporation tax rate	**(0.7)**	(0.1)	(0.7)
Total comprehensive income for the period	**110.2**	51.4	119.9

Condensed Consolidated Statement of Financial Position

	Notes	**30 June 2022 (Unaudited) £m**	30 June 2021 (Unaudited) £m	31 December 2021 (Audited) £m
Assets				
Liquid assets				
Cash in hand and balances with the Bank of England		**2,615.7**	1,816.0	2,538.7
Loans and advances to credit institutions		**145.1**	368.0	159.0
Investment securities		**1,242.1**	879.0	949.1
Derivative financial instruments		**453.8**	133.0	219.3
Loans and advances to customers	9			
Loans fully secured on residential property		**19,485.3**	17,323.4	18,303.0
Other loans		**191.1**	225.6	224.2
Fair value adjustment for hedged risk on loans and advances to customers		**(413.4)**	(23.1)	(169.1)
Other assets, prepayments and accrued income		**242.9**	245.9	166.5
Current tax assets		**-**	-	2.8
Deferred tax assets		**1.5**	6.8	4.5
Intangible assets		**23.5**	27.2	25.0
Property, plant and equipment		**72.2**	84.0	82.4
Retirement benefit surplus	10	**6.7**	2.1	8.3
Total assets		**24,066.5**	21,087.9	22,513.7
Liabilities				
Shares		**16,398.7**	14,470.8	15,258.0
Fair value adjustment for hedged risk on shares		**(93.2)**	(51.7)	(72.9)
Derivative financial instruments		**231.0**	162.2	166.8
Amounts owed to credit institutions		**2,310.9**	1,998.6	2,258.9
Amounts owed to other customers		**328.6**	293.6	297.5
Debt securities in issue		**2,584.8**	2,305.7	2,554.6
Other liabilities and accruals		**383.8**	110.8	201.4
Current tax liabilities		**-**	3.1	-
Deferred tax liabilities		**1.4**	4.9	6.2
Provisions for liabilities and charges		**1.4**	2.8	1.9
Subordinated liabilities		**322.7**	347.6	339.4
Subscribed capital		**211.6**	233.4	227.3
Total liabilities		**22,681.7**	19,881.8	21,239.1
Total equity attributable to members		**1,384.8**	1,206.1	1,274.6
Total liabilities and equity		**24,066.5**	21,087.9	22,513.7

Condensed Consolidated Statement of Changes in Members' Interest

Six months to 30 June 2022	**General reserve £m**	**Fair value reserve £m**	**Revaluation reserve £m**	**Other reserve £m**	**Total equity attributable to members £m**
At 1 January 2022 (Audited)	**1,251.3**	**0.7**	**8.3**	**14.3**	**1,274.6**
Comprehensive income / (expense) for the period	**110.5**	**(3.1)**	**2.8**	**-**	**110.2**
Revaluation gains transferred on disposal of assets	**7.9**	**-**	**(7.9)**	**-**	**-**
At 30 June 2022 (Unaudited)	**1,369.7**	**(2.4)**	**3.2**	**14.3**	**1,384.8**

Six months to 30 June 2021	General reserve £m	Fair value reserve £m	Revaluation reserve £m	Other reserve £m	Total equity attributable to members £m
At 1 January 2021 (Audited)	1,125.1	5.4	9.9	14.3	1,154.7
Comprehensive income / (expense) for the period	53.9	(1.7)	(0.8)	-	51.4
Revaluation gains transferred on disposal of assets	0.2	-	(0.2)	-	-
At 30 June 2021 (Unaudited)	1,179.2	3.7	8.9	14.3	1,206.1

Year to 31 December 2021	General reserve £m	Fair value reserve £m	Revaluation reserve £m	Other reserve £m	Total equity attributable to members £m
At 1 January 2021 (Audited)	1,125.1	5.4	9.9	14.3	1,154.7
Comprehensive income / (expense) for the year	126.0	(4.7)	(1.4)	-	119.9
Revaluation gains transferred on disposal of assets	0.2	-	(0.2)	-	-
At 31 December 2021 (Audited)	1,251.3	0.7	8.3	14.3	1,274.6

Condensed Consolidated Statement of Cash Flows

	Six months to 30 June 2022 (Unaudited) £m	Six months to 30 June 2021 (Unaudited) £m	Year to 31 December 2021 (Audited) £m
Profit before tax	**146.5**	70.3	163.7
Adjusted for:			
Impairment charge / (credit)	**3.4**	(1.7)	(3.8)
Provisions charge	**-**	1.0	1.4
Depreciation and amortisation	**4.9**	4.6	9.1
Fair value of collateral loan which represents a pool of equity release mortgages	**31.0**	7.4	(0.6)
Non cash and other items	**9.9**	(9.5)	(30.3)
Cash generated from operations	**195.7**	72.1	139.5
Changes in operating assets and liabilities:			
Derivative financial instruments	**(20.2)**	(3.8)	68.5
Loans and advances to customers	**(1,183.7)**	(569.0)	(1,533.9)
Other operating assets	**(76.4)**	26.6	102.8
Shares	**1,140.7**	308.1	1,095.3
Amounts owed to credit institutions and other customers	**83.1**	538.2	802.4
Other operating liabilities	**182.9**	(78.7)	9.2
Taxation paid	**(29.2)**	(18.5)	(45.9)
Net cash flows from operating activities	**292.9**	275.0	637.9
Cash flows from investing activities			
Purchase of investment securities	**(507.9)**	(93.9)	(511.8)
Proceeds from sale and redemption of investment securities	**211.3**	162.0	504.7
Purchase of intangible assets	**(1.1)**	(0.8)	(1.7)
Purchase of property, plant and equipment	**(1.3)**	(5.3)	(5.5)
Proceeds from sale of property, plant and equipment	**9.2**	0.2	0.2
Net cash flows from investing activities	**(289.8)**	62.2	(14.1)
Cash flows from financing activities			
Net proceeds from issue of debt securities	**499.8**	161.0	508.7
Repayments of debt securities in issue	**(438.8)**	(685.2)	(804.8)
Net proceeds from issue of subordinated liabilities	**-**	346.9	346.9
Principal lease payments	**(1.0)**	(1.0)	(2.0)
Net cash flows from financing activities	**60.0**	(178.3)	48.8
Net increase in cash and cash equivalents	**63.1**	158.9	672.6
Cash and cash equivalents at the beginning of the period	**2,697.7**	2,025.1	2,025.1
Cash and cash equivalents at the end of the period	**2,760.8**	2,184.0	2,697.7

Notes to the Accounts

1. General information

Reporting period

The unaudited Interim Financial Report shows the financial performance of the Group for the six months to 30 June 2022 and the financial position of the Group as at that date.

Basis of preparation and accounting policies

These condensed consolidated set of financial statements for the six month period ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting, as adopted by the United Kingdom. They do not include all the information required by International Financial Reporting Standards (IFRS) in full annual financial statements and should therefore be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2021 which were prepared in accordance with IFRS as adopted by the United Kingdom and in accordance with the requirements of the Building Societies Act 1986 and with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 (as amended) applicable to societies reporting under IFRS.

The information in these interim condensed consolidated financial statements is unaudited and does not constitute annual accounts within the meaning of Section 72 of the Building Societies Act 1986 (the Act). Group accounts for the year ended 31 December 2021 have been filed with the Financial Conduct Authority and Prudential Regulation Authority and contained an unqualified audit report, which did not draw attention to any matters by way of emphasis and did not contain any statements under Section 78 of the Act.

The accounting policies adopted, presentation and methods of computation are consistent with those applied by the Group in its latest audited annual financial statements. These financial statements are presented in sterling and, except where otherwise indicated, have been rounded to the nearest one hundred thousand pounds.

A copy of the Interim Financial Report is placed on the Society's website. The directors are responsible for the maintenance and integrity of the information on the website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Accounting developments

The information on future accounting developments and their potential effect on the financial statements is provided in note 1b of the 2021 Annual Report and Accounts.

Segmental reporting

As reported in note 1n of the 2021 Annual Report and Accounts, the Group has determined that it has one reportable segment under IFRS 8 and therefore no separate segmental reporting is provided.

Going concern

The directors review the results of regular forecasts and stress tests to understand the potential financial and operational performance of the business under a range of economic and market conditions. This informs their assessment of whether the Group is a going concern. These assessments reflect the potential impacts of the principal and emerging risks set out on pages 64 to 74 of the 2021 Annual Report and Accounts. An update on principal risks is provided on pages 14 to 16 of this report.

The directors have concluded that:

- The Group has proven access to liquidity resources, including access to central bank funding facilities if required, sufficient to meet both the normal demands of the business and the requirements which might arise in modelled stressed circumstances. The availability and quality of liquid assets are structured so that funds are available to repay any maturing wholesale funds and cover exceptional demand from retail investors;
- The Group's other assets consist primarily of mortgages secured on residential property. The recoverability of all mortgage assets is reviewed regularly and provisions are made, incorporating a forward looking view of expected losses under a range of macroeconomic scenarios, so that the Group is not exposed to losses on these assets which would impact its decision to adopt the going concern basis; and

1. General information (continued)

Going concern (continued)

- The Group's current capital resources are sufficient to meet regulatory requirements. Having reviewed future plans and forecasts, the directors consider plans for future capital generation are sufficient to maintain capital in excess of regulatory requirements, under both central and modelled stressed scenarios.

The directors have therefore concluded that there is no material uncertainty in relation to the Group's continuation as a going concern and therefore it is appropriate to adopt the going concern basis in the preparation of the Interim Financial Report.

2. Critical accounting estimates and judgements

The preparation of the Interim Financial Report involves making judgements in the application of accounting policies which affect the amounts recognised in the financial statements. In addition, the Group makes estimates and assumptions which could affect the reported amounts of assets and liabilities during the remainder of the financial year and beyond. The critical judgements and estimates which have a significant impact on the financial statements are described in note 2 of the 2021 Annual Report and Accounts.

The critical judgements and estimates which have a significant impact on the Interim Financial Report are described below.

a. Critical judgements

Impairment of loans and advances to customers

The Group's accounting policy for the impairment of loans and advances to customers is explained in note 1e of the 2021 Annual Report and Accounts.

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

The total of these PMAs at 30 June 2022 was £11.8m (30 June 2021: £5.6m; 31 December 2021: £9.4m). Further details of the estimates used to evaluate these PMAs are presented in note 2b below.

b. Significant accounting estimates and assumptions

Impairment of loans and advances to customers

The significant estimates required for the calculation of impairment loss provisions are forecast UK macroeconomic variables, the probability weightings of the macroeconomic scenarios used and the calculation of PMAs.

Macroeconomic scenarios and probability weightings

Consistent with the 2021 Annual Report and Accounts, the Group has used four macroeconomic scenarios, which are considered to represent a range of possible outcomes, in determining impairment loss provisions. The scenarios have been revised during the period to reflect the current and emerging economic pressures, with the conflict in Ukraine and competitive labour market in the UK adding inflationary pressures from the threat of increased cost of living expenses.

2. Critical accounting estimates and judgements (continued)

b. Significant accounting estimates and assumptions (continued)

A summary of each of the four revised macroeconomic scenarios is as follows:

- Central scenario reflecting that the external environment remains very unpredictable, with uncertainty around inflation, the conflict in Ukraine, and how post pandemic behaviours will play out. This scenario shows unemployment remaining low and forecasts that house price growth will continue during 2022 at a moderate level but will then slow down in subsequent years. The scenario forecasts that the current levels of high inflation are likely to fall, but the reduction will be gradual as the demand supply dynamics around food and energy persist and flow into wage growth which maintains elevated inflation for longer.
- Downside scenario as modelled in the Group's risk management process reflecting a '1 in 20' stress scenario, with higher unemployment than the central scenario and reductions in house prices as demand falls.
- Alternative downside scenario representing a more severe downturn than in the downside scenario with peak unemployment of 10.3% and a fall in demand across the housing market, causing greater reductions in house prices in the earlier years of the forecast.
- Growth scenario representing a more optimistic view of the current economic outlook than assumed in the central scenario, including gross domestic product growth.

Scenarios are developed by the Group based on analysis of third party published economic data and forecasts. The relative weighting of the macroeconomic scenarios is derived by determining the point in the economic cycle at which the UK economy sits at the date of the Statement of Financial Position. This indicates a possible range of outcomes for each scenario based on defined boundaries. Management judgement is then applied to determine the appropriate point within the ranges, informed by current relevant market, macroeconomic and political factors and the degree of uncertainty inherent in the UK economy.

At 30 June 2022, the ongoing economic uncertainty has meant that management set the probability of the growth scenario towards the lower end of the established range and the downside and alternative downside towards the higher end of the range. The final weightings used are shown in the table below.

	30 June 2022	30 June 2021	31 December 2021
Central	**45%**	45%	45%
Downside	**35%**	30%	30%
Alternative Downside	**10%**	10%	10%
Growth	**10%**	15%	15%

The tables on pages 26 and 27 show the macroeconomic assumptions used in each scenario. The variables with the most significant impact on the calculated impairment loss provisions are house price inflation and unemployment rate. The tables show the full year rates for house price inflation and Gross Domestic Product growth, together with the year end position for unemployment rate and Bank Base Rate. Beyond the five year period shown, assumptions move towards historic long run averages over the following five years and then remain constant at these rates thereafter.

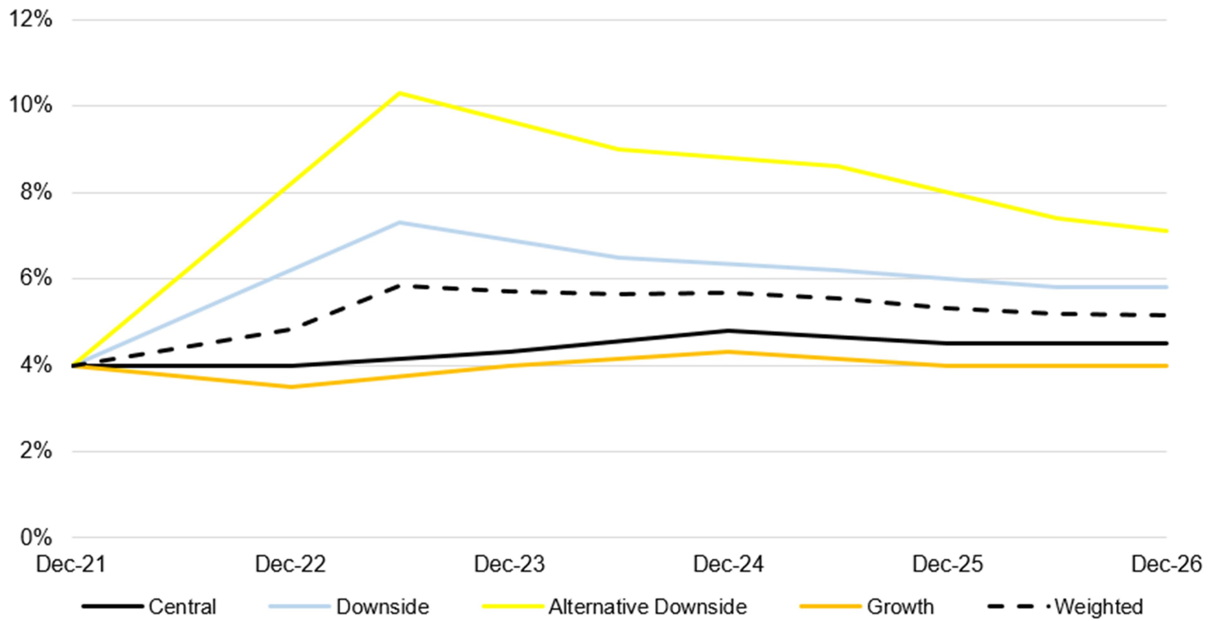
In both the downside and alternative downside scenarios the unemployment rate is forecast to peak in June 2023 before reducing over the next five years as illustrated in the chart below, while the second chart illustrates the cumulative impact of the annual house price inflation assumptions.

Notes to the Accounts (continued)

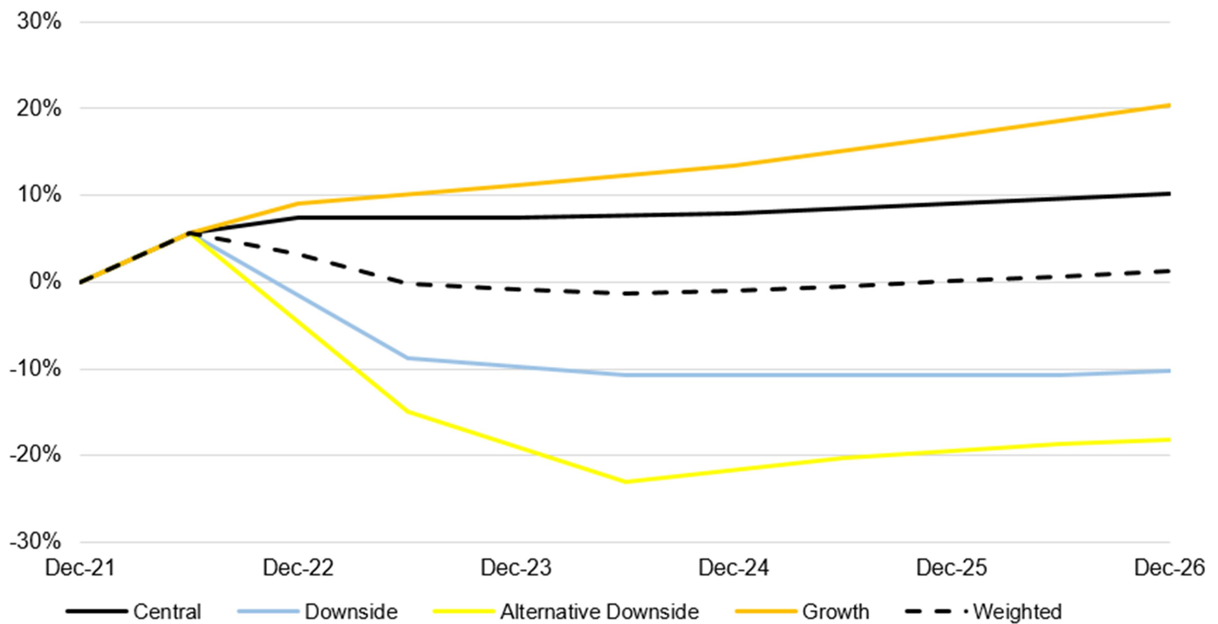
2. Critical accounting estimates and judgements (continued)

b. Significant accounting estimates and assumptions (continued)

Unemployment rate (%)



House prices (December 2021 = 0)



2. Critical accounting estimates and judgements (continued)

b. Significant accounting estimates and assumptions (continued)

Central scenario

	30 June 2022				
	2022	**2023**	**2024**	**2025**	**2026**
House price inflation	**7.4%**	**0.0%**	**0.5%**	**1.0%**	**1.0%**
Unemployment rate (31 December)	**4.0%**	**4.3%**	**4.75%**	**4.5%**	**4.5%**
Gross Domestic Product growth	**3.75%**	**(0.25%)**	**0.0%**	**1.0%**	**1.0%**
Bank Base Rate (31 December)	**1.75%**	**1.75%**	**1.75%**	**1.75%**	**1.75%**

	30 June 2021				
	2021	2022	2023	2024	2025
House price inflation	3.5%	1.0%	1.0%	1.0%	1.0%
Unemployment rate (31 December)	6.7%	5.8%	5.7%	5.1%	4.5%
Gross Domestic Product growth	5.0%	6.0%	2.1%	1.8%	1.7%
Bank Base Rate (31 December)	0.1%	0.1%	0.1%	0.5%	0.5%

	31 December 2021				
	2022	2023	2024	2025	2026
House price inflation	2.0%	2.0%	1.0%	1.0%	1.0%
Unemployment rate (31 December)	4.9%	4.8%	4.6%	4.3%	4.3%
Gross Domestic Product growth	5.0%	2.0%	1.5%	1.5%	1.0%
Bank Base Rate (31 December)	0.5%	0.75%	0.75%	0.75%	0.75%

Downside scenario

	30 June 2022				
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
House price inflation	**(13.7%)**	**(2.0%)**	**0.0%**	**0.0%**	**1.0%**
Unemployment rate (30 June)	**7.3%**	**6.5%**	**6.2%**	**5.8%**	**5.8%**
Gross Domestic Product growth	**2.6%**	**1.2%**	**1.0%**	**1.0%**	**1.0%**
Bank Base Rate (30 June)	**1.25%**	**0.1%**	**0.1%**	**0.1%**	**0.1%**

	30 June 2021				
	Year 1	Year 2	Year 3	Year 4	Year 5
House price inflation	(13.7%)	(2.0%)	0.0%	0.0%	1.0%
Unemployment rate (30 June)	6.3%	7.1%	6.5%	6.4%	6.3%
Gross Domestic Product growth	3.0%	1.7%	1.3%	1.3%	1.3%
Bank Base Rate (30 June)	0.1%	0.1%	0.1%	0.1%	0.1%

	31 December 2021				
	Year 1	Year 2	Year 3	Year 4	Year 5
House price inflation	(13.7%)	(2.0%)	0.0%	0.0%	1.0%
Unemployment rate (31 December)	7.3%	6.5%	6.2%	5.8%	5.8%
Gross Domestic Product growth	3.0%	1.7%	1.3%	1.3%	1.0%
Bank Base Rate (31 December)	0.1%	0.1%	0.1%	0.1%	0.1%

2. Critical accounting estimates and judgements (continued)

b. Significant accounting estimates and assumptions (continued)

Alternative downside scenario

	30 June 2022				
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
House price inflation	**(19.5%)**	**(9.5%)**	**3.5%**	**2.0%**	**1.5%**
Unemployment rate (30 June)	**10.3%**	**9.0%**	**8.6%**	**7.4%**	**6.8%**
Gross Domestic Product growth	**1.4%**	**0.0%**	**0.9%**	**0.8%**	**0.8%**
Bank Base Rate (30 June)	**2.0%**	**(0.1%)**	**0.1%**	**0.1%**	**0.1%**

	30 June 2021				
	Year 1	Year 2	Year 3	Year 4	Year 5
House price inflation	(20.0%)	(5.0%)	15.0%	2.5%	1.0%
Unemployment rate (30 June)	10.7%	9.0%	6.6%	5.5%	5.3%
Gross Domestic Product growth	2.7%	5.1%	2.8%	1.2%	1.2%
Bank Base Rate (30 June)	(0.1%)	(0.1%)	0.1%	0.1%	0.1%

	31 December 2021				
	Year 1	Year 2	Year 3	Year 4	Year 5
House price inflation	(19.5%)	(9.5%)	3.5%	2.0%	1.5%
Unemployment rate (31 December)	10.3%	9.0%	8.6%	7.4%	6.8%
Gross Domestic Product growth	2.1%	2.2%	1.4%	1.1%	0.9%
Bank Base Rate (31 December)	(0.1%)	(0.1%)	0.1%	0.1%	0.1%

Growth scenario

	30 June 2022				
	2022	**2023**	**2024**	**2025**	**2026**
House price inflation	**9.0%**	**2.0%**	**2.0%**	**3.0%**	**3.0%**
Unemployment rate (31 December)	**3.5%**	**4.0%**	**4.3%**	**4.0%**	**4.0%**
Gross Domestic Product growth	**5.0%**	**2.0%**	**2.0%**	**2.5%**	**2.0%**
Bank Base Rate (31 December)	**1.75%**	**2.5%**	**3.0%**	**3.0%**	**3.0%**

	30 June 2021				
	2021	2022	2023	2024	2025
House price inflation	3.5%	5.0%	3.5%	3.0%	3.0%
Unemployment rate (31 December)	6.7%	5.1%	4.6%	4.1%	3.7%
Gross Domestic Product growth	5.0%	7.5%	2.2%	2.4%	2.5%
Bank Base Rate (31 December)	0.1%	0.1%	0.1%	0.5%	0.75%

	31 December 2021				
	2022	2023	2024	2025	2026
House price inflation	6.0%	4.0%	3.5%	3.0%	3.0%
Unemployment rate (31 December)	4.7%	4.5%	4.3%	4.0%	3.8%
Gross Domestic Product growth	7.5%	4.0%	2.0%	2.5%	2.0%
Bank Base Rate (31 December)	0.75%	1.0%	1.0%	1.25%	1.25%

2. Critical accounting estimates and judgements (continued)

b. Significant accounting estimates and assumptions (continued)

The sensitivity of calculated impairment loss provisions at 30 June 2022 to changes in key individual macroeconomic variables, with all other assumptions held constant, is illustrated below. Note that due to the interaction between different economic variables within the impairment loss provision models, the impacts of such single variable sensitivities may be distorted and not representative of realistic alternative scenarios.

The impact of changing the assumption for annual house price inflation in each of the first two years of the central scenario is as follows:

	+ 10.0 percentage points	+ 5.0 percentage points	- 5.0 percentage points	- 10.0 percentage points
(Decrease) / increase in impairment loss provisions (£m)	(1.0)	(0.6)	0.8	1.9

The impact of changing the assumption for unemployment in each of the first two years of the central scenario is as follows:

	+ 2.0 percentage points	+ 1.0 percentage point	- 1.0 percentage point	- 2.0 percentage points
Increase / (decrease) in impairment loss provisions (£m)	1.1	0.2	(0.1)	(0.2)

In practice the above variables are unlikely to move in isolation. The combined impact of movements in a number of variables can be illustrated by the sensitivity of calculated provisions to scenario weightings. The table below shows the movement in impairment loss provisions if each of the scenarios were weighted 100%:

	Six months to 30 June 2022 (Unaudited) £m	Six months to 30 June 2021 (Unaudited) £m	Year to 31 December 2021 (Audited) £m
(Decrease)/ increase in impairment loss provisions			
Central	**(13.9)**	(16.4)	(12.6)
Downside	**(2.1)**	4.5	(0.1)
Alternative Downside*	**104.7**	108.9	98.0
Growth	**(15.2)**	(18.9)	(13.5)

* The macroeconomic variables assumed in the alternative downside scenario are outside of the range of actual historic observations used in the development of the ECL models and therefore there is a risk that the model output for this scenario is over-sensitive to particular variables.

The total residential impairment loss provisions if the central scenario were weighted 100% would be £26.6m, compared to £40.5m when the weighted scenarios are used.

Changes to macroeconomic assumptions, as expectations change over time, are likely to lead to volatility in impairment loss provisions, and may lead to pro-cyclicality in the recognition of impairment losses.

2. Critical accounting estimates and judgements (continued)

b. Significant accounting estimates and assumptions (continued)

Model performance post model adjustment

The PMA in relation to model performance comprises a number of elements which are set out below and total £8.4m (30 June 2021: £0.9m; 31 December 2021: £5.0m) with the majority of the additional PMA relating to affordability:

- The potential impact of inflationary pressures on affordability has been estimated by uplifting customers' recorded expenditure (having adjusted for wage inflation) to reflect an inflationary peak of 11%. A further stress has been applied to lower income decile borrowers who are more likely to be susceptible to the impact of a longer period of increased inflation. The PMA has then been estimated as the additional impairment loss provisions which would be required should those 'at risk' accounts move into arrears and migrate from Stage 1 to Stage 2 or from Stage 2 to Stage 3 (depending on their staging at the date of the Statement of Financial Position), based on weighted coverage rates by stage. The resultant PMA is £5.0m.

- Possible house price inflation bias has been estimated by comparing the increases in indexed valuations on the Group's portfolio with alternative third party data and applying a haircut to collateral valuations, giving a PMA of £1.2m.

- A PMA of £0.8m is in place to reflect the possible differential in performance of a small segment of the Group's book in a downturn scenario for which there is insufficient data on which to base the modelling since the Group's controls around this segment have tightened since the previous downturn.

- A PMA of £1.0m has been established to more appropriately reflect the probability of default (PD) path for those loans which have been on the book for less than seven months.

- The continued impact of delays in possession proceedings as a result of a backlog in litigation is reflected in a PMA of £0.4m, estimated by increasing the assumed time from default to possession by 24 months.

Inadequate cladding post model adjustment

Consistent with 31 December 2021, this PMA has been estimated by identifying properties at the highest risk of cladding issues by matching the Group's portfolio to third party postcode data where nil valuations have been returned and applying a range of haircuts to property valuations and making an allowance for remediation costs. The calculation has been revised at the half year using updated market information and this resulted in a PMA of £3.4m as at 30 June 2022 (30 June 2021: £2.7m; 31 December 2021: £4.4m).

Fair value of the collateral loan

The Group holds a collateral loan which represents a pool of equity release mortgages purchased from a third party for which some but not all of the risks were transferred to the Group. The underlying mortgages contain a 'no negative equity guarantee' such that any shortfall that may arise on the sale of the property securing the mortgage will not be pursued. The Group therefore measures this collateral loan at fair value through profit or loss.

The fair value of this loan is calculated using a model which uses a combination of observable market data (such as interest rate curves and Retail Price Index swap prices) and unobservable inputs which require estimation, such as the discount rate, property price volatility and the haircut applied to individual sales prices. The model projects the future cash flows anticipated from the loan based on the contractual terms with the third party from which the mortgages were acquired, with the timing of those cash flows determined with reference to mortality tables (which are subject to estimation uncertainty). The model also calculates a value for the 'no negative equity guarantee' provided to the customer using a stochastic methodology applying a variant of the Black-Scholes formula.

2. Critical accounting estimates and judgements (continued)

b. Significant accounting estimates and assumptions (continued)

The key estimates used in the model and the basis of estimation are summarised below:

Assumption	Basis of estimation
Discount rate	Derived from current market rates for new equity release loans adjusted for the specific profile of the Group's portfolio; also reflects liquidity term premium in current market funding costs
Property price volatility	Analysis of historic property price volatility and external research
Sales price haircut	Average actual discounts observed on the portfolio during the 2021 financial year, with judgemental uplift to reflect observed upward trajectory in sales price haircuts

At 30 June 2022 the carrying value of the collateral loan was £183.5m (30 June 2021: £211.4m; 31 December 2021: £215.5m). The sensitivity of this value to the estimates shown above is as follows:

Assumption	Change to current assumption	(Decrease) / increase in fair value of collateral loan (£m)
Discount rate	+ / - 0.5 percentage points	(8.7) / 4.2
Property price volatility	+ / - 3 percentage points	(5.8) / 5.2
Sales price haircut	+ / - 5 percentage points	(4.6) / 4.1

The sensitivities shown reflect a range of alternative assumptions based on observed historic data. The discount rate sensitivity has been floored at the risk free rate because using a lower rate would imply that the collateral loan was less risky than ‘risk free’ which is not considered appropriate.

An overlay was applied to the modelled valuation at 30 June 2022 to reflect management’s judgement that current market conditions, used to derive the discount rate, include some transitory factors which should not be reflected in the valuation of this long term asset. The overlay was estimated by calculating the impact of a 0.5 percentage point increase in the discount rate and reduced the value of the collateral loan by £8.7m (31 December 2021: 0.2 percentage point and £4.5m).

A further overlay was applied to the valuation at 30 June 2022 to reflect the potential for a short term reduction in house prices as a result of affordability pressures. The overlay has been estimated by applying a 5% decrease in indexed property values at the date of the Statement of Financial Position and reduces the value of the collateral loan by £3.7m. (31 December 2021; £nil).

Fair value of the RPI-linked equity release swap

One of the Society’s equity release swaps is linked to the retail price index (RPI) and is valued using a discounted cash flow model which uses observable market data for RPI and unobservable input assumptions for prepayment and the discount rate used to discount future cash flows. Wherever possible these input assumptions are calculated with reference to actual historic experience and are aligned to those assumptions used in the valuation of the collateral loan. The variable which is considered to have the largest impact on the value of the swap is the prepayment rate.

A 1 percentage point increase in the assumed prepayment rate would increase the value of the swap by £3.4m, resulting in a corresponding fair value gain in the Income Statement. A 1 percentage point reduction in the assumed prepayment rate would reduce the value of the swap by £3.8m, resulting in a corresponding fair value loss in the Income Statement.

Notes to the Accounts (continued)

3. Interest receivable and similar income

	Six months to 30 June 2022 (Unaudited) £m	Six months to 30 June 2021 (Unaudited) £m	Year to 31 December 2021 (Audited) £m
Interest receivable calculated using the effective interest rate method:			
On instruments held at amortised cost:			
On loans fully secured on residential property	**240.7**	221.3	456.5
On other loans and advances to customers	**0.6**	0.3	0.6
On other liquid assets	**9.4**	0.8	2.1
Total interest receivable on instruments held at amortised cost	**250.7**	222.4	459.2
On instruments held at fair value through other comprehensive income:			
On investment securities	**5.0**	2.4	4.8
Total interest receivable calculated using the effective interest rate method	**255.7**	224.8	464.0
Similar income / (expense) on instruments held at fair value through profit or loss:			
On other loans and advances to customers	**5.5**	5.2	13.2
Net income / (expense) on derivatives which hedge financial assets and are designated in accounting hedge relationships	**13.7**	(18.3)	(42.2)
Net expense on derivatives which hedge financial assets and are not designated in accounting hedge relationships	**(3.9)**	(10.1)	(10.3)
Total similar income / (expense) on instruments held at fair value through profit or loss	**15.3**	(23.2)	(39.3)
Total interest receivable and similar income	**271.0**	201.6	424.7
Included in the above is:			
Interest receivable on impaired financial assets	**4.1**	3.5	8.2

4. Interest payable and similar charges

	Six months to 30 June 2022 (Unaudited) £m	Six months to 30 June 2021 (Unaudited) £m	Year to 31 December 2021 (Audited) £m
Interest payable on instruments held at amortised cost:			
On shares held by individuals	**60.0**	58.9	110.2
On deposits and other borrowings:			
Wholesale and other funding	**26.2**	14.1	26.2
Lease liabilities	**0.1**	0.1	0.3
On subordinated liabilities	**2.9**	1.5	4.6
On subscribed capital	**5.4**	5.4	10.9
Total interest payable on instruments held at amortised cost	**94.6**	80.0	152.2
Similar charges / (income) on instruments held at fair value through profit or loss:			
Net charges / (income) on derivatives which hedge financial liabilities and are designated in accounting hedge relationships	**4.6**	(4.2)	(18.1)
Net (income) / charges on derivatives which hedge financial liabilities and are not designated in accounting hedge relationships	**(0.9)**	(1.9)	8.4
Total similar charges / (income) on instruments held at fair value through profit or loss	**3.7**	(6.1)	(9.7)
Total interest payable and similar charges	**98.3**	73.9	142.5

5. Fair value gains / (losses) from financial instruments

	Six months to 30 June 2022 (Unaudited) £m	Six months to 30 June 2021 (Unaudited) £m	Year to 31 December 2021 (Audited) £m
Fair value hedge relationships			
Derivatives designated in fair value hedge relationships	**179.5**	66.5	168.8
Fair value adjustment for hedged risk of hedged items	**(149.6)**	(65.4)	(166.2)
Derivatives not designated in fair value hedge relationships			
Equity release swaps	**41.2**	8.7	(7.2)
Cross currency swaps net of retranslation on matched liabilities	**1.9**	2.2	3.5
Other derivatives	**-**	(5.8)	-
Other financial instruments measured at fair value through profit or loss			
Collateral loan which represents a pool of equity release mortgages	**(31.0)**	(7.4)	0.6
Total fair value gains / (losses) from financial instruments	**42.0**	(1.2)	(0.5)

6. Administrative expenses

	Six months to 30 June 2022 (Unaudited) £m	Six months to 30 June 2021 (Unaudited) £m	Year to 31 December 2021 (Audited) £m
Staff costs			
Wages and salaries	**29.6**	24.2	56.0
Social security costs	**3.2**	2.8	5.5
Pension costs	**4.0**	3.5	7.1
Temporary staff	**1.6**	1.7	3.7
Other staff costs	**0.7**	0.7	1.4
Less capitalised staff costs	**(1.1)**	(0.4)	(0.7)
Remuneration of auditor	**0.5**	0.3	0.8
Other administrative expenses			
Technology	**7.6**	5.7	12.0
Development activity	**1.7**	3.3	8.3
Property	**3.0**	3.3	6.8
Legal and professional fees	**1.7**	1.8	4.0
Marketing	**1.8**	1.5	3.1
Regulatory fees	**1.2**	1.3	2.5
Other	**4.0**	3.2	6.4
Total administrative expenses	**59.5**	52.9	116.9

7. Impairment on loans and advances to customers

	Six months to 30 June 2022 (Unaudited) £m	Six months to 30 June 2021 (Unaudited) £m	Year to 31 December 2021 (Audited) £m
Loans fully secured on residential property	**3.4**	(0.6)	(3.9)
Loans fully secured on land	**-**	(0.1)	(0.2)
Total impairment charge / (credit) for the period	**3.4**	(0.7)	(4.1)

The Group's policy for calculating impairment of loans and advances to customers is detailed in note 1e of the 2021 Annual Report and Accounts.

7. Impairment on loans and advances to customers (continued)

The table below summarises the Group's retail mortgage balances, loan commitments and associated impairment loss provisions.

30 June 2022 (Unaudited)	**Gross exposure £m**	**Impairment loss provision £m**	**Provision coverage %**
Retail mortgages			
Stage 1	**16,910.3**	**12.7**	**0.08**
Stage 2 and <30 days past due	**2,305.1**	**11.6**	**0.50**
Stage 2 and 30+ days past due	**86.0**	**2.3**	**2.67**
Stage 3 and <90 days past due	**109.3**	**5.7**	**5.22**
Stage 3 and >90 days past due	**115.1**	**7.8**	**6.78**
Total retail mortgages	**19,525.8**	**40.1**	**0.21**
Loan commitments			
Stage 1	**1,530.7**	**0.4**	**0.03**
Total impairment loss provision	**21,056.5**	**40.5**	**0.19**

30 June 2021 (Unaudited)	Gross exposure £m	Impairment loss provision £m	Provision coverage %
Retail mortgages			
Stage 1	15,165.8	9.3	0.06
Stage 2 and <30 days past due	1,925.2	11.3	0.59
Stage 2 and 30+ days past due	86.9	1.2	1.38
Stage 3 and <90 days past due	77.7	6.3	8.11
Stage 3 and >90 days past due	109.0	13.1	12.02
Total retail mortgages	17,364.6	41.2	0.24
Loan commitments			
Stage 1	1,153.9	-	-
Total impairment loss provision	18,518.5	41.2	0.22

31 December 2021 (Audited)	Gross exposure £m	Impairment loss provision £m	Provision coverage %
Retail mortgages			
Stage 1	16,208.6	9.3	0.06
Stage 2 and <30 days past due	1,824.2	9.8	0.54
Stage 2 and 30+ days past due	79.1	1.8	2.28
Stage 3 and <90 days past due	113.1	6.6	5.84
Stage 3 and >90 days past due	115.3	9.5	8.24
Total retail mortgages	18,340.3	37.0	0.20
Loan commitments			
Stage 1	1,328.4	0.3	0.02
Total impairment loss provision	19,668.7	37.3	0.19

7. Impairment on loans and advances to customers (continued)

The tables below provide information on movements in the gross retail mortgage exposures and associated impairment loss provisions during the year to date:

Six months to 30 June 2022

	Stage 1 Gross exposure £m	Stage 1 Provision 12m ECL £m	Stage 2 Gross exposure £m	Stage 2 Provision Lifetime ECL £m	Stage 3 Gross exposure £m	Stage 3 Provision Lifetime ECL £m	Total Gross exposure £m	Total Provision £m
At 1 January 2022	**16,208.6**	**9.3**	**1,903.3**	**11.6**	**228.4**	**16.1**	**18,340.3**	**37.0**
Transfers resulting in increased impairment loss provision:								
From Stage 1 to Stage 2	**(1,017.9)**	**(0.5)**	**1,017.9**	**2.3**	**-**	**-**	**-**	**1.8**
From Stage 1 to Stage 3	**(13.4)**	**-**	**-**	**-**	**13.4**	**0.2**	**-**	**0.2**
From Stage 2 to Stage 3	**-**	**-**	**(25.9)**	**(0.3)**	**25.9**	**0.8**	**-**	**0.5**
Transfers resulting in reduced impairment loss provision:								
From Stage 2 to Stage 1	**417.1**	**0.2**	**(417.1)**	**(0.7)**	**-**	**-**	**-**	**(0.5)**
From Stage 3 to Stage 1	**6.5**	**-**	**-**	**-**	**(6.5)**	**(0.1)**	**-**	**(0.1)**
From Stage 3 to Stage 2	**-**	**-**	**15.9**	**0.1**	**(15.9)**	**(0.2)**	**-**	**(0.1)**
Change in impairment loss provision resulting from loan modifications	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other remeasurement of impairment loss provision (no movement in stage)	**-**	**2.7**	**-**	**1.3**	**-**	**(2.2)**	**-**	**1.8**
New advances	**3,670.9**	**1.5**	**-**	**-**	**-**	**-**	**3,670.9**	**1.5**
Redemptions and repayments	**(2,361.5)**	**(0.5)**	**(103.0)**	**(0.4)**	**(20.9)**	**(0.7)**	**(2,485.4)**	**(1.6)**
Write offs	**-**	**-**	**-**	**-**	**-**	**(0.4)**	**-**	**(0.4)**
At 30 June 2022	**16,910.3**	**12.7**	**2,391.1**	**13.9**	**224.4**	**13.5**	**19,525.8**	**40.1**

Six months to 30 June 2021

	Stage 1 Gross exposure £m	Stage 1 Provision 12m ECL £m	Stage 2 Gross exposure £m	Stage 2 Provision Lifetime ECL £m	Stage 3 Gross exposure £m	Stage 3 Provision Lifetime ECL £m	Total Gross exposure £m	Total Provision £m
At 1 January 2021	14,287.6	7.7	2,327.0	16.9	180.7	18.2	16,795.3	42.8
Transfers resulting in increased impairment loss provision:								
From Stage 1 to Stage 2	(540.9)	(0.5)	540.9	2.2	-	-	-	1.7
From Stage 1 to Stage 3	(7.0)	-	-	-	7.0	0.2	-	0.2
From Stage 2 to Stage 3	-	-	(33.2)	(0.9)	33.2	2.3	-	1.4
Transfers resulting in reduced impairment loss provision:								-
From Stage 2 to Stage 1	673.7	0.4	(673.7)	(1.4)	-	-	-	(1.0)
From Stage 3 to Stage 1	2.1	-	-	-	(2.1)	-	-	-
From Stage 3 to Stage 2	-	-	16.3	0.2	(16.3)	(0.6)	-	(0.4)
Change in impairment loss provision resulting from loan modifications	-	-	-	0.2	-	0.1	-	0.3
Other remeasurement of impairment loss provision (no movement in stage)	-	0.4	-	(4.1)	-	0.7	-	(3.0)
New advances	2,282.6	1.5	-	-	-	-	2,282.6	1.5
Redemptions and repayments	(1,532.3)	(0.2)	(165.2)	(0.6)	(15.8)	(0.6)	(1,713.3)	(1.4)
Write offs	-	-	-	-	-	(0.9)	-	(0.9)
At 30 June 2021	15,165.8	9.3	2,012.1	12.5	186.7	19.4	17,364.6	41.2

7. Impairment on loans and advances to customers (continued)

Year to 31 December 2021

	Stage 1 Gross exposure	Stage 1 Provision 12m ECL	Stage 2 Gross exposure	Stage 2 Provision Lifetime ECL	Stage 3 Gross exposure	Stage 3 Provision Lifetime ECL	Total Gross exposure	Total Provision
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2021	14,287.6	7.7	2,327.0	16.9	180.7	18.2	16,795.3	42.8
Transfers resulting in increased impairment loss provision:								
From Stage 1 to Stage 2	(850.7)	(0.5)	850.7	1.8	-	-	-	1.3
From Stage 1 to Stage 3	(33.4)	(0.2)	-	-	33.4	0.7	-	0.5
From Stage 2 to Stage 3	-	-	(74.6)	(1.6)	74.6	3.5	-	1.9
Transfers resulting in reduced impairment loss provision:								
From Stage 2 to Stage 1	985.8	0.4	(985.8)	(2.6)	-	-	-	(2.2)
From Stage 3 to Stage 1	4.5	-	-	-	(4.5)	(0.1)	-	(0.1)
From Stage 3 to Stage 2	-	-	31.3	0.3	(31.3)	(0.6)	-	(0.3)
Change in impairment loss provision resulting from loan modifications	-	0.1	-	0.2	-	(0.2)	-	0.1
Other remeasurement of impairment loss provision (no movement in stage)	-	-	-	(2.2)	-	(2.6)	-	(4.8)
New advances	4,632.8	2.3	-	-	-	-	4,632.8	2.3
Redemptions and repayments	(2,818.0)	(0.5)	(245.3)	(1.2)	(24.5)	(1.2)	(3,087.8)	(2.9)
Write offs	-	-	-	-	-	(1.6)	-	(1.6)
At 31 December 2021	16,208.6	9.3	1,903.3	11.6	228.4	16.1	18,340.3	37.0

In the above tables, the impact of changes to accounting estimates and judgements, including macroeconomic scenarios and probability weightings, is included within 'other remeasurement of impairment loss provision' unless the change results in the transfer of a loan between stages in which case it is included in the relevant transfer row.

8. Taxation

The standard rate of corporation tax applicable to the Group for the six months ended 30 June 2022 was 19% (six months ended June 2021: 19%; year ended December 2021: 19%). An increase in the UK corporation tax rate to 25% with effect from 1 April 2023 was substantively enacted on 24 May 2021. The Finance (No. 2) Act 2015 introduced an additional surcharge of 8% on banking profits (including those of building societies) above a £25m threshold from 1 January 2016. A reduction in this surcharge to 3% of profits above a £100m threshold, to be effective from 1 April 2023, was substantively enacted on 2 February 2022.

Deferred tax balances have been calculated at a rate of 28% (30 June 2021: 33%; 31 December 2021: 33%) reflecting the increased corporation tax rate and the 3% banking surcharge effective from 1 April 2023.

9. Loans and advances to customers

30 June 2022 (Unaudited)	**Gross exposure £m**	**Impairment loss provision £m**	**Total £m**
Loans fully secured on residential property	**19,525.8**	**(40.5)**	**19,485.3**
Loans fully secured on land	**9.3**	**(1.7)**	**7.6**
Other loans	**186.0**	**(2.5)**	**183.5**
Total loans and advances to customers	**19,721.1**	**(44.7)**	**19,676.4**

30 June 2021 (Unaudited)	Gross exposure £m	Impairment loss provision £m	Total £m
Loans fully secured on residential property	17,364.6	(41.2)	17,323.4
Loans fully secured on land	16.0	(1.8)	14.2
Other loans	213.9	(2.5)	211.4
Total loans and advances to customers	17,594.5	(45.5)	17,549.0

31 December 2021 (Audited)	Gross exposure £m	Impairment loss provision £m	Total £m
Loans fully secured on residential property	18,340.3	(37.3)	18,303.0
Loans fully secured on land	10.4	(1.7)	8.7
Other loans	218.0	(2.5)	215.5
Total loans and advances to customers	18,568.7	(41.5)	18,527.2

10. Retirement benefit surplus

	30 June 2022 (Unaudited) £m	30 June 2021 (Unaudited) £m	31 December 2021 (Audited) £m
Present value of funded obligations	**(82.0)**	(114.3)	(112.1)
Present value of unfunded obligations	**(0.7)**	(0.8)	(0.8)
Assets at fair value	**89.4**	117.2	121.2
Surplus	**6.7**	2.1	8.3

The Group operates both defined benefit and defined contribution schemes. The defined benefit scheme provides benefits based on final salary for certain employees. It closed to future accruals on 31 December 2014.

11. Related party transactions

The Group had no related party transactions outside the normal course of business in the six months ended 30 June 2022 (six months ended June 2021: none; year ended December 2021: none).

12. Guarantees and other financial commitments

a. Financial Services Compensation Scheme

The Group has a contingent liability in respect of contributions to the Financial Services Compensation Scheme (FSCS) provided by the Financial Services and Markets Act 2000. The FSCS provides compensation to depositors in the event that a financial institution is unable to repay amounts due and is funded by contributions from the financial services industry.

b. Capital commitments

The Group has capital commitments contracted for but not accrued for under executory contracts of £1.2m (June 2021: £3.9m; December 2021: £0.3m) relating to technology investment programmes. This amount is inclusive of value added tax.

c. Other commitments

The Group is committed to a multi-year service contract for the provision and maintenance of its IT infrastructure. The remaining commitment at 30 June 2022 is £14.4m (June 2021: £20.3m; December 2021: £17.2m). This service contract does not meet the definition of a lease under IFRS 16 – Leases since it does not give the Group the right to control the assets used to provide the service.

13. Credit risk on loans and advances to customers

Retail mortgages

A full analysis of credit risk on retail mortgages is included in note 32 of the 2021 Annual Report and Accounts.

The table below provides information on the Group's retail mortgages by payment due status, excluding impairment loss provisions. The table includes £3.3m (June 2021: £8.2m; December 2021: £4.8m) of loans and advances secured on residential property in Spain that are past due and £0.3m (June 2021: £0.9m; December 2021: £1.0m) in possession.

	30 June 2022 (Unaudited) £m	**30 June 2022 (Unaudited) %**	30 June 2021 (Unaudited) £m	30 June 2021 (Unaudited) %	31 December 2021 (Audited) £m	31 December 2021 (Audited) %
Not past due	**19,280.5**	**98.7**	16,990.5	97.9	18,105.8	98.8
Past due up to 3 months	**127.2**	**0.7**	260.3	1.6	115.2	0.6
Past due 3 to 6 months	**41.7**	**0.2**	42.3	0.2	43.2	0.2
Past due 6 to 12 months	**39.7**	**0.2**	42.2	0.2	39.8	0.2
Past due over 12 months	**31.5**	**0.2**	25.6	0.1	31.0	0.2
Possessions	**5.2**	**-**	3.7	-	5.3	-
Total	**19,525.8**	**100.0**	17,364.6	100.0	18,340.3	100.0

The Group continues to use forbearance arrangements as part of its arrears management strategies to minimise credit risk, whilst ensuring customers are treated fairly. This includes the use of arrangements to assist borrowers in arrears that are now able to meet agreed repayment strategies, including or excluding arrears balances. The Group's approach to forbearance is described on page 218 of the 2021 Annual Report and Accounts and is materially unchanged.

Notes to the Accounts (continued)

13. Credit risk on loans and advances to customers (continued)

Retail mortgages (continued)

Retail mortgages are all fully secured on residential property. The indexed loan to value analysis of the Group's retail mortgage portfolio is as follows:

	30 June 2022 (Unaudited) £m	**30 June 2022 (Unaudited) %**	30 June 2021 (Unaudited) £m	30 June 2021 (Unaudited) %	31 December 2021 (Audited) £m	31 December 2021 (Audited) %
Less than 10%	**192.5**	**1.0**	154.5	0.9	169.4	0.9
10% to 20%	**915.5**	**4.7**	714.3	4.1	802.7	4.4
20% to 30%	**1,966.5**	**10.1**	1,544.8	8.9	1,704.4	9.3
30% to 40%	**3,119.5**	**16.0**	2,444.1	14.1	2,787.8	15.2
40% to 50%	**4,021.8**	**20.6**	3,515.3	20.2	3,737.0	20.4
50% to 60%	**3,461.8**	**17.7**	3,577.8	20.5	3,580.6	19.5
60% to 70%	**2,492.8**	**12.8**	2,696.6	15.5	2,459.8	13.4
70% to 80%	**1,871.5**	**9.6**	1,694.0	9.8	1,879.2	10.2
80% to 90%	**1,103.1**	**5.6**	895.4	5.2	915.0	5.0
90% to 100%	**375.0**	**1.9**	114.2	0.7	295.7	1.6
Over 100%	**5.8**	**-**	13.6	0.1	8.7	0.1
Total	**19,525.8**	**100.0**	17,364.6	100.0	18,340.3	100.0

The overall weighted average indexed loan to value of the residential portfolio is 49.5% (June 2021: 52.2%; December 2021: 50.5%).

14. Fair values

a. Carrying value and fair value of financial instruments not carried at fair value

The table below compares the carrying and fair values of the Group's financial instruments not held at fair value at the reporting date. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting future cash flows at prevailing interest rates.

	Fair value hierarchy level	**30 June 2022 (Unaudited) Carrying value £m**	**30 June 2022 (Unaudited) Fair value £m**	30 June 2021 (Unaudited) Carrying value £m	30 June 2021 (Unaudited) Fair value £m
Financial assets:					
Cash in hand and balances with the Bank of England	**Level 1**	**2,615.7**	**2,615.7**	1,816.0	1,816.0
Loans and advances to credit institutions	**Level 2**	**145.1**	**145.1**	368.0	368.0
Loans and advances to customers					
Loans fully secured on residential property	**Level 3**	**19,485.3**	**18,857.3**	17,323.4	19,045.7
Other loans	**Level 2**	**7.6**	**7.6**	14.2	14.2
Financial liabilities:					
Shares	**Level 2**	**16,398.7**	**16,342.8**	14,470.8	14,532.6
Amounts owed to credit institutions	**Level 2**	**2,310.9**	**2,310.9**	1,998.6	1,998.6
Amounts owed to other customers	**Level 2**	**328.6**	**328.6**	293.6	293.6
Debt securities in issue	**Level 1**	**2,452.4**	**2,471.2**	2,132.7	2,163.8
Debt securities in issue	**Level 2**	**132.4**	**156.2**	173.0	172.6
Subordinated liabilities	**Level 1**	**322.7**	**317.7**	347.6	350.1
Subscribed capital	**Level 1**	**211.6**	**262.6**	233.4	251.1

	Fair value hierarchy level	31 December 2021 (Audited) Carrying value £m	31 December 2021 (Audited) Fair value £m
Financial assets:			
Cash in hand and balances with the Bank of England	Level 1	2,538.7	2,538.7
Loans and advances to credit institutions	Level 2	159.0	159.0
Loans and advances to customers			
Loans fully secured on residential property	Level 3	18,303.0	18,510.4
Other loans	Level 2	8.7	8.7
Financial liabilities:			
Shares	Level 2	15,258.0	15,292.1
Amounts owed to credit institutions	Level 2	2,258.9	2,258.9
Amounts owed to other customers	Level 2	297.5	297.5
Debt securities in issue	Level 1	2,402.5	2,415.5
Debt securities in issue	Level 2	152.1	187.7
Subordinated liabilities	Level 1	339.4	346.1
Subscribed capital	Level 1	227.3	294.5

14. Fair values (continued)

b. Fair value measurement basis for financial instruments carried at fair value

The methodology and assumptions for determining the fair value of financial assets and liabilities are included in note 37 of the 2021 Annual Report and Accounts and remain unchanged since December 2021. The tables below classify all assets and liabilities carried at fair value in the Statement of Financial Position according to the method used to establish their fair value.

At 30 June 2022 (Unaudited)	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets:				
Investment securities	**105.7**	**1,136.4**	**-**	**1,242.1**
Derivative financial instruments	**-**	**453.8**	**-**	**453.8**
Loans and advances to customers	**-**	**-**	**183.5**	**183.5**
Fair value adjustment for hedged risk on loans and advances to customers	**-**	**-**	**(413.4)**	**(413.4)**
Total assets	**105.7**	**1,590.2**	**(229.9)**	**1,466.0**
Liabilities:				
Fair value adjustment for hedged risk on shares	**-**	**(93.2)**	**-**	**(93.2)**
Derivative financial instruments	**-**	**188.2**	**42.8**	**231.0**
Total liabilities	**-**	**95.0**	**42.8**	**137.8**

At 30 June 2021 (Unaudited)	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets:				
Investment securities	96.1	782.9	-	879.0
Derivative financial instruments	-	133.0	-	133.0
Loans and advances to customers	-	-	211.4	211.4
Fair value adjustment for hedged risk on loans and advances to customers	-	-	(23.1)	(23.1)
Total assets	96.1	915.9	188.3	1,200.3
Liabilities:				
Fair value adjustment for hedged risk on shares	-	-	(51.7)	(51.7)
Derivative financial instruments	-	102.8	59.4	162.2
Total liabilities	-	102.8	7.7	110.5

At 31 December 2021 (Audited)	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets:				
Investment securities	215.1	734.0	-	949.1
Derivative financial instruments	-	219.3	-	219.3
Loans and advances to customers	-	-	215.5	215.5
Fair value adjustment for hedged risk on loans and advances to customers	-	-	(169.1)	(169.1)
Total assets	215.1	953.3	46.4	1,214.8
Liabilities:				
Fair value adjustment for hedged risk on shares	-	(72.9)	-	(72.9)
Derivative financial instruments	-	89.2	77.6	166.8
Total liabilities	-	16.3	77.6	93.9

14. Fair values (continued)

b. Fair value measurement basis for financial instruments carried at fair value (continued)

Level 1: Relates to financial instruments where fair values are taken from quoted prices in active markets for identical assets or liabilities, without adjustment.

Level 2: Valuations of financial instruments for which significant inputs are taken from observable market data for the asset or liability. These include quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets which are not active. These also include valuations where models are used to calculate the present values of expected future cash flows, using solely inputs (such as interest rate curves) from published market observable sources.

Level 3: The valuation of the asset or liability is not solely based on observable market data and includes unobservable inputs. Valuation techniques include net present value and discounted cash flow methods. The assumptions used in such models include risk-free benchmark interest rates, foreign currency exchange rates and expected price volatilities. The objective of the valuation techniques is to determine a fair value that reflects the price of the financial instrument that would have been used by two counterparties in an arm's length transaction.

Details of the recurring fair value measurements of assets and liabilities are provided in the 2021 Annual Report and Accounts on page 238.

c. Reconciliation of level 3 fair value measurements of financial instruments

Six months to 30 June 2022 (Unaudited)	**Derivative financial instruments £m**	**Loans and advances to customers £m**	**Fair value adjustment for hedged risk £m**	**Total £m**
At 1 January 2022	**(77.6)**	**215.5**	**(169.1)**	**(31.2)**
Total (losses) / gains in the Income Statement	**34.8**	**(31.0)**	**-**	**3.8**
Movement in fair value adjustment for hedged risk on loans and advances to customers	**-**	**-**	**(244.3)**	**(244.3)**
Net repayment in the year	**-**	**(1.0)**	**-**	**(1.0)**
At 30 June 2022	**(42.8)**	**183.5**	**(413.4)**	**(272.7)**

Six months to 30 June 2021 (Unaudited)	Derivative financial instruments £m	Loans and advances to customers £m	Fair value adjustment for hedged risk £m	Total £m
At 1 January 2021	(64.2)	222.0	109.6	267.4
Total (losses) / gains in the Income Statement	4.8	(7.4)	-	(2.6)
Movement in fair value adjustment for hedged risk on loans and advances to customers	-	-	(119.2)	(119.2)
Movement in fair value adjustment for hedged risk on shares	-	-	38.3	38.3
Net repayment in the year	-	(3.2)	-	(3.2)
At 30 June 2021	(59.4)	211.4	28.7	180.7

14. Fair values (continued)

c. Reconciliation of level 3 fair value measurements of financial instruments (continued)

Year to 31 December 2021 (Audited)	Derivative financial instruments £m	Loans and advances to customers £m	Fair value adjustment for hedged risk £m	Total £m
At 1 January 2021	(64.2)	222.0	109.6	267.4
Total (losses) / gains in the Income Statement	(13.4)	0.6	-	(12.8)
Movement in fair value adjustment for hedged risk on loans and advances to customers	-	-	(265.2)	(265.2)
Reclassification of fair value adjustment for hedged risk on shares to Level 2	-	-	(13.5)	(13.5)
Net repayment in the year	-	(7.1)	-	(7.1)
At 31 December 2021	(77.6)	215.5	(169.1)	(31.2)

Total gains / (losses) for the period are included in fair value gains less losses from financial instruments in the Income Statement.

d. Level 3 unobservable inputs

(i) Loans and advances to customers (collateral loan)

The collateral loan which represents a pool of equity release mortgages is valued using a discounted cash flow model which uses unobservable input assumptions for property price volatility, sales price haircut, mortality, early prepayment and the discount rate used to discount future cash flows. Wherever possible these input assumptions are calculated with reference to historic experience. The variables considered to have the largest impact on the value of the loan are property price volatility, sales price haircut and the discount rate. The sensitivities below reflect a range of alternative assumptions based on observed historic data and regulatory guidance.

At 30 June 2022, a 300 basis points increase in assumed property price volatility would reduce the value of the collateral loan by £5.8m and a 300 basis points decrease in assumed property price volatility would increase the value of the collateral loan by £5.2m. A 500 basis points increase in the sales price haircut would reduce the value of the collateral loan by £4.6m and a 500 basis points decrease in the sales price haircut would increase the value of the collateral loan by £4.1m. A 50 basis points increase in the discount rate would reduce the value of the collateral loan by £8.7m and a 50 basis points decrease in the discount rate would increase the value of the collateral loan by £4.2m.

(ii) Derivative financial instruments (equity release swaps)

The deal 3 equity release swap is linked to RPI and is valued using a discounted cash flow model which uses observable market data for RPI and unobservable input assumptions for prepayment and the discount rate used to discount future cash flows. Wherever possible these input assumptions are calculated with reference to actual historic experience. The variable which is considered to have the largest impact on the value of the swap is the prepayment rate. At 30 June 2022, a 100 basis points increase in assumed prepayment rate would increase the value of the swap by £3.4m and a 100 basis points decrease in assumed prepayment rates would reduce the value of the swap by £3.8m.

(iii) Fair value adjustment for hedged risk

The Group designates a portfolio of fixed rate mortgages into hedge relationships to mitigate interest rate risk and similarly for a portfolio of fixed rate savings. For the mortgage portfolio only, the calculation of the fair value uses observable market interest rate data and assumptions about projected prepayments. These prepayment assumptions are unobservable inputs that are calculated using historic data and reviewed periodically so that projections are broadly in line with actual data, with sensitivities calculated based on historic observed variability.

14. Fair values (continued)

d. Level 3 unobservable inputs (continued)

At 30 June 2022, a 20% proportionate increase in mortgage repayments would lead to a reduction in the fair value of the mortgages in the hedge relationship of £9.2m. A 20% proportionate decrease in mortgage repayments would lead to an increase in the fair value of the mortgages of £9.2m.

15. Events after the date of the Statement of Financial Position

There have been no subsequent events between 30 June 2022 and the date of approval of this Interim Financial Report by the Board which would have had a material impact on the financial position of the Group.

Notes to the Accounts (continued)

Cautionary statement

This Interim Financial Report has been prepared solely to provide additional information to members to assess the Group's financial position and the potential for its strategies to succeed. These statements should not be relied on by any other party or for any other purpose. The Interim Financial Report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their 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.

Responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements, which have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Society and the undertakings included in the consolidation as a whole; and
- the Interim Financial Report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year).

Signed on behalf of the Board of Directors:

Iain Cornish	Richard Fearon	Andrew Conroy
Chairman	Chief Executive Officer	Chief Financial Officer

28 July 2022

Independent Review Report to Leeds Building Society

Conclusion

We have been engaged by Leeds Building Society (the “Society”) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Members’ Interest, the Condensed Consolidated Statement of Cash Flows and related Notes 1 to 15.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Society will be prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, “Interim Financial Reporting”.

Conclusion relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE (UK), however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

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

Auditor’s responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the Society a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Society in accordance with International Standard on Review Engagements (UK) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Society those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
28 July 2022