The Nottingham

INTERIM FINANCIAL REPORT

30 JUNE 2024

PERFORMANCE HIGHLIGHTS

4,069
New mortgage customers
(2023: 3,630) ↑

£525.7m
Gross new lending
(2023: £457.1m) ↑

£71.5m
Total interest paid to savers
(2023: £35.4m) ↑

61.3%
Net promoter score*
(2023: 67.0%) ↓

4.9☆
Trustpilot score
(2023: 4.8) ↑

1,200
Colleague volunteering hours
(2023: 817) ↑

£3.9bn
Total mortgage assets
(2023: £3.3bn) ↑

15bps
ECL coverage ratio
(2023: 18bps) ↑

£4.0bn
Total savings balance
(2023: £3.1bn) ↑

1.87%
Underlying net interest margin
(2023: 2.0%) ↓

£9.0m
Underlying profit before tax
(2023: £13.7m) ↓

£0.7m
Profit before tax
(2023: £11.7m) ↓

14.0%
CET1 ratio
(2023: 16.3%) ↓

5.3%
Leverage ratio
(2023: 5.9%) ↓

169.3%
Average LCR
(2023: 177.3%) →

The Key Performance Indicators ('KPI') disclosed above are based on the positions at 30th June or for the six-month period ended 30th June, unless otherwise stated. The average Liquidity Coverage Ratio ('LCR') is a 12-month average for the period ended 30th June.

*In the second half of 2023, the Society enhanced its net promoter score methodology to include further measurements associated with both our savings and mortgage members and as such the score we are reporting in the first half of 2024 is not directly comparable to the same period last year.

↑ Positive movement | ↓ Adverse movement | → Stable

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IFRS RESULTS

This Interim Financial Report for the six months ended 30th June 2024 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority ('FCA') and with UK adopted International Accounting Standard ('IAS') 34 - Interim Financial Reporting. The Interim Financial Report should be read in conjunction with the Annual Report and Accounts for the year ended 31st December 2023, which have been prepared in accordance with UK adopted IAS.

FORWARD-LOOKING STATEMENTS

Certain statements in this Interim Financial Report are forward-looking, based on current expectations, assumptions and forecasts made relating to the future financial position. All forward-looking statements involve risk and uncertainty as they relate to future events and circumstances that are out of the control of the Society, including (but not limited to): UK domestic and global economic and business conditions; market-related risks such as changes in interest rates or inflation; risks concerning borrower credit quality; delays in implementing proposals; the policies and actions of regulatory authorities; and the impact of tax or other legislation in the UK where the Society operates. The Society, defined in this Interim Financial Report as Nottingham Building Society and its subsidiary undertaking, believes that the expectations reflected in these forward-looking statements are reasonable based on the information available at the time of the approval of this report. However, we can give no assurance that these expectations will prove to be an accurate reflection of actual results; given these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

The Society undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

CHIEF EXECUTIVE OFFICER'S INTRODUCTION

DELIVERING A STRONG PERFORMANCE FOR OUR MEMBERS IN THE FIRST HALF OF 2024

We entered 2024 in a strong position, and I am pleased to share with you our progress in the first half of this year.

We are committed to growing a more modern and stronger building society that can better serve our members and communities now and for generations to come. At the centre of our plans is our purpose, which is to better serve those who find it difficult to access mortgage lending due to career choices or lifestyle circumstances which are not reflected in traditional lending processes.

In the first half of 2024 we achieved 18.6% growth in total mortgage assets, significantly outperforming the market growth of approximately 12.0%[1]. We have also increased underlying net interest income whilst achieving this growth. This is testament to the strategy we began in 2022. Our mortgage assets have now reached a record level of £3.9bn. Our focus on borrowers in underserved groups has successfully helped to support members and we have been able to start to launch new innovative mortgage solutions.

I am particularly proud of our most recent proposition, launched in May this year, which is designed to support the growing number of foreign nationals who come to work in the UK and who aspire to home ownership but face significant challenges in doing so. Many of these individuals are supporting key skills shortages in healthcare and technology.

Some of this growth has been achieved through our ongoing partnership with Generation Home who are also focused on supporting home ownership through innovation and member focus.

In addition to our mortgage growth, we have also helped more people save for the future and we have seen a sustained increase in our savings balances. We are proud to announce that we have surpassed a significant milestone of £1bn in savings deposits made via our online savings app during a time when the Bank of England Bank Rate has remained high.

We are committed to providing a range of competitive savings options for our members and have paid a total of £71.5m in interest to savers, which is more than double the amount we paid in the same period in 2023 (£35.4m).

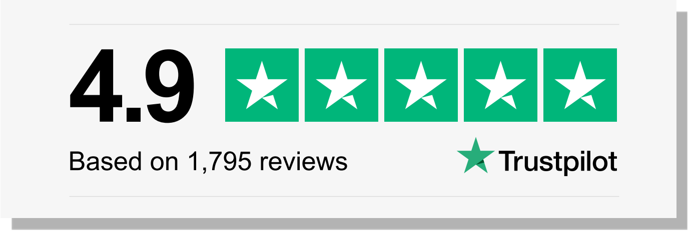
Sue Hayes
Chief Executive

[1]Data sourced from Bank of England – MLAR Statistics

EXCELLENCE IN MEMBER SERVICE

Member satisfaction remains at the heart of everything we do, and we are extremely proud to have achieved a Trustpilot rating of 4.9 out of a possible 5 during the first half of 2024. This remarkable score reflects ratings provided primarily by our savings members. This is a result of the dedication and hard work of our branch network colleagues who consistently provide exceptional service to our members.

I would like to thank all our members who took the time to complete the survey. In addition, I would also like to thank all of our colleagues for their tireless efforts in delivering great service every day and to our members for all of your feedback.



MEMBERS IMPACTED BY PHILIPS TRUST CORPORATION

In the 2023 Annual Report and Accounts, and at our Annual General Meeting, we highlighted those members who have been affected by the actions and subsequent administration of the Philips Trust Corporation.

From 2011 to 2018, Nottingham Building Society had an arrangement in place whereby members were referred to The Will Writing Company for advice with will writing and estate planning. The Will Writing Company was not required to be regulated though it chose to become regulated by the Solicitors' Regulation Authority from 2016 onwards. Some members set up trusts and transferred funds into those trusts. Those funds were placed in high-quality investments, supported by independent financial advice. In 2018, The Will Writing Company went into administration at which point the Nottingham Building Society ceased making any member referrals.

Subsequently, an entirely separate company, Philips Trust Corporation, contacted these members to change their trust arrangements. This resulted in some members transferring their investments and trust assets to Philips Trust Corporation. The investments were moved into very different investments than their original high-quality investments.

Philips Trust Corporation went into administration in April 2022. Since then, it has become evident that some members have incurred losses as a result. Others have incurred considerable costs and inconvenience as they have sought to regain control of properties held in trust by Philips Trust Corporation.

Nottingham Building Society never had any relationship with Philips Trust Corporation, and there is no legal or regulatory responsibility for us to provide support. However, as a mutual building society, we believe it is right to help affected members. In May 2024, alongside other building societies, we announced a voluntary support initiative which was effectively an industry solution to support impacted members. We believe we have achieved a balanced solution that is in the best interests of all our members. This involves a significant payment to support those members impacted and the anticipated expense is included in the half-year financial results. We have been able to do this because of the Society's robust financial position and strong capital base.

We have been working hard for a number of months on what is a very complex situation. We would like to thank the many members that have supported our enquiries. We are working closely with the administrator and our focus is to enable voluntary payments as quickly as possible. Alongside others, we will continue to support action to hold Philips Trust Corporation to account.

INVESTMENT IN OUR COLLEAGUES AND COMMUNITY

Our colleagues remain the heart and soul of our Society and over the first six months we have reinforced our investment in supporting their development.

We believe in fostering a learning organisation through coaching, internal and external courses as well as sponsoring 10 colleagues through the Loughborough MSc.

This year we have introduced new colleague-led networks to support diversity and inclusion within our workforce with the launch of our women's network and mental health network. These are in addition to our already established LGBTQIA+ network and we are delighted to be a headline sponsor of this year's Nottingham Pride festival in July.

Our investment in people extends beyond the workplace. Our commitment to focus on homelessness in our community investment primarily with Nottingham based charity Emmanuel House is also reflected in our target to allocate 1% of pre-tax profit to community initiatives. This investment is aimed at making a tangible difference in the communities we serve, aligning with our responsibilities as a mutual building society.

We encourage colleague volunteering and support each colleague to commit to two paid volunteering days each year. Our colleagues have collectively contributed over 1,200 hours of volunteer time to local charities, non-profits, and community groups. We are particularly proud of our partnership with Emmanuel House Support Centre, where our team has spent over 165 hours volunteering in the first half of this year. Activities have included cooking meals, serving breakfast, and helping with maintenance tasks, all aimed at supporting those experiencing or at risk of homelessness in the Nottingham area.

Our colleagues have also actively fundraised for our national homelessness charity partner, Shelter. Teams and colleagues from across the Society have taken part in a range of challenges and activities to raise funds. We continue to work closely with both of our charity partners through volunteer time, skills sharing, and fundraising, striving to make a lasting, positive impact on the lives of those they support.

The Nottingham

CHIEF EXECUTIVE OFFICER'S INTRODUCTION continued

STRATEGIC FOCUS AND INNOVATION

As a mutual building society, we are committed to delivering real value to our members through modern and innovative products through our trusted brand. Our strategy for growth is underpinned by continued investment in our people, technology, and processes.

This year, we started the journey to upgrade our core banking platform, enhancing our ability to serve our members efficiently and securely. Additionally, we are investing in mortgage application and credit decisioning capability which will enable us to deliver real innovation at pace and launch new products with greater agility.

We are reshaping our change capability to reflect the requirements we need for today and the future and our investment in people over the last 18 months is paying off, both in good levels of growth and delivery.

LOOKING AHEAD

On 1st July Robin Ashton was appointed our new Chair of the Board. Robin joined our Board in December 2023. He offers a wealth of experience and a shared vision for the future of Nottingham Building Society. I am looking forward to working with him as Chair as we deliver our strategy.

I would like to extend my deepest thanks to our outgoing Chair, Andrew Neden, for his invaluable contribution and leadership. Andrew's tenure has been marked by steady growth and an unwavering commitment to what is best for the long term of the Nottingham Building Society and our mutual ethos.

We continue to navigate through interesting times in the UK, Europe and beyond and whilst we are a regional / national building society, UK and global change impacts us all. Despite this, we remain optimistic about the opportunities ahead for a bold new chapter for the Building Society sector and home ownership.

In closing, I would like to thank all our members, colleagues, and strategic partners for their continued support and trust in Nottingham Building Society. Together, we are building an even stronger future, and I am excited about the journey ahead.

Sue Hayes
Chief Executive Officer | 24th July 2024

Robin Ashton, Chair

Andrew Neden, Outgoing Chair

INTERIM BUSINESS AND FINANCIAL REVIEW

A PROGRESSIVE START TO 2024

I am pleased to present the Society's financial results for the six-month period ended 30th June 2024.

BASIS OF PREPARATION

The Board monitors both reported and underlying profit before tax. Reported profit includes items that the Board does not believe fully reflect underlying business performance and therefore underlying profit is also used to measure performance.

We measure our performance against our strategic drivers using a number of KPIs, including both, financial and non-financial measures. The H1 2024 financial KPIs referenced are for the six-month period ended 30th June unless otherwise stated.

The Group continues to exclude gains / losses from derivative financial instruments and changes to accounting estimates from its underlying performance, as well as net strategic investment costs, when applicable, supporting the reinvention of the Society and those which are not ongoing in nature, such as the impact of Philips Trust Corporation and asset disposals.

The results of the performance reported as at 30th June relate fully to continuing operations.

Anthony Murphy
Chief Financial Officer

KEY PERFORMANCE INDICATORS - TOTAL GROUP BASIS

£525.7m Gross new lending (2023: £457.1m) ↑	**£3.9bn** Total mortgage assets (2023: £3.3bn) ↑	**15bps** ECL coverage ratio (2023: 18bps) ↑	**£4.0bn** Total savings balance (2023: £3.1bn) ↑
£71.5m Total interest paid to savers (2023: £35.4m) ↑	**1.87%** Underlying net interest margin (2023: 2.00%) ↓	**76.6%** Underlying cost to income ratio (2023: 64.4%) ↓	**£0.7m** Profit before tax (2023: £11.7m) ↓
£9.0m Underlying profit before tax (2023: £13.7m) ↓	**14.0%** CET1 ratio (2023: 16.3%) ↓	**5.3%** Leverage ratio (2023: 5.9%) ↓	**169.3%** Average LCR (2023: 177.3%) →

↑ Positive movement | ↓ Adverse movement | → Stable

INTERIM BUSINESS AND FINANCIAL REVIEW continued

FINANCIAL HIGHLIGHTS

- Growth in total mortgage assets by 18.6% to £3,856.4m (2023: £3,251.7m);
- Total savings balances acquired through digital channels exceeded £1bn for the first time in the Society's history;
- Underlying net interest income has increased to £40.7m (2023: £39.3m) due to growth in total mortgage assets, offset to a lesser extent by a reduction in Net Interest Margin ('NIM');
- Management expenses have increased by £5.5m versus 2023, reflecting an increase in costs associated with inflation and investment in people and technology to deliver the Society's strategic goals;
- Expected Credit Loss ('ECL') Coverage Ratio has reduced to 15bps, evidencing strong asset quality and reflecting an improvement in the external environment since June 2023 (2023: 18bps) and remains stable compared to December 2023 at 15bps;
- Underlying profit before tax decreased to £9.0m (2023: £13.7m) and underlying cost to income ratio increased to 76.6% (2023: 64.4%), reflecting growth in income, offset to a higher extent by increased costs;
- Statutory profit before tax of £0.7m in 2024 (2023: £11.7m), reflects anticipated voluntary payments to support members impacted by Philips Trust Corporation as discussed within the Chief Executive Officer's Introduction;
- Strong liquidity and funding position, demonstrated by an average LCR of 169.3% (2023: 177.3%); and
- Robust capital position maintained, after accounting for the impact of Philips Trust Corporation on capital base, with CET1 Ratio at 14.0% (2023: 16.3%) and Leverage Ratio of 5.3% (2023: 5.9%)

FINANCIAL AND BUSINESS REVIEW

The first half of 2024 has proved to be another productive period for the Society. Our strong financial performance from 2023 has continued with the business generating growth in its mortgage assets and robust underlying profitability.

On a statutory basis, the Group's profitability has been impacted by the proactive and voluntary support offered in the light of the issues surrounding Philips Trust Corporation. The background behind the voluntary support is provided within the Chief Executive Officer's Introduction with further information available on the Society's website.

The Society is not isolated from the macroeconomic environment, with elevated inflation and the impact of the higher cost-of-living affecting Nottingham Building Society. That said, we operate from a position of financial strength and will continue to adopt a cautious approach to ensure we can best serve our members, colleagues and the communities in which we operate.

Against this challenging outlook we will continue to be proactive in the way risks are managed over the short to medium-term, whilst balancing the interests of our savings and mortgage members through this period. Further, we will continue to monitor the impact of the evolving economic and regulatory environment over the longer term (including the impact of the proposed Basel 3.1 or Small Domestic Deposit Takers frameworks due to be implemented in 2025) and what it may mean for the Society's business model and strategy.

INCOME STATEMENT

Profitability

The Group generated an underlying profit before tax of £9.0m in H1 2024, versus £13.7m in the same period in 2023.

On a statutory basis, the Group reports a profit before tax of £0.7m compared to a profit before tax of £11.7m in the six-month period to June 2023.

Income Statement Total Group basis	June 2024 £m	June 2023 £m	December 2023 £m
Underlying net interest income	40.7	39.3	79.3
Underlying net fees and commissions receivable	0.3	0.9	2.4
Underlying net income	**41.0**	**40.2**	**81.7**
Management expenses*	(31.4)	(25.9)	(57.6)
Impairment (charge) / credit on loans and advances to customers	(0.6)	(0.6)	0.1
Underlying profit before tax	**9.0**	**13.7**	**24.2**
Gains / (losses) from derivative financial instruments	3.3	(3.0)	(14.2)
Net strategic investment costs	(0.9)	-	(0.2)
Other	-	-	(0.5)
Change in accounting estimate	-	1.0	0.8
Voluntary payment expense associated with Philips Trust Corporation	(10.7)	-	-
Loss on disposal of treasury assets	-	-	(1.8)
Profit before tax	**0.7**	**11.7**	**8.3**
Tax expense	(0.1)	(2.6)	-
Profit after tax	**0.6**	**9.1**	**8.3**

*Management expenses consists of administrative expenses, depreciation and amortisation, less net strategic investment costs and the change in accounting estimates relating to depreciation in 2023.

Total income and net interest margin

The Group's underlying net interest income increased to £40.7m for the six months to June 2024 from £39.3m in the comparative period. This performance has been aided by growth in mortgage assets (via both the Society's direct channels and originations via the Generation Home forward flow) and by the higher interest rates.

Underlying NIM has decreased to 1.87% for the six months to 30th June 2024, from 2.00% for the first half of 2023 and 1.94% for full year 2023. The fall in the Society's NIM is attributable to an increase in funding costs, as fixed term deposits continued to reprice at higher rates. The Society has enhanced its liability hedging strategy which results in higher interest payable in 2024, but will help mitigate against the impact of falling interest rates.

Funding costs have increased, due to both higher interest rates and a competitive market, coupled with additional savings balances to support growth and to enable repayment of funding received through the Bank of England's Term Funding Scheme ('TFSME'). The Society is committed to ensuring depositors are rewarded appropriately for placing their funds with the Society and we have continued to offer competitive rates to our members.

We have grown savings balances to £3,987.4m (30th June 2023: £3,141.9m) by offering competitive products through both our online channels and branch network, which remains a critical part of our strategy. Notably, savings balances acquired through digital channels exceeded £1bn for the first time in April 2024.

Management expenses

Management expenses have risen due to a combination of inflation and ongoing investment in both technology and people to support the Society in achieving its strategic goals.

The increase of 21.2% in management expenses from June 2023 is in line with our strategic plan, with the uplift impacting the Group's underlying cost : income ratio which reached 76.6% (versus 64.4% for the comparative period to 30th June 2023).

Looking ahead we will continue to focus on managing the business efficiently with close control of our cost base as we progress through the transformation.

Impact of Philips Trust Corporation

The Society has made a provision of £10.7m, reflecting the anticipated cost of voluntary payments to impacted members and customers. Further information is provided within note 16.

Impairment (charge) / credit on loans and advances to customers

Despite the rate of inflation falling significantly throughout 2023 and continuing to fall in 2024, the cumulative impact of high inflation in recent years alongside higher interest rates remains, impacting mortgage affordability. There has been a slight increase in the unemployment rate; however, house prices have remained stable, avoiding any significant declines and thereby mitigating some potential adverse impacts on our mortgage portfolio.

Despite the challenges faced by borrowers, due to the current economic environment, there has not been any significant movement in the number of borrowers in arrears, with the proportion in arrears by over 3 months or more being 0.20% at 30th June 2024 (30th June 2023: 0.15%). We continue to adopt a conservative approach regarding our overall ECL Provision, maintaining a stable Coverage Ratio of 15bps (30th June 2023: 18bps; 31st December 2023: 15bps).

Gains / (Losses) from derivative financial instruments

The Society uses derivative financial instruments to manage the interest rate risk arising from its fixed mortgage and savings accounts and applies hedge accounting where possible. Changes in fair value are primarily due to timing differences, which will trend to zero as the asset or liability reaches maturity. Gains / (losses) from derivative financial instruments include:

	June 2024 £m	June 2023 £m	Dec 2023 £m
Fair value movements on swaps held against the mortgage pipeline	1.1	0.6	(2.8)
Amortisation gains / (losses) from the reversal of losses / gains recognised in both the prior and current periods	1.6	(1.0)	(6.6)
Movements in ineffectiveness of the hedge accounting portfolio	0.7	(2.6)	(4.5)
Fair value movement associated with micro fair value hedge relationships	(0.1)	-	-
Fair value movements on swaps associated with the secured funding vehicle	-	-	(0.3)
Gains / (losses) from derivative financial instruments	**3.3**	**(3.0)**	**(14.2)**

BALANCE SHEET

Continued strong lending growth in H1 2024 has meant our total assets increased by 21.2% from £3.9bn as at 30th June 2023 to £4.8bn.

Mortgages

Gross mortgage balances increased by 18.6% versus prior year, with gross new lending during the six-month period of £525.7m (six months to June 2023: £457.1m). Increased gross lending has been driven by both organic and inorganic lending, and favourable redemption performance in the first half of the year, resulted in an increase in net lending of £0.6bn in the first half of 2024 (2023: £0.3bn).

Mortgage lending remains concentrated in prime high-quality mortgage assets with residential mortgages accounting for 90.1% (30th June 2023: 88.3%) of the total mortgage book. The average indexed Loan to Value ('LTV') of the lending portfolio is 53% (30th June 2023: 49%).

INTERIM BUSINESS AND FINANCIAL REVIEW continued

Liquid assets

The Society has maintained a strong liquidity and funding position, demonstrated by an average LCR of 169.3% (2023: 177.3%). On 30th June 2024, liquidity included £0.8bn of high-quality liquid assets (2023: £0.6bn), which are either in cash or are readily realisable as cash when required. We also benefit from access to additional contingent liquidity through the Bank of England's Sterling Monetary Framework. Our liquidity ratios remain well ahead of regulatory minimum levels.

Retail and wholesale funding

As a purpose driven building society, we remain steadfast in providing depositors with a secure home for their funds alongside competitive interest rates. Our savings members are essential in allowing us to achieve our purpose, as their deposits support more people into home ownership. We aim to help our members navigate through this challenging cost-of-living period of pressures by paying competitive rates whilst managing current and future financial risks. As Bank Rate increased in 2023, we 'passed back' 60% of rate increases to our depositors. During the first half of 2024, our competitive retail savings offering has allowed us to increase our savings balances by £419.0m (six months to June 2023: £126.5m).

The remainder of the Society's funding requirements are obtained from the wholesale secured and unsecured funding markets. Overall, wholesale funding has remained in line with the prior period at £477.6m (30th June 2023: £520.1m). The Society has started to repay the funding received through the Bank of England's TFSME, with balances amounting to £180m at 30th June 2024 (2023: £315m). In addition, the Society has £217.5m outstanding at 30th June 2024 (2023: £67.3m), borrowed through a secured bilateral facility.

Anthony Murphy
Chief Financial Officer | 24th July 2024

PRINCIPAL RISKS AND UNCERTAINTIES

The Disclosure and Transparency Rules (DTR 4.2.7R) require that a description of the principal risks and uncertainties are given in the Interim Financial Report for the remaining six months of the financial year.

The Society captures the most material risks to which it is exposed within eight principal risks. These risk categories were updated through revisions to the Risk Management Framework ('RMF') in March 2024. The Society now defines the following eight principal risks:

Strategy & Business Model	The risk that the Society does not have an appropriate strategy and Corporate Plan to deliver sustainable long-term value to members and / or fails to effectively implement and execute the strategy. Strategy Risk includes consideration of climate related risks.
Capital Management	The risk that the Society does not have sufficient capital or allocates it ineffectively. This includes the Society's ability to manage its capital effectively in a range of business and economic environments.
Market & Interest Rate	The risk to the Society's net interest income and economic value arising from changes in market interest rates and mismatches in the Society's Balance Sheet.
Retail Credit	The risk of loss stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. [Note: wholesale credit risk is covered under Liquidity and Funding Risk].
Liquidity & Funding	The risk that the Society, although solvent, does not have sufficient financial resources available to meet its obligations as they fall due. This includes consideration of wholesale credit risks.
Legal & Regulatory	The risk that the Society fails to comply with legal and regulatory requirements and/or fails to meet its contractual obligations.
Customer & Conduct	The risk associated with failure to deliver good outcomes for the Society's members and customers.
Operational	The risk of loss resulting from human factors, inadequate or failed internal processes and systems or from external events.

The Society continues to identify new or evolving risks through its RMF. The emerging risks remain broadly consistent with those identified at the last financial year end, with the latest position on those risks that have changed since the year end noted as follows:

ECONOMIC AND TRADING ENVIRONMENT

Much uncertainty remains within the economic environment. Whilst Nottingham Building Society has maintained a good quality lending book with historically low arrears rates, the continued impact of higher costs for homeowners may result in borrowers finding it more difficult to maintain their mortgage payments, which could result in losses increasing. Whilst the Society remains vigilant to this, any expected increase in arrears rates has yet to materialise.

Trading conditions continue to be challenging, and while margins improved slightly as Bank Rates increased between December 2021 and August 2023, the mortgages and savings markets since then remain highly competitive. In addition, the Society is prepared for a potential rate reductions, which may put pressure on margins.

REPUTATIONAL RISK

The Society recently announced its planned actions relating to members impacted by the Philips Trust Corporation. Despite there being no legal or regulatory requirement, as a mutual we outlined our intention to support those affected on a voluntary basis. Following this proactive announcement, the member response has been predominantly positive. However, the Society is aware of the potential for reputational risk relating to the Philips Trust Corporation situation, and continues to monitor this closely, through direct contact, social media and press monitoring.

CYBER RISK

In line with the Society's increasing digital presence, cyber security risk continues to rank highly on the agenda. Work is constantly undertaken to enhance and monitor the effectiveness of risk management in this space. The allocation of resources to support this will continue, with the support of third parties who are working closely with the Society to ensure information security controls remain robust against the fluid external threat environment.

The maintenance of the existing technology estate and upgrading of systems, software and infrastructure to ensure high levels of resilience digitalised member offering continues, with the mitigation of cyber-risks remaining a high priority for the Society.

TECHNOLOGY CHANGE RISK

The Society continues to make a significant investment in its IT infrastructure, to both enhance operational resilience and provide enhanced capability to facilitate its strategic goals.

The inherent risks associated with technological change, including potential business disruption and / or operational loss, will be at heightened levels during this transformation. This has been recognised by the Society and is being managed using a defined change framework, with additional investment in change management capabilities.

REGULATORY CHANGE

A number of regulatory requirements are currently being delivered. The impact of the incoming Basel 3.1 or Small Domestic Deposit Takers framework is a key strategic consideration for the Society. Activities for areas such as Operational Resilience and Consumer Duty are enduring and require continued dedication of resources to facilitate effective embedding, evolution of approaches and ongoing monitoring and management.

The volume of new regulatory activities shows no sign of abating, with further developments expected throughout 2024 under the Prudential Regulation Authority's 'Strong & Simple' prudential regime. To meet both new and future regulatory requirements, the Society will be required to enhance both its change capacity and capability, which will result in increased costs.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the period ended 30 June 2024

	Notes	Period to 30 June 2024 Unaudited £m	Period to 30 June 2023 Unaudited £m	Year ended 31 December 2023 Audited £m
Interest receivable and similar income				
Calculated using the Effective Interest Rate ('EIR') method		128.2	89.8	200.6
Other		5.5	-	4.9
Interest receivable and similar income	4	**133.7**	**89.8**	**205.5**
Interest payable and similar charges	5	(93.0)	(49.5)	(125.2)
Net interest income		**40.7**	**40.3**	**80.3**
Fees and commissions receivable		1.0	1.3	2.5
Fees and commissions payable		(0.7)	(0.4)	0.4
Net gains / (losses) from derivative financial instruments		3.3	(3.0)	(14.2)
Total net income		**44.3**	**38.2**	**69.0**
Administrative expenses	6	(29.5)	(22.8)	(52.3)
Depreciation and amortisation		(2.8)	(3.1)	(6.7)
Operating profit before impairment, provisions and losses on disposal of treasury assets		**12.0**	**12.3**	**10.0**
Impairment (charge) / release - loans and advances to customers	11	(0.6)	(0.6)	0.1
Voluntary payment expense associated with Philips Trust	16	(10.7)	-	-
Loss on disposal of treasury assets		-	-	(1.8)
Profit before tax		**0.7**	**11.7**	**8.3**
Tax expense		(0.1)	(2.6)	-
Profit after tax for the financial period		**0.6**	**9.1**	**8.3**

A reconciliation from profit before tax for the financial period to underlying profit used by Management can be found on page 8.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2024

Both the profit for the financial period and total comprehensive income for the period are attributable to the members of the Society.

	Period to 30 June 2024 Unaudited £m	Period to 30 June 2023 Unaudited £m	Year ended 31 December 2023 Audited £m
Profit for the financial period	**0.6**	**9.1**	**8.3**
Items that will not be re-classified to the Income Statement			
Remeasurements of defined benefit obligation	-	-	0.1
Tax on items that will not be re-classified	(0.1)	(0.3)	(0.1)
Items that may subsequently be re-classified to the Income Statement			
Fair Value through Other Comprehensive Income ('FVOCI') reserve			
Valuation gains / (losses) taken to reserves	0.2	0.2	2.8
Amounts transferred to Income Statement in relation to micro fair value hedged relationships	0.2	-	-
Loss on disposal of treasury assets taken to Income Statement	-	-	1.8
Tax on items that may subsequently be reclassified	-	-	(1.0)
Other comprehensive income / (expense) for the period net of income tax	**0.3**	**(0.1)**	**3.6**
Total comprehensive income for the period	**0.9**	**9.0**	**11.9**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2024

	Notes	30 June 2024 Unaudited £m	30 June 2023 Unaudited £m	31 December 2023 Audited £m
Assets				
Cash in hand and balances with the Bank of England		440.7	188.8	430.2
Loans and advances to credit institutions	7	30.3	15.1	31.0
Debt securities	9	376.5	426.2	340.1
Derivative financial instruments		106.1	181.2	105.2
Loans and advances to customers	10	3,797.9	3,105.9	3,543.9
Convertible loan notes		1.0	-	-
Other assets		10.4	8.9	4.8
Current tax asset		3.0	-	3.0
Property, plant and equipment		8.2	8.4	8.4
Right-of-use assets		1.4	1.0	1.2
Intangible assets		6.0	8.9	6.0
Deferred tax assets		0.8	2.1	1.1
Total assets		**4,782.3**	**3,946.5**	**4,474.9**
Liabilities				
Shares		3,984.9	3,132.3	3,565.9
Amounts owed to credit institutions		227.2	440.3	288.1
Amounts owed to other customers		32.9	12.5	48.8
Debt securities in issue		217.5	67.3	246.2
Derivative financial instruments		28.1	16.5	43.9
Other liabilities and accruals		10.1	7.2	11.4
Lease liabilities		1.9	1.8	1.8
Current tax liabilities		-	1.9	-
Philips Trust Corporation provision	16	10.5	-	-
Retirement benefit obligations		0.8	2.1	1.3
Subscribed capital	12	24.0	24.0	24.0
Total liabilities		**4,537.9**	**3,705.9**	**4,231.4**
Reserves				
General reserves		243.8	243.8	243.3
Fair value reserves	13	0.6	(3.2)	0.2
Total reserves attributable to members of the Society		**244.4**	**240.6**	**243.5**
Total reserves and liabilities		**4,782.3**	**3,946.5**	**4,474.9**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' INTERESTS

for the period ended 30 June 2024

	General Reserve	FVOCI Reserve	Total
	£m	£m	£m
Balance as at 1 January 2024 (Audited)	243.3	0.2	243.5
Profit for the period	0.6	-	0.6
Other comprehensive (expense) / income for the period (net of tax)			
Net gains from changes in fair value	-	0.4	0.4
Remeasurement of defined benefit obligation	(0.1)	-	(0.1)
Total other comprehensive (expense) / income	(0.1)	0.4	0.3
Total comprehensive income for the period	0.5	0.4	0.9
Balance as at 30 June 2024 (Unaudited)	**243.8**	**0.6**	**244.4**

	General Reserve	FVOCI Reserve	Total
	£m	£m	£m
Balance as at 1 January 2023 (Audited)	235.0	(3.4)	231.6
Profit for the period	9.1	-	9.1
Other comprehensive (expense) / income for the period (net of tax)			
Net losses from changes in fair value	-	0.2	0.2
Remeasurement of defined benefit obligation	(0.3)	-	(0.3)
Total other comprehensive (expense) / income	(0.3)	0.2	(0.1)
Total comprehensive income for the period	8.8	0.2	9.0
Balance as at 30 June 2023 (Unaudited)	**243.8**	**(3.2)**	**240.6**

	General Reserve	FVOCI Reserve	Total
	£m	£m	£m
Balance as at 1 January 2023 (Audited)	235.0	(3.4)	231.6
Profit for the year	8.3	-	8.3
Other comprehensive income for the period (net of tax)			
Net gains from changes in fair value	-	3.6	3.6
Total other comprehensive income	-	3.6	3.6
Total comprehensive income for the period	8.3	3.6	11.9
Balance as at 31 December 2023 (Audited)	**243.3**	**0.2**	**243.5**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the period ended 30 June 2024

	Notes	Period to 30 June 2024 Unaudited £m	Period to 30 June 2023 Unaudited £m	Year ended 31 December 2023 Audited £m
Cash flows from operating activities				
Profit before tax		0.7	11.7	8.3
Depreciation and amortisation		2.8	3.1	6.7
Interest on subscribed capital		1.0	1.0	2.0
Loss on disposal of treasury assets		-	-	1.8
Net gains on disposal and amortisation of debt securities		-	0.1	0.2
Increase / (decrease) in impairment on loans and advances to customers		0.6	0.6	(0.1)
Increase in Philips Trust Corporation provision		10.5	-	-
		15.6	**16.5**	**18.9**
Changes in operating assets and liabilities				
Decrease / (increase) in loans and advances to credit institutions		7.4	(0.1)	(8.4)
(Increase) / decrease in derivative assets and other assets		(6.3)	(43.1)	36.8
Increase in loans and advances to customers		(254.6)	(183.6)	(621.0)
Increase in shares		419.0	122.6	556.2
Decrease / (increase) in amounts owed to credit institutions and other customers		(76.8)	25.4	(90.5)
Decrease in debt securities in issue		(28.7)	(23.7)	155.2
(Decrease) / increase in derivative liabilities, other liabilities and accruals		(17.1)	-	31.2
Decrease in retirement benefit obligation		(0.5)	(1.1)	(1.6)
Taxation paid		-	-	(2.2)
Net cash generated by / (used in) operating activities		**58.0**	**(87.1)**	**74.6**
Cash flows from investing activities				
Purchase of debt securities		(114.3)	(132.2)	(169.9)
Disposal of debt securities		78.1	119.3	245.9
Purchase of property, plant and equipment		(0.3)	(0.6)	(1.1)
Investment in convertible loan note		(1.0)	-	-
Purchase of intangible assets		(2.1)	(0.3)	(0.2)
Net cash (used in) / generated by investing activities		**(39.6)**	**(13.8)**	**74.7**
Cash flows from financing activities				
Interest paid on subscribed capital	15	(1.0)	(1.0)	(1.9)
Principal element of lease payments		(0.2)	(0.4)	(0.7)
Net cash used in financing activities		**(1.2)**	**(1.4)**	**(2.6)**
Net increase / (decrease) in cash and cash equivalents		**17.2**	**(102.3)**	**146.7**
Cash and cash equivalents at start of period		439.1	292.4	292.4
Cash and cash equivalents at end of period	8	**456.3**	**190.1**	**439.1**

NOTES TO THE INTERIM FINANCIAL REPORT

1. REPORTING PERIOD

These results have been prepared as at 30th June 2024 and disclose the financial performance for the six-month period ended 30th June 2024.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

BASIS OF PREPARATION

This condensed consolidated financial report for the six months ended 30th June 2024 has been prepared in accordance with the UK adopted International Accounting Standard 34 and the Disclosure and Transparency Rules of the United Kingdom's ('UK') Financial Conduct Authority ('FCA').

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Annual Reports and Accounts for the year ended 31st December 2023, which have been prepared in accordance with UK adopted International Accounting Standards ('IAS').

The Group accounts consolidate the assets, liabilities and results of the Society and its subsidiary undertaking.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted by the Group in the preparation of its 2024 Interim Financial Report are consistent with those disclosed in the Annual Report and Accounts for the year ended 31st December 2023.

GOING CONCERN

Details of the Group's objectives, policies and processes for managing its exposure to liquidity, credit, market, operational, climate change and business risks are contained in the Risk Management Report of the 2023 Annual Report and Accounts.

The Directors are required to make an assessment of the Society's ability to adopt the going concern basis of accounting in the future and the information should cover a period of at least 12 months from the date of signing the financial statement but not be limited to that period. Therefore, the Directors' assessment period over the use of the going concern basis of accounting is for the period to the end of July 2025.

The Society continues to review and update its objectives, policies, processes and risks to ensure they remain relevant and include appropriate downside scenarios in the context of the continuing economic uncertainties created by the cumulative impact of inflation in recent years and ongoing higher interest rates. The key risks associated with the delivery of the Society's strategic plans are outlined on page 11 of this Interim Financial Report.

The Society is forecast to remain compliant with all binding regulatory, liquidity and capital requirements throughout the going concern assessment period, including under stress scenarios. The Society has a surplus above regulatory capital requirements and is forecasting this to remain across the going concern assessment period. Taking this, along with the updated objectives, policies and processes into account, alongside the current economic and regulatory environment, the Directors confirm they are satisfied the Society has adequate resources to continue in business for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing this Interim Financial Report.

SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates. Those items where Management are required to make critical accounting estimates include those disclosed on pages 74 and 75 of the 2023 Annual Report and Accounts. In addition to the disclosures made within the Annual Report and Accounts, further information relating to the provision associated with Philips Trust Corporation is provided within note 16.

3. SEGMENTAL REPORTING

The chief operating decision maker has been identified as the Group Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Operating segments are reported in a manner consistent with the internal reporting provided to the Board.

Following the disposal of several subsidiaries in prior years, the remaining trade of the Group relates purely to retail financial services which includes the provision of mortgages, savings, third party insurance and investments.

Since the Group has only one trade, the results of the financial services business are presented on the face of the Income Statement and as such no separate disclosure is required within this note.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period to 30 June 2024 Unaudited £m	Period to 30 June 2023 Unaudited £m	Year ended 31 December 2023 Audited £m
On loans fully secured on residential property	65.2	40.7	94.5
On other loans	12.5	8.7	19.6
On liquid assets	12.5	5.5	13.5
On instruments held at amortised cost	**90.2**	**54.9**	**127.6**
On debt securities held at FVOCI	9.7	7.1	16.2
On derivatives held to hedge financial assets	28.3	27.8	56.8
On instruments calculated on an EIR basis	**128.2**	**89.8**	**200.6**
On convertible loan note held at Fair Value Through Profit or Loss ('FVTPL')	-	-	-
On derivatives not in a hedge accounting relationship	5.5	-	4.9
	133.7	**89.8**	**205.5**

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Period to 30 June 2024 Unaudited £m	Period to 30 June 2023 Unaudited £m	Year ended 31 December 2023 Audited £m
On shares held by individuals	71.5	35.4	91.8
On deposits and other borrowings	15.3	11.1	26.5
On subscribed capital	1.0	1.0	2.0
On derivatives held to hedge financial liabilities	5.2	2.0	4.9
	93.0	**49.5**	**125.2**

6. ADMINISTRATIVE EXPENSES

	Period to 30 June 2024 Unaudited £m	Period to 30 June 2023 Unaudited £m	Year ended 31 December 2023 Audited £m
Wages and salaries	12.1	10.4	22.2
Social security costs	1.4	1.1	2.2
Other pension costs	0.6	0.5	1.2
Total employee costs	**14.1**	**12.0**	**25.6**
Other administrative costs	15.4	10.8	26.7
Total administrative expenses	**29.5**	**22.8**	**52.3**

There are £0.9 million of strategic investment costs included in other continuing administrative costs (30th June 2023: £nil; 31st December 2023: £0.2 million).

7. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

	30 June 2024 Unaudited £m	30 June 2023 Unaudited £m	31 December 2023 Audited £m
Repayable on call and short notice	15.6	7.7	15.6
Other loans and advances to credit institutions	14.7	7.4	15.4
	30.3	**15.1**	**31.0**

At 30th June 2024, £14.7 million (30th June 2023: £7.4 million; 31st December 2023: £15.4 million) of cash has been deposited by the Group as collateral against derivative contracts.

8. CASH AND CASH EQUIVALENTS

	30 June 2024 Unaudited £m	30 June 2023 Unaudited £m	31 December 2023 Audited £m
Cash in hand and balances with the Bank of England	440.7	188.8	430.2
Less: cash ratio deposit account held with the Bank of England	-	(6.4)	(6.7)
Loans and advances to credit institutions repayable on call and on short notice	15.6	7.7	15.6
	456.3	**190.1**	**439.1**

The cash ratio deposit is not included within cash and cash equivalents as it is not accessible within 3 months of each period end.

9. DEBT SECURITIES

	Period to 30 June 2024 Unaudited £m	Period to 30 June 2023 Unaudited £m	Year ended 31 December 2023 Audited £m
Movement on debt securities during the period may be analysed as follows:			
At 1 January	340.1	413.2	413.2
Additions	114.3	132.1	169.9
Disposals and maturities	(78.1)	(119.3)	(247.6)
Loss on disposal of treasury assets taken from Income Statement	-	-	1.8
Net gains from changes in fair value recognised in other comprehensive income	0.2	0.2	2.8
	376.5	**426.2**	**340.1**

10. LOANS AND ADVANCES TO CUSTOMERS

	Notes	Period to 30 June 2024 Unaudited £m	Period to 30 June 2023 Unaudited £m	Year ended 31 December 2023 Audited £m
Loans fully secured on residential property ('FSRP')		3,372.8	2,870.6	3,155.0
Other loans fully secured on land ('FSOL')		483.6	381.1	437.4
Loans gross balance		**3,856.4**	**3,251.7**	**3,592.4**
Effective interest rate adjustment		(1.9)	1.0	(3.9)
Provision for impairment losses on loans and advances to customers	11	(5.8)	(5.9)	(5.2)
Fair value adjustment for hedged risk		(50.8)	(140.9)	(39.4)
		3,797.9	**3,105.9**	**3,543.9**

Other loans fully secured on land represents Secured Business Lending ('SBL') assets.

11. PROVISION FOR IMPAIRMENT LOSSES ON LOANS AND ADVANCES

Impairment provisions have been deducted from the appropriate asset values on the Condensed Consolidated Statement of Financial Position. The gross carrying amounts and Expected Credit Loss ('ECL') allowances are presented in detail below:

		30 June 2024 Unaudited			30 June 2023 Unaudited			31 December 2023 Audited	
	FSRP £m	FSOL £m	Total £m	FSRP £m	FSOL £m	Total £m	FSRP £m	FSOL £m	Total £m
Gross carrying amount									
Stage 1	3,034.7	448.3	3,483.0	2,414.3	349.0	2,763.3	2,780.0	405.2	3,185.2
Stage 2	319.4	28.4	347.8	439.0	27.4	466.4	357.5	27.4	384.9
Stage 3	18.7	6.9	25.6	17.3	4.7	22.0	17.5	4.8	22.3
	3,372.8	**483.6**	**3,856.4**	**2,870.6**	**381.1**	**3,251.7**	**3,155.0**	**437.4**	**3,592.4**

		30 June 2024 Unaudited			30 June 2023 Unaudited			31 December 2023 Audited	
	FSRP £m	FSOL £m	Total £m	FSRP £m	FSOL £m	Total £m	FSRP £m	FSOL £m	Total £m
Expected credit loss allowance									
Stage 1	3.0	1.4	4.4	3.1	1.5	4.6	2.7	1.3	4.0
Stage 2	0.7	0.2	0.9	0.5	0.3	0.8	0.5	0.3	0.8
Stage 3	0.1	0.4	0.5	0.1	0.4	0.5	0.1	0.3	0.4
	3.8	**2.0**	**5.8**	**3.7**	**2.2**	**5.9**	**3.3**	**1.9**	**5.2**

The underlying credit risk in the mortgage portfolio remains largely consistent against the position at 31st December 2023 and has improved against the position at 30th June 2023. In line with the market, there remains sustained pressure on household expenditure driven by inflation and higher interest rates, in turn affecting affordability. However, we do see improvements in affordability - partly driven by easing inflation and partly by the withdrawal of the Financial Policy Committee's interest rate stress test requirement implemented by the Society at the beginning of 2024.

Additionally, the relatively less severe house prices forecast versus prior year and relatively stable market has resulted in a lower weighted indexed LTV composition of the portfolio compared to 30th June 2023, leading to a decrease in ECL of £0.1m compared to 30th June 2023.

Overall ECL provision has increased by £0.6m from 31st December 2023, driven predominantly by the increase in total mortgage assets. The Society has signed up to the "Mortgage Charter" and as a result no residential owner-occupied properties will be repossessed within 12 months of a first missed payment; the IFRS 9 model already included an allowance which is broadly in line with this requirement.

The Society's ECL coverage ratio, as a percentage of gross loans is 0.15% at 30th June 2024 for the total book and 0.27% for those balances in Stage 2. The equivalent ECL coverage ratios at 31st December 2023 were 0.15% across the total portfolio and 0.2% for Stage 2 assets; at 30th June 2023 were 0.18% across the total portfolio, and 0.17% for Stage 2 assets.

At 30th June 2024, £7.6m of balances were over 3 months in arrears (31st December 2023: £4.5m), representing 0.20% (31st December 2023: 0.13%; 30th June 2023: 0.15%) of the total mortgage book value. As at 30th June 2024, 0.31% (31st December 2023: 0.34%; 30th June 2023: 0.41%) of mortgage customers have some sort of contractual forbearance arrangement in place. Further details of the Society's arrears and forbearance cases are disclosed in note 14 to this Interim Financial Report.

POST MODEL ADJUSTMENT

Due to the ongoing level of uncertainty in the economy, at 30th June 2024, the Society has applied a stress to its Probability of Default ('PD') to its core ECL models to reflect Management's view that there will be an impact on affordability as a result of inflationary pressures and higher interest rates to manage inflation. As a result of this PD stress, an overlay ECL allowance of £4.3m (31st December 2023: £4.1m; 30th June 2023: £4.9m) has been recognised. This is calculated within the core underlying models with an absolute 7% stressed PD uplift applied to the modelled retail PD assumptions (31st December 2023: 7%; 30th June 2023: 8%) and 4% to the SBL PD assumptions (31st December 2023: 4%; 30th June 2023: 5%).

Economic variables of House Price Index ('HPI') and unemployment are provided by a reputable third party and are significant assumptions in the ECL model calculation. Inflation is not a predominant input to the model but the cumulative impact of higher inflation, results in a greater and more sustained risk to affordability. As a result, Management have applied judgement and adjusted the level of PD stress for residential borrowers to reflect this in the post model adjustment.

11. PROVISION FOR IMPAIRMENT LOSSES ON LOANS AND ADVANCES (CONTINUED)

Income Statement

The charge / (release) to the Income Statement is summarised below.

	30 June 2024 Unaudited £m	30 June 2023 Unaudited £m	31 December 2023 Audited £m
Charge / (release) of provision for impairment			
Loans fully secured on residential property	0.5	0.6	0.2
Other loans fully secured on land	0.1	-	(0.3)
	0.6	**0.6**	**(0.1)**

The tables below reconciles the movement in both gross balances and expected credit losses in the period.

Gross balances	**Non-credit impaired**		**Credit impaired**	
	Subject to 12 month ECL Stage 1 £m	Subject to lifetime ECL Stage 2 £m	Subject to lifetime ECL Stage 3 £m	Total £m
At 1 January 2024	3,185.2	384.9	22.3	3,592.4
Stage transfers:				
Transfers from Stage 1 to Stage 2	(182.8)	182.8	-	-
Transfers to Stage 3	(5.8)	(2.2)	8.0	-
Transfers from Stage 2 to Stage 1	131.5	(131.5)	-	-
Transfers from Stage 3	2.2	0.9	(3.1)	-
Net movement arising from transfer of stage	**(54.9)**	**50.0**	**4.9**	**-**
New assets originated[1]	518.4	1.6	0.4	520.4
Further lending / repayments and redemptions	(165.5)	(88.8)	(2.1)	(256.4)
At 30 June 2024	**3,483.2**	**347.7**	**25.5**	**3,856.4**

Expected credit loss allowance	**Non-credit impaired**		**Credit impaired**	
	Subject to 12 month ECL Stage 1 £m	Subject to lifetime ECL Stage 2 £m	Subject to lifetime ECL Stage 3 £m	Total £m
At 1 January 2024	4.1	0.7	0.4	5.2
Stage transfers:				
Transfers from Stage 1 to Stage 2	(0.2)	0.2	-	-
Transfers to Stage 3	-	-	-	-
Transfers from Stage 2 to Stage 1	0.2	(0.2)	-	-
Net movement arising from transfer of stage	-	-	-	-
New assets originated[1]	0.6	-	-	0.6
Further lending / repayments and redemptions	(0.3)	-	-	(0.3)
Changes in risk parameters in relation to credit quality	-	0.2	0.1	0.3
At 30 June 2024	**4.4**	**0.9**	**0.5**	**5.8**

[1]New assets originated enter at Stage 1. The balances presented are the final position as at 30th June 2024.

Gross balances	Non-credit impaired		Credit impaired	
	Subject to 12 month ECL Stage 1 £m	Subject to lifetime ECL Stage 2 £m	Subject to lifetime ECL Stage 3 £m	Total £m
At 1 January 2023	2,492.5	524.7	19.8	3,037.0
Stage transfers:				
Transfers from Stage 1 to Stage 2	(242.9)	242.9	-	-
Transfers to Stage 3	(2.2)	(1.6)	3.8	-
Transfers from Stage 2 to Stage 1	206.7	(206.7)	-	-
Transfers from Stage 3	0.1	1.1	(1.2)	-
Net movement arising from transfer of stage	**(38.3)**	**35.7**	**2.6**	**-**
New assets originated[1]	444.4	3.1	0.6	448.1
Further lending / repayments and redemptions	(135.3)	(97.1)	(1.0)	(233.4)
At 30 June 2023	**2,763.3**	**466.4**	**22.0**	**3,251.7**

Expected credit loss allowance	Non-credit impaired		Credit impaired	
	Subject to 12 month ECL Stage 1 £m	Subject to lifetime ECL Stage 2 £m	Subject to lifetime ECL Stage 3 £m	Total £m
At 1 January 2023	4.0	0.9	0.4	5.3
Stage transfers:				
Transfers from Stage 1 to Stage 2	(0.2)	0.2	-	-
Transfers to Stage 3	-	(0.1)	0.1	-
Transfers from Stage 2 to Stage 1	0.2	(0.2)	-	-
Net movement arising from transfer of stage	-	**(0.1)**	**0.1**	**-**
New assets originated[1]	1.2	-	-	1.2
Further lending / repayments and redemptions	(0.5)	(0.1)	(0.1)	(0.7)
Changes in risk parameters in relation to credit quality	(0.1)	0.1	0.1	0.1
At 30 June 2023	**4.6**	**0.8**	**0.5**	**5.9**

[1]New assets originated enter at Stage 1. The balances presented are the final position as at 30th June 2023

Gross balances	Non-credit impaired		Credit impaired	
	Subject to 12 month ECL Stage 1 £m	Subject to lifetime ECL Stage 2 £m	Subject to lifetime ECL Stage 3 £m	Total £m
At 1 January 2023	2,492.5	524.7	19.8	3,037.0
Stage transfers:				
Transfers from Stage 1 to Stage 2	(258.8)	258.8	-	-
Transfers to Stage 3	(4.0)	(2.2)	6.2	-
Transfers from Stage 2 to Stage 1	255.9	(255.9)	-	-
Transfers from Stage 3	0.5	2.2	(2.7)	-
Net movement arising from transfer of stage	**(6.4)**	**2.9**	**3.5**	**-**
New assets originated[1]	993.4	22.5	2.1	1,018.0
Further lending / repayments and redemptions	(294.3)	(165.2)	(3.1)	(462.6)
At 31 December 2023	**3,185.2**	**384.9**	**22.3**	**3,592.4**

11. PROVISION FOR IMPAIRMENT LOSSES ON LOANS AND ADVANCES (CONTINUED)

Expected credit loss allowance	Non-credit impaired		Credit impaired	
	Subject to 12 month ECL Stage 1 £m	Subject to lifetime ECL Stage 2 £m	Subject to lifetime ECL Stage 3 £m	Total £m
At 1 January 2023	4.0	0.9	0.4	5.3
Stage transfers:				
Transfers from Stage 1 to Stage 2	(0.3)	0.3	-	-
Transfers to Stage 3	-	-	-	-
Transfers from Stage 2 to Stage 1	0.3	(0.3)	-	-
Transfers from Stage 3	-	0.1	(0.1)	-
Net movement arising from transfer of stage	-	**0.1**	**(0.1)**	**-**
New assets originated[1]	1.7	0.1	-	1.8
Further lending / repayments and redemptions	(1.4)	(0.4)	(0.1)	(1.9)
Changes in risk parameters in relation to credit quality	(0.2)	-	0.2	-
At 31 December 2022	**4.1**	**0.8**	**0.3**	**5.2**

[1]New assets originated enter at Stage 1. The balances presented are the final position as at 31st December 2023.

FORWARD-LOOKING INFORMATION INCORPORATED IN THE ECL MODELS

The assessment of Significant Increase in Credit Risk ('SICR') and the calculation of ECL both incorporate forward-looking information, which takes into account key economic impacts such as the higher inflationary, interest rate environment and the war in Ukraine. Key economic variables have been determined by Management, but expert judgement is also applied. Forecasts of these economic variables are provided by a reputable third party, providing a best estimate view of the economy over the next five years. After five years a mean reversion approach is used (i.e. long-run averages).

In addition to the base economic scenario forecast, other possible scenarios along with scenario weightings are obtained, of which Management have applied four scenarios in the model calculations.

	Weighting
Base The Base economic scenario assumes that the growth will be below potential for some time. Inflation declines but does not stabilise around the target until 2026. Bank rates will not rise and will start to fall in the second half of 2024. Neither the invasion of Ukraine nor Israel's war against Hamas escalates beyond the regions.	40%
Upside The Upside scenario assumes that the Russia's invasion of Ukraine is resolved faster than the baseline case. Growth is stronger than the baseline with a reduction in unemployment rate. Inflation remains weaker than the baseline as the increase in demand is met by an increase in supply. The terminal rate of the Base interest rate is higher than in the baseline, taking longer to converge to the long-run interest rate.	30%
Downside In the Downside scenario, there are worries that the conflicts in the Middle East and Ukraine will escalate further. The Bank of England cuts rates sooner than the baseline with interest rates above the neutral level but above zero. There is a moderate recession, and inflation drops below zero before increasing but remains below target for some time. House prices reduce by 18% peak to trough.	23%
Severe downside In the Severe Downside scenario, there are worries that the conflicts in the Middle East and Ukraine will escalate further. The Bank of England cuts rates sooner than the baseline with interest rates becoming close to zero. The economy is in a severe recession with a strong and immediate decline in inflation with inflation remaining below target for a prolonged period. House prices reduce by 27% peak to trough.	7%

FORWARD-LOOKING INFORMATION INCORPORATED IN THE ECL MODELS (CONTINUED)

The summary below outlines the most significant forward-looking assumptions under IFRS 9, over the five year planning period across the Upside, Base, Downside and Severe Downside scenarios:

As at 30 June 2024		2024 %	2025 %	2026 %	2027 %	2028 %
Unemployment rate	Upside	4.0	3.9	3.8	4.0	4.3
	Base	4.4	4.5	4.6	4.7	4.8
	Downside	5.4	7.2	7.4	7.2	6.7
	Severe downside	5.6	8.6	8.3	8.2	7.8
House price index	Upside	7.3	13.3	4.6	(1.4)	(2.0)
Annual increase /	Base	0.9	3.2	4.7	2.6	1.5
(reduction)	Downside	(3.9)	(9.2)	(0.1)	4.0	5.0
	Severe downside	(5.8)	(16.4)	(0.9)	3.7	3.6
BoE interest rate	Upside	5.0	4.0	3.0	2.5	2.5
	Base	4.9	3.9	2.5	2.5	2.5
	Downside	4.4	2.2	1.1	1.6	1.8
	Severe downside	3.7	1.9	0.6	0.9	1.0

A significant degree of estimation relates to the relative weightings of the economic scenarios. In order to demonstrate this sensitivity, the impact of applying 100% of a particular scenario on 30th June 2024 reported ECL position output is shown below:

30 June 2024	ECL Provision £m	(Decrease) / Increase £m	(Decrease) / Increase %
IFRS 9 weighted average	**5.8**	-	
Upside	**2.9**	(2.9)	(50.3)
Base	**4.7**	(1.1)	(19.5)
Downside	**9.2**	3.4	58.5
Severe Downside	**13.5**	7.7	131.1

12. SUBSCRIBED CAPITAL

	30 June 2024 Unaudited £m	30 June 2023 Unaudited £m	31 December 2023 Audited £m
7.875% sterling Permanent Interest Bearing Shares	23.9	23.9	23.9
Fair value adjustment for hedged risk	0.1	0.1	0.1
	24.0	**24.0**	**24.0**

The subscribed capital was issued for an indeterminate period and is only repayable in the event of the winding up of the Society. The holders of the subscribed capital do not have any right to a residual interest in the Society.

13. FAIR VALUE RESERVES

	30 June 2024 Unaudited £m	30 June 2023 Unaudited £m	31 December 2023 Audited £m
Fair Value Reserve			
At 1 January	0.2	(3.4)	(3.4)
Net gain from changes in fair value – derivatives held in micro fair value hedge relationships	0.2	-	-
Net gain from changes in fair value – debt securities	0.2	0.2	3.6
	0.6	**(3.2)**	**0.2**

Amounts within the FVOCI reserve are transferred to the Income Statement upon the disposal of debt securities.

14. FINANCIAL INSTRUMENTS

CLASSIFICATION & MEASUREMENT

A financial instrument is a contract that gives rise to a financial asset or financial liability. The Society is a retailer of financial instruments, mainly in the form of mortgages and savings products. The Group uses wholesale financial instruments to invest in liquid assets, raise wholesale funding and to manage the risks arising from its operations.

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost. The tables below analyses the Group's assets and liabilities by financial classification:

Carrying values by category	**Held at amortised cost**	**Held at fair value**			
As at 30 June 2024	**Financial assets and liabilities at amortised cost**	**Fair value through other comprehensive income**	**Designated as fair value through P&L**	**Unmatched derivatives**	**Total**
Unaudited	**£m**	**£m**	**£m**	**£m**	**£m**
Financial assets					
Cash in hand and balances with the Bank of England	440.7	-	-	-	440.7
Loans and advances to credit institutions	30.3	-	-	-	30.3
Debt securities	-	376.5	-	-	376.5
Derivative financial instruments	-	-	105.9	0.2	106.1
Loans and advances to customers	3,797.9	-	-	-	3,797.9
Convertible loan notes	-	-	1.0	-	1.0
Other Assets	29.8	-	-	-	29.8
	4,298.7	**376.5**	**106.9**	**0.2**	**4,782.3**
Financial liabilities					
Shares	3,984.9	-	-	-	3,984.9
Amounts owed to credit institutions	227.2	-	-	-	227.2
Amounts owed to other customers	32.9	-	-	-	32.9
Debt securities in issue	217.5	-	-	-	217.5
Derivative financial instruments	-	-	28.1	-	28.1
Subscribed capital	24.0	-	-	-	24.0
Other liabilities	23.3	-	-	-	23.3
	4,509.8	**-**	**28.1**	**-**	**4,537.9**

14. FINANCIAL INSTRUMENTS (CONTINUED)

CLASSIFICATION & MEASUREMENT (CONTINUED)

Carrying values by category	Held at amortised cost	Held at fair value			
As at 30 June 2023	Financial assets and liabilities at amortised cost	Fair value through other comprehensive income	Designated as fair value through P&L	Unmatched derivatives	Total
Unaudited	£m	£m	£m	£m	£m
Financial assets					
Cash in hand and balances with the Bank of England	188.8	-	-	-	188.8
Loans and advances to credit institutions	15.1	-	-	-	15.1
Debt securities	-	426.2	-	-	426.2
Derivative financial instruments	-	-	179.7	1.5	181.2
Loans and advances to customers	3,105.9	-	-	-	3,105.9
Other Assets	29.3	-	-	-	29.3
	3,339.1	**426.2**	**179.7**	**1.5**	**3,946.5**
Financial liabilities					
Shares	3,132.3	-	-	-	3,132.3
Amounts owed to credit institutions	440.3	-	-	-	440.3
Amounts owed to other customers	12.5	-	-	-	12.5
Debt securities in issue	67.3	-	-	-	67.3
Derivative financial instruments	-	-	16.5	-	16.5
Subscribed capital	24.0	-	-	-	24.0
Other liabilities	13.0	-	-	-	13.0
	3,689.4	**-**	**16.5**	**-**	**3,705.9**

Carrying values by category	Held at amortised cost	Held at fair value			
As at 31 December 2023	Financial assets and liabilities at amortised cost	Fair value through other comprehensive income	Designated as fair value through P&L	Unmatched derivatives	Total
Audited	£m	£m	£m	£m	£m
Financial assets					
Cash in hand and balances with the Bank of England	430.2	-	-	-	430.2
Loans and advances to credit institutions	31.0	-	-	-	31.0
Debt securities	-	340.1	-	-	340.1
Derivative financial instruments	-	-	91.1	14.1	105.2
Loans and advances to customers	3,543.9	-	-	-	3,543.9
Other Assets	24.5	-	-	-	24.5
	4,029.6	**340.1**	**91.1**	**14.1**	**4,474.9**
Financial liabilities					
Shares	3,565.9	-	-	-	3,565.9
Amounts owed to credit institutions	288.1	-	-	-	288.1
Amounts owed to other customers	48.8	-	-	-	48.8
Debt securities in issue	246.2	-	-	-	246.2
Derivative financial instruments	-	-	27.8	16.1	43.9
Subscribed capital	24.0	-	-	-	24.0
Other liabilities	14.5	-	-	-	14.5
	4,187.5	**-**	**27.8**	**16.1**	**4,231.4**

14. FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The table below analyses the book and fair values of the Group's financial instruments held at amortised cost:

		30 June 2024 Unaudited Book value £m	30 June 2024 Unaudited Fair value £m	30 June 2023 Unaudited Book value £m	30 June 2023 Unaudited Fair value £m	30 December 2023 Audited Book value £m	30 December 2023 Audited Fair value £m
Financial assets							
Cash in hand and balances with the Bank of England	a	440.7	440.7	188.8	188.8	430.2	430.2
Loans and advances to credit institutions	b	30.3	30.3	15.1	15.1	31.0	31.0
Loans and advances to customers	c	3,797.9	3,793.1	3,105.9	3,123.1	3,543.9	3,498.6
Financial liabilities							
Shares	d	3,984.9	3,977.7	3,132.3	3,113.7	3,565.9	3,551.0
Amounts owed to credit institutions	d	227.2	227.2	440.3	440.3	288.1	288.1
Amounts owed to other customers	d	32.9	32.9	12.5	12.5	48.8	49.0
Debt securities in issue	e	217.5	217.5	67.3	67.3	246.2	246.2
Subscribed capital	f	24.0	25.2	24.0	24.2	24.0	24.8

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair value of the financial assets and liabilities above has been calculated using the following valuation methodology:

A) CASH IN HAND – LEVEL 1
The fair value of cash in hand and deposits with central banks is the amount repayable on demand.

B) LOANS AND ADVANCES TO CREDIT INSTITUTIONS – LEVEL 2
The fair value of overnight deposits is the amount repayable on demand. The estimated fair value of collateral loans and advances to credit institutions is derived using valuation techniques that use observable market inputs.

C) LOANS AND ADVANCES TO CUSTOMERS – LEVEL 3
Loans and advances are recorded net of provisions for impairment together with the fair value adjustment for hedged items. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received taking account of expected prepayment rates.

Estimated cash flows are discounted at prevailing market rates for items of similar remaining maturity. The fair values have been adjusted where necessary to reflect any observable market conditions at the time of valuation.

D) SHARES, DEPOSITS AND BORROWINGS – LEVEL 3
The fair value of shares and deposits and other borrowings with no stated maturity is the amount repayable on demand.

The fair value of fixed interest bearing deposits and other borrowings without a quoted market price is based on expected future cash flows determined by the contractual terms and conditions discounted at prevailing market rates for items of similar remaining maturity.

E) DEBT SECURITIES IN ISSUE – LEVEL 2
The fair value is calculated using a discounted cash flow model. Expected cash flows are discounted at prevailing market rates for items of similar remaining maturity.

F) SUBSCRIBED CAPITAL – LEVEL 1
The estimated fair value of fixed interest bearing debt is based on its active market price as at the period end.

14. FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE

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

30 June 2024 Unaudited	Level 1 £m	Level 2 £m	Level 3 £m	Total Fair value £m
Financial assets				
FVOCI - Debt securities	376.5	-	-	376.5
Derivative financial instruments - Interest rate swaps	-	106.1	-	106.1
Convertible loan notes	-	-	1.0	1.0
	376.5	**106.1**	**1.0**	**483.6**
Financial liabilities				
Derivative financial instruments - Interest rate swaps	-	(28.1)	-	(28.1)
	-	**(28.1)**	**-**	**(28.1)**

30 June 2023 Unaudited	Level 1 £m	Level 2 £m	Level 3 £m	Total Fair value £m
Financial assets				
FVOCI - Debt securities	426.2	-	-	426.2
Derivative financial instruments - Interest rate swaps	-	181.2	-	181.2
	426.2	**181.2**	**-**	**607.4**
Financial liabilities				
Derivative financial instruments - Interest rate swaps	-	(16.5)	-	(16.5)
	-	**(16.5)**	**-**	**(16.5)**

31 December 2023 Audited	Level 1 £m	Level 2 £m	Level 3 £m	Total Fair value £m
Financial assets				
FVOCI - Debt securities	340.1	-	-	340.1
Derivative financial instruments - Interest rate swaps	-	105.2	-	105.2
	340.1	**105.2**	**-**	**445.3**
Financial liabilities				
Derivative financial instruments - Interest rate swaps	-	(43.9)	-	(43.9)
	-	**(43.9)**	**-**	**(43.9)**

14. FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (CONTINUED)

Valuation techniques

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

The fair value hierarchy detailed in IFRS 13: 'Fair Value Measurement' splits the source of input when deriving fair values into three levels, as follows:

- **Level 1 –** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2 –** inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly
- **Level 3 –** inputs for the asset or liability that are not based on observable market data

The main valuation techniques employed by the Group to establish the fair value of the financial instruments disclosed are set out below:

Debt securities

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

Interest rate swaps

The valuation of interest rate swaps is also based on the 'present value' method. Expected interest cash flows are discounted using the prevailing SONIA yield curves. The yield curves are generally observable market data which is derived from quoted interest rates in similar time bandings which match the timings of the interest cash flows and maturities of the instruments. All swaps are fully collateralised and therefore no adjustment is required for credit risk in the fair value of derivatives.

Convertible loan notes

The fair value of convertible loan notes at inception is equal to the transaction price. The subsequent valuation model takes account of the outstanding debt, conversion options and potential future equity value.

Transfers between fair value hierarchies

Transfers between fair value hierarchies occur when either it becomes possible to value a financial instrument using a method that is higher up the valuation hierarchy or it is no longer possible to value it using the current method and it must instead be valued using a method lower down the hierarchy. There have been no transfers during the current or previously reported periods.

Credit risk

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

	30 June 2024 Unaudited £m	30 June 2023 Unaudited £m	31 December 2023 Audited £m
Credit risk exposure			
Cash in hand and balances with the Bank of England	440.7	188.8	430.2
Loans and advances to credit institutions	30.3	15.1	31.0
Debt securities	376.5	426.2	340.1
Derivative financial instruments	106.1	181.2	105.2
Loans and advances to customers	3,797.9	3,105.9	3,543.9
Convertible loan notes	1.0	-	-
Total statement of financial position exposure	**4,752.5**	**3,917.2**	**4,450.4**
Off Balance Sheet exposure – mortgage commitments	417.5	299.7	262.5
	5,170.0	**4,216.9**	**4,712.9**

14. FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (CONTINUED)

Credit risk (continued)

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

The percentage of these exposures (including cash in hand and balances with the Bank of England) that are rated A or better at 30th June 2024 is 100% (30th June 2023: 100%; 31st December 2023: 100%).

The Group has no exposure to foreign exchange risk as all instruments are denominated in Sterling.

All of the Group's treasury assets are classified as Stage 1 for ECL calculation purposes under IFRS 9 and there are no impairment charges against any of the Group's treasury assets at 30th June 2024 (30th June 2023: £nil; 31st December 2023: £nil).

b) Loans and advances to customers

Loans and advances to customers are predominately made up of retail loans fully secured against UK residential property of £3,372.8m, split between residential and buy-to-let ('BTL') loans with the remaining £483.6m being secured on commercial property. The Group operates throughout England & Wales with the portfolio spread throughout the geographic regions.

Retail Loans

Loans fully secured on residential property are split between residential and BTL. At 30th June 2024, the simple average indexed LTV of retail mortgages is 52% (30th June 2023: 49%; 31st December 2023: 51%).

The table below provides information on retail gross loans and ECL stages split by the number of Days Past Due ('DPD'):

	30 June 2024 Unaudited		30 June 2023 Unaudited		30 December 2023 Audited	
	Gross Loans £m	ECL £m	Gross Loans £m	ECL £m	Gross Loans £m	ECL £m
Stage 1: *12 month expected credit losses*						
< 30 days past due	3,034.7	3.0	2,414.3	3.1	2,780.0	2.7
Stage 2: *Lifetime expected credit losses*						
< 30 days past due	309.2	0.6	433.5	0.5	349.9	0.5
> 30 days past due	10.2	0.1	5.5	-	7.6	-
Stage 3: *Lifetime expected credit losses*						
< 90 days past due	13.1	0.1	13.2	0.1	14.0	0.1
> 90 days past due	5.6	-	4.1	-	3.5	-
	3,372.8	**3.8**	**2,870.6**	**3.7**	**3,155.0**	**3.3**

Secured Business Loans

SBL's are primarily made available to small and medium sized enterprises for either owner occupied or investment property purposes. Loans are also only granted against the 'bricks and mortar' of the property and not against working capital or machinery.

The average indexed LTV of secured business loans is 60.8% (30th June 2023: 59.9%; 31st December 2023: 59.2%).

14. FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (CONTINUED)

CREDIT RISK (CONTINUED)

Secured Business Loans (continued)

The table below provides information on SBL gross loans and Expected Credit Loss stages split by the number of DPD:

	30 June 2024 Unaudited		30 June 2023 Unaudited		30 December 2023 Audited	
	Gross Loans £m	ECL £m	Gross Loans £m	ECL £m	Gross Loans £m	ECL £m
Stage 1: *12 month expected credit losses*						
< 30 days past due	448.3	1.4	349.0	1.5	405.2	1.3
Stage 2: *Lifetime expected credit losses*						
< 30 days past due	26.0	0.2	25.0	0.3	25.0	0.2
> 30 days past due	2.4	-	2.4	-	2.4	0.1
Stage 3: *Lifetime expected credit losses*						
< 90 days past due	5.1	0.2	3.9	0.3	3.9	0.2
> 90 days past due	1.8	0.2	0.8	0.1	0.9	0.1
	483.6	**2.0**	**381.1**	**2.2**	**437.4**	**1.9**

Forbearance

Where appropriate for customers' needs, the Group applies a policy of forbearance and may grant a concession to borrowers. This may be applied where actual or apparent financial stress of the customer is considered to be short-term with a potential to be recovered. A concession may involve reduced payments, capitalisation of arrears or mortgage term extension.

All forbearance arrangements are formally discussed with the customer and reviewed by Management prior to acceptance of the forbearance arrangement. By offering customers in financial difficulty the option of forbearance the Society potentially exposes itself to an increased level of risk through prolonging the period of non-contractual payment and / or potentially placing the customer into a detrimental position at the end of the forbearance period. Regular monitoring of the level and different types of forbearance activity are reviewed by Management and reported to the Board.

At 30th June 2024, there were 55 forbearance cases within the retail loans category (30th June 2023: 69; 31st December 2023: 59) and 22 cases within the SBL loans category (30th June 2023: 23; 31st December 2023: 21).

15. NOTES TO THE CASH FLOW STATEMENTS

	Period to 30 June 2024 Unaudited £m	Period to 30 June 2023 Unaudited £m	Year ended 31 December 2023 Audited £m
Changes in liabilities arising from financing activities			
Subscribed capital at 1 January	23.9	23.9	23.9
Accrued interest	1.0	1.0	1.9
Cash flows	(1.0)	(1.0)	(1.9)
Subscribed capital at end of period	**23.9**	**23.9**	**23.9**

16. PHILIPS TRUST CORPORATION PROVISION

	30 June 2024 Unaudited £m
Balance at 31 December 2023	-
Anticipated costs associated with voluntary payments	10.7
Utilised in period	(0.2)
Balance at 30 June 2024	10.5

The announcement made by the Society in May 2024 created a constructive obligation to make voluntary payments relating to Philips Trust Corporation. A provision has been established to reflect the best estimate of the liability based on information supplied by the administrator of Philips Trust Corporation. The administrator of Philips Trust Corporation has written to those impacted to outline the level of support available and as the Society anticipates payments will be made within the next 12 months, no discounting has been applied. The Society may recover some funds through the administration process; however, as both the amount and timing of such recoveries is uncertain, no allowance has been made for any such recovery.

RESPONSIBILITY STATEMENT

The Directors confirm that this Interim Financial Report has been prepared in accordance with UK adopted IAS 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules of the UK's FCA. The interim management report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the Interim Financial Report, as required by the Disclosure and Transparency Rules (DTR 4.2.7). The principal risks and uncertainties continue to be those reported within the Strategic Report on pages 20 to 22 and within the Risk Management Report starting on page 42 of the 2023 Annual Report and Accounts and those detailed on page 11 of this Interim Financial Report.

A full list of the Board of Directors can be found in the 2023 Annual Reports and Accounts.

Signed on behalf of the Board on 24th July 2024 by:

Sue Hayes
Chief Executive

Anthony Murphy
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO NOTTINGHAM BUILDING SOCIETY

CONCLUSION

We have been engaged by the Society to review the condensed set of financial statements in the Interim Financial Report for the six months ended 30th June 2024 which comprises Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Members' Interests, Condensed Consolidated Cash Flow Statement and the related explanatory notes 1 to 16. We have read the other information contained in the Interim Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Financial Report for the six months ended 30th June 2024 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BASIS FOR CONCLUSION

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, 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 2, the annual financial statements of the Society are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this Interim Financial Report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

CONCLUSIONS RELATING TO GOING CONCERN

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management 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, however future events or conditions may cause the entity to cease to continue as a going concern.

RESPONSIBILITIES OF THE DIRECTORS

The Directors are responsible for preparing the Interim Financial Report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the Interim 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 Society 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 Interim Financial Report, we are responsible for expressing to the Society a conclusion on the condensed set of financial statements in the Interim 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 guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
Manchester
24th July 2024

OTHER INFORMATION

The Interim Financial Report information set out in this document is unaudited and does not constitute accounts within the meaning of section 73 of the Building Societies Act 1986.

The financial information for the year ended 31st December 2023 has been extracted from the Annual Report and Accounts for that year. The Annual Report and Accounts for the year ended 31st December 2023 have been filed with the FCA. The Auditors' Report on these Annual Report and Accounts was unqualified.

A copy of the Interim Financial Report is placed on the website of the Nottingham Building Society, at www.thenottingham.com. The Directors are responsible for the maintenance and integrity of the information on the Society's 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.

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