FINAL RESULTS

LEEDS BUILDING SOCIETY

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Leeds Building Society 2022 Annual Results

Record support for borrowers as Leeds Building Society achieves £5bn annual lending

Leeds Building Society achieved an excellent business performance in 2022, breaking records, reaching key milestones, and supporting borrowers and savers through considerable economic uncertainty.

Its latest annual results demonstrate how colleagues at the Society put homeownership within reach of thousands more people in a sustainable way that withstood rising UK interest rates and acute inflationary pressures.

Key highlights:

- **Record mortgage lending:** Leeds did even more to put homeownership within reach of borrowers by achieving record gross mortgage lending figures of £5.0bn (2021: £4.4bn) and record net lending of £2.0bn (2021: £1.5bn). Total mortgage assets now stand at £20.3bn (2021: £18.3bn), a record high.
- **Record growth in savings:** the Society's focus on supporting savers at the same time as borrowers by offering competitive, easy access, notice and ISA savings products helped it achieve its highest ever annual net savings inflow of £2.1bn (2021: £1.0bn). Total savings deposits have now passed £17.5bn (2021: £15.25bn), a record high.
- **Record number of members:** continued strong lending and savings growth enabled the Society to report a record 839,000 members (581,000 savings members, 252,000 mortgage members and 6,000 savings and mortgage members).
- **Ongoing support for first time buyers:** Leeds remains committed to helping people onto the housing ladder, including through its shared ownership mortgages where it remains the market leader [1]. Last year, despite the volatile market conditions, the Society helped nearly 18,000 first time buyers, representing around 1 in 3 of all the Society's new loans.
- **Rewarding its members through mutuality:** the Society paid its savers an average interest rate 0.5% higher than the rest of the market average [2], which equates to an annual benefit of £80.5m (2021: £71.5m).
- **Continued strong financial performance:** total assets of £25.5bn (2021: £22.5bn) are the highest in the Society's history. A record profit before tax of £220.5m (2021: £163.7m) has been achieved with a cost income ratio of 37.4% (2021: 43.9%) which remains one of the lowest in the financial sector.

Richard Fearon, Leeds Building Society Chief Executive Officer, said:

"Our continued support for the housing market enabled us to surpass all previous lending records. We really delivered on helping to put home ownership within reach of more people with total mortgage lending of £5bn. We continued to offer strong support for customers less well served by the wider market despite the extremely volatile conditions we were operating in. Approximately one in three of all our mortgages went to first time buyers - helped by our decision to withdraw from lending on second homes to bolster our support for those yet to get on the property ladder.

"We are again backing our values with actions by extending our suspension of all mortgage arrears fees until at least the beginning of 2024. Our mutual status, which makes us ultimately answerable to our customers, enables us to go further in supporting our members when they need it most.

"After a decade of low interest rates in the UK, our savings members started to benefit from rising interest rates. By continuing to offer a competitive savings product range we saw record savings inflows into the Society of £2.1bn. We consistently paid above the market average rate which resulted in £80.5m extra going into members' pockets, in keeping with our mutual status and focus on members. The extra value that we give to our savers is especially important, particularly now as we face into a cost of living crisis.

"The past couple of years have been challenging for everyone and we face into what could be prolonged economic headwinds. It is now the hardest time to afford a home since our founding year in 1875, a sad reflection of

decades of inaction to tackle the UK's housing crisis. But we will continue to find ways we can help and put homeownership within reach of more people, just as we have for almost 150 years."

Addressing the UK's homeownership crisis

- The Society's continued support for the housing market enabled it to surpass all previous records. As well as its highest ever recorded gross lending of £5bn, nine out of its 10 busiest lending days ever occurred in 2022.
- The political and economic upheaval seen during 2022, including that caused by the Government's mini budget, resulted in the cost of fixed rate mortgages increasing rapidly. As many lenders temporarily pulled out of the mortgage market, the Society continued to offer products aimed particularly at first time buyers and shared ownership customers. The Society accounted for approximately 3.4% of the UK first time buyer market [3], around three times its normal mortgage market share.
- As a mutual, the Society is acutely aware of its commitment to its borrowers to be there for them, particularly when times get tough. Since December 2021, as the UK's economic situation worsened, the Bank of England increased the Bank Base Rate on nine occasions by a total of 3.40%. In response to these increases, the Society only increased its standard variable mortgage rate (SVR) by a total of 1.70%.
- The Society will continue to work with those members at risk of financial difficulty, by offering them a range of initiatives such as tailored arrears guidance, as well as further extending the waiver of arrears fees until at least the beginning of 2024.
- Service offered to borrowers via mortgage brokers is key to the Society's success. It has further improved processes to reduce application to offer times and for some cases can now do this in seconds through cutting edge automation. The work in this area is reflected in achieving the coveted five star rating in the Financial Adviser Service Awards.
- Housing has never been less affordable in the 148 years that Leeds Building Society has existed [4]. The UK needs to develop a long term plan for housing by delivering more homes, supporting first time buyers to save for their deposit and extending affordable routes into homeownership. In November the Society published 'Tackling the UK's Homeownership Crisis' - a clear set of public policy proposals that it believes should guide both the Government and the housing industry in their support of first time buyers.

Record savings performance

- After a decade of low interest rates in the UK, the Society's savings members started to benefit from rising interest rates. By continuing to offer a competitive savings product range the Society now has over 580,000 savings members and total savings deposits of over £17bn - both the highest in its history.
- The Society has continued to improve its 50 strong national network of branches. The branch network is a real asset for the Society and the ongoing enhancement reinforces its commitment to offer a face-to-face service for its members where this is sustainable.
- The Society keeps investing for the future, focusing on improving service for its members and intermediaries. This included bolstering the size and capability of key teams, including its contact centre as well as the IT and underwriting departments with a total of 205 new jobs created. The Society's Contact Centre was awarded an Institute of Customer Service (ICS) 'ServiceMark' in recognition of its ability to provide outstanding customer service.

Standing together with colleagues and local communities

- Buying an energy efficient home was made easier through the Society's Green Mortgages. Using detailed data about projected fuel bill savings for new build homes with an A or B Energy Performance Certificate (EPC) rating, it enabled members to borrow more compared with an equivalent, less energy efficient property.
- We have set ambitious science-based carbon emission targets and made good progress towards reaching them. By 2030 we aim to cut our absolute scope 1 and 2 emissions by 90% (using a market-based approach) and by 60% (using a location-based approach) compared to 2021, helping us to support a net zero economy. In 2022 we achieved a 19% market-based reduction and a 43% location-based reduction.
- Supporting the communities and the causes its members care about are key to the Society's identity as a mutual. Colleagues and members continued their enthusiastic support for the Society's national partnership with Dementia UK, taking fundraising beyond £500,000. In 2023, through the 'Closer to Home' project, the Society will be offering face to face specialist dementia care through its branch network.
- In July as the country faced into a cost of living crisis the Society agreed that all permanent and fixed term contract colleagues, excluding senior management, would receive a £1,200 payment [5] which reflected the amount by which expenditures were expected to rise during the year.
- In September, The Fair Tax Foundation confirmed that the Society had been re-accredited with the Fair Tax Mark, recognition that we continue to do the right thing when it comes to tax transparency and paying its fair share of tax. It was the first national high street financial institution to receive the Fair Tax Mark in 2018 and has received re-accreditation each year since.
- The Society increased its funding to the Leeds Building Society Charitable Foundation - it more than tripled its funding to the Foundation by announcing an annual £300,000 grant. In total during 2022, the Society donated almost £1m to good causes.

Ends

[1] Based on analysis of illustrations provided by Twenty7Tec's mortgage sourcing platform

[2] Source: CACI's CSDB, Stock, January to December 2022, latest data available. The Society paid an average of 1.15% to our savers compared to the rest of market average of 0.65%, which equates to an annual benefit to our savers of £80.5m. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

[3] Based on number of loans. Sources: internal data and UK Finance Table RL1A: First time buyers, new mortgages and affordability, 2022

[4] Leeds Building Society analysis of Bank of England, ONS and Land Registry average earnings and house price data from 1845 to present day

[5] Payments were made on a pro rata basis for part time colleagues

GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

Summary Consolidated Income Statement

	2022 £M	2021 £M
Interest receivable and similar income	675.9	424.7
Interest payable and similar charges	(316.3)	(142.5)
Net interest receivable	359.6	282.2

Fees and commissions receivable	6.1	6.8
Fees and commissions payable	(0.7)	(0.4)
Fair value gains / (losses) from financial instruments	14.7	(0.5)
Other operating expense	(3.0)	(1.1)
Total income	376.7	287.0
Administrative expenses	(130.1)	(116.9)
Depreciation and amortisation	(10.9)	(9.1)
Impairment (charge) / credit on loans and advances to customers	(11.9)	4.1
Impairment of property, plant and equipment	(3.8)	-
Provisions release / (charge)	0.5	(1.4)
Operating profit and profit before tax	220.5	163.7
Tax expense	(58.6)	(43.5)
Profit for the financial year	161.9	120.2

Summary Statement of Financial Position

	31 December 2022 £M	31 December 2021 £M
Assets		
Liquid assets	4,580.7	3,646.8
Derivative financial instruments	679.9	219.3
Loans and advances to customers	20,493.2	18,527.2
Fair value hedge accounting adjustment	(585.9)	(169.1)
Other assets, prepayments and accrued income	248.3	166.5
Current tax assets	4.6	2.8
Deferred tax assets	0.3	4.5
Intangible assets	22.5	25.0
Property, plant and equipment	66.7	82.4
Retirement benefit surplus	3.6	8.3
Total assets	25,513.9	22,513.7
Liabilities and equity		
Shares	17,520.4	15,258.0
Fair value hedge accounting adjustment	(100.7)	(72.9)
Derivative financial instruments	251.9	166.8
Deposits and securities	5,209.1	5,111.0
Other liabilities and accruals	586.1	201.4
Deferred tax liabilities	33.0	6.2
Provisions for liabilities and charges	0.6	1.9
Subordinated liabilities	309.1	339.4
Subscribed capital	197.6	227.3
Total equity attributable to members	1,506.8	1,274.6
Total liabilities and equity	25,513.9	22,513.7

Statement of Comprehensive Income

	2022 £M	2021 £M
Fair value gains recorded in cash flow hedge reserve	112.9	-
Fair value losses on investment securities	(9.1)	(6.5)
Actuarial (loss) / gain on retirement benefit surplus	(4.9)	7.1
Revaluation loss on properties	(1.9)	(1.0)
Tax on items taken directly to equity	(26.7)	0.1
Other comprehensive income net of tax	70.3	(0.3)
Profit for the year	161.9	120.2
Total comprehensive income for the year	232.2	119.9

Summary Consolidated Cash Flow	2022 £M	2021 £M
Net cash flows from operating activities	739.1	637.9
Net cash flows from investing activities	(443.3)	(14.1)
Net cash flows from financing activities	200.5	48.8
	496.3	672.6
Cash and cash equivalents at the beginning of the year	2,697.7	2,025.1
Cash and cash equivalents at the end of the year	3,194.0	2,697.7

Summary of key ratios	2022	2021
Net interest margin	1.50%	1.31%
Gross capital as a percentage of shares and borrowings	8.9%	9.0%
Liquid assets as a percentage of shares and borrowings	20.2%	17.9%
Profit after tax for the year as a percentage of mean total assets	0.67%	0.56%
Management expenses as a percentage of mean total assets	0.59%	0.58%

Notes to the Financial Information

1. The financial information set out above, which was approved by the Board of directors on 23 February 2023, does not constitute accounts within the meaning of the Building Societies Act 1986.

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About Leeds Building Society:

The Society operates throughout the UK and has assets of £25.5bn at 31 December 2022. The UK's fifth largest Building Society has its head office in the centre of Leeds, where it was founded in 1875.

The Society won the title of Best Shared Ownership Mortgage Lender in the 2022 What Mortgage Awards, its seventh consecutive year of success in this category. It also received a coveted five star rating in the Financial Adviser Service Awards, as well as a Gold Ribbon from Fairer Finance for savings accounts for the fifth year running, based on customer happiness and trust, along with the ability to explain things clearly.

https://www.leedsbuildingsociety.co.uk/

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