LONDON STOCK EXCHANGE
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HALF-YEAR/INTERIM REPORT

LEEDS BUILDING SOCIETY

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Leeds Building Society 2023 H1 results

First time buyers make up half of all new borrowers as new members boost savings to record high

Continuing to support new and existing borrowers in a volatile and dynamic market helped Leeds Building Society to a strong performance in the first six months of 2023.

A record 49% of all new borrowers were first time buyers as the UK's fifth-largest mutual delivered on its purpose to put home ownership within reach of more people, despite the challenging economic conditions.

2023 H1 key highlights:

- **Helped even more first time buyers:** almost half (49%) of all new borrowers[1] were taking their first steps onto the housing ladder, as the Society maintains its focus on helping more people into home ownership and supporting affordable housing schemes such as Shared Ownership, where we remain market leader[2].
- **Strong lending performance:** increased our market share of gross lending to 1.62%[3] with a total of £1.9bn (H1 2022: £2.5bn) including six of the 10 biggest days of lending in the Society's history and June its busiest ever month for Shared Ownership[4] lending.
- **Record savings inflows:** with an inflow of £1.4bn, the Society's biggest half year for new savings lifted total savings balances to a record £19.1bn.
- **New membership record:** more than 79,300 new members joined the Society, taking total membership to a new record of 878,000.
- **Innovation to put home ownership within reach of more people:** the Society was the first lender to partner with Experian, enabling potential borrowers to boost their credit score by taking account of their regular outgoings, giving them a better chance of a successful mortgage application. We also launched new savings accounts specifically designed for those building a home deposit or to staircase through Shared Ownership.
- **Maintained financial strength and security:** increased total assets to £26.9bn (H1 2022: £24.1bn), the highest in the Society's history. Profit before tax was £116.2m (H1 2022: £146.5m), supporting our ongoing commitment to reinvesting in the business and prioritising good value for members.

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

"We've carried on lending across all market sectors and offering competitive savings accounts during a sustained period of economic volatility, seeing our membership climb to a new record.

"I'm proud of our continuing support for the affordable housing sector and the fact that nearly one in two of our new borrowers in the first six months of 2023 were first time buyers.

"After a long period at historic lows, interest rates have continued to rise with the effects felt by borrowers and savers alike, and we stand by both.

"As a business created to empower greater home ownership, we've stayed actively lending in a fast-changing market throughout 2023 and since March have accepted earlier applications for product transfers, giving existing borrowers six months before maturity to choose their new deal.

"We've moderated the impact of repeated Bank of England Base Rate rises by limiting increases in our standard variable rate and have worked hard to support borrowers facing financial difficulties with help tailored

to their individual circumstances.

"Meanwhile for our savings members, we consistently pay above the average market rate[5], which equates to more than £90m extra in their pockets.

"In response to continuing Base Rate rises, we've passed on increases to all our variable rate member savings accounts in a sustainable way intended to offer fair value across our range.

"We continue to invest in member value, technology which improves service, and in our fantastic people - their dedication and commitment to the Society's purpose gives me confidence for the future, however challenging times may be.

"We've been there for our members during tumultuous external events throughout our long history and our financial strength and security means we'll continue to support them."

Supporting new and existing borrowers

- Retained position as the market-leading Shared Ownership lender, and secured the title of Best Shared Ownership Mortgage Lender in the 2023 What Mortgage Awards for the eighth consecutive year. June was our busiest ever month for Shared Ownership completions.
- Were among the first signatories to the Government's new Mortgage Charter and the first lender to launch a simple, digital application process for borrowers seeking assistance.
- While the Charter formalises and extends the support measures we offer to borrowers in need, we continue to go further - we are not charging arrears fees, having stopped these charges early in the Covid-19 pandemic.
- Remain committed to supporting existing borrowers in taking product transfer alternatives to SVR, accepting applications for new deals six months before their current mortgage term matures.
- Launched Experian Boost, a unique partnership with financial data business Experian, which is already giving more first time buyers a better chance of a successful mortgage application.
- Continued to lend responsibly at all LTV (loan to value) bands up to 95%, serving new buyers with smaller deposits or existing homeowners with less equity.
- Launched Home Deposit Saver, a regular savings account with a top up of £500 when the saver receives their Leeds Building Society mortgage offer. Designed with first time buyers in mind but available to all prospective home buyers.
- Moderated increases in SVR by limiting the number of times rises have been passed on following changes in Bank Base Rate. Since December 2021, the Bank of England's Monetary Policy Committee has raised Bank Base Rate by a total of 4.90%, whereas the Society's SVR has increased by 2.70%.
- Arrears levels remain broadly stable at 0.63% (H1 2022: 0.62%), demonstrating our borrowers remain resilient and we continue to stress test for affordability at prudent levels to lend responsibly.

Supporting savings members and sustainably investing in value, service and financial security

- In a rising rate environment, continued to consistently pay savers more than the average market interest rate, equating to an annual benefit to our savings members of more than £90m.
- Offered highly-competitive fixed rate savings products, a market which has seen significant growth in demand this year, and secured 93 Best Buys for our ISAs and non-ISA products[6].
- Record inflows of £1.4bn took total savings balances to a record £19.1bn.
- Invested in improving service and refurbishing premises across our national branch network, demonstrating our commitment to face-to-face service where this remains sustainable.
- Increased capital and reserves to £1.70bn (H1 2022: £1.57bn), well above the regulatory requirement, and continue to retain very strong levels of liquidity.
- Cost income ratio remains among the lowest in the financial services sector at 40.4%.
- Continued with our multi-year IT investment programme to increase functionality, security and resilience, and make our systems simpler and quicker to use for our members, colleagues and intermediary partners.
- To help members tackle their environmental impact, introduced an Energy Saving Tool on our website for homeowners to identify ways to cut their energy use and save money.
- Made good progress on advancing our Inclusion and Diversity vision, including introducing pronoun badges for colleagues.
- Continued to provide excellent service to our members, with satisfaction levels at an all-time high (94%).
- Launched partnership with leading insurance technology firm Uinsure, offering members quicker and simpler access to insurance quotes.
- Extraordinary support from colleagues and members took fundraising for our national partner Dementia UK beyond £700,000, smashing the original £500,000 target. Also this year, branch colleagues welcomed the charity's specialist Admiral Nurses for in-person clinics through our Closer to Home project, bringing dementia care to more families across the UK.

Ends

[1] 7,700 out of 15,800 new mortgage members in H1 2023 were first time buyers.

[2] Based on mortgage brokers producing the most Shared Ownership illustrations for Leeds Building Society products out of any lender from the Twenty7Tec sourcing systems between 1 January 2023 and 30 June 2023.

[3] Based on five months to May 2023. Calculated using UK mortgage market data obtained from UK Finance.

[4] Source: LBS internal applications data for main loan (not further advances) Shared Ownership cases.

[5] We paid an average rate of 1.83% against the rest of the market average of 1.30%. CACI's CSDB, Stock, June 2022 to May 2023, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

[6] Presswatch Financial H1 2023

Key information from the Society's Group Interim Results to 30 June 2023 is attached.

For the Society's Interim Financial Report, follow the link:

http://www.rns-pdf.londonstockexchange.com/rns/4776H_1-2023-7-27.pdf

GROUP RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

Condensed Consolidated Income Statement

	Six months to 30 June 2023 (Unaudited)	Six months to 30 June 2022 (Unaudited)	Year to 31 December 2022 (Audited)
	£m	£m	£m
Interest receivable and similar income	552.8	271.0	675.9
Interest payable and similar charges	(379.4)	(98.3)	(316.3)
Net interest receivable	173.4	172.7	359.6
Fees and commissions receivable	2.7	2.9	6.1
Fees and commissions payable	(0.4)	(0.3)	(0.7)
Fair value gains from financial instruments	21.3	42.0	14.7
Other operating income / (expense)	0.2	(3.0)	(3.0)
Total income	197.2	214.3	376.7
Administrative expenses	(75.3)	(59.5)	(130.1)
Depreciation and amortisation	(4.4)	(4.9)	(10.9)
Impairment charge on loans and advances to customers	(1.3)	(3.4)	(11.9)
Impairment of property, plant and equipment	-	-	(3.8)
Provisions release	-	-	0.5
Operating profit and profit before tax	116.2	146.5	220.5
Tax expense	(27.0)	(33.9)	(58.6)
Profit for the period	89.2	112.6	161.9

Condensed Consolidated Statement of Financial Position

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)	31 December 2022 (Audited)
	£m	£m	£m
Assets			
Liquid assets	5,372.5	4,002.9	4,580.7
Derivative financial instruments	933.9	453.8	679.9
Loans and advances to customers	20,846.9	19,676.4	20,493.2
Fair value adjustment for hedged risk on loans and advances to customers	(707.4)	(413.4)	(585.9)
Other assets, prepayments and accrued income	312.1	242.9	248.3
Current tax assets	-	-	4.6
Deferred tax assets	0.3	1.5	0.3
Intangible assets	24.6	23.5	22.5
Property, plant and equipment	65.7	72.2	66.7
Retirement benefit surplus	2.9	6.7	3.6
Total assets	26,851.5	24,066.5	25,513.9
Liabilities			
Shares	19,121.5	16,398.7	17,520.4
Fair value adjustment for hedged risk on shares	(131.5)	(93.2)	(100.7)
Derivative financial instruments	334.5	231.0	251.9
Amounts owed to credit institutions	2,083.6	2,310.9	2,268.4
Amounts owed to other customers	186.0	328.6	229.7
Debt securities in issue	2,404.0	2,584.8	2,711.0
Other liabilities and accruals	690.8	383.8	586.1
Deferred tax liabilities	42.1	1.4	33.0
Provision for liabilities and charges	0.5	1.4	0.6
Subordinated liabilities	303.7	322.7	309.1
Subscribed capital	191.9	211.6	197.6
Total equity attributable to members	1,624.4	1,384.8	1,506.8
Total liabilities and equity	26,851.5	24,066.5	25,513.9

Condensed Consolidated Statement of Comprehensive Income

	Six months to 30 June 2023 (Unaudited)	Six months to 30 June 2022 (Unaudited)	Year to 31 December 2022 (Audited)
	£m	£m	£m
Fair value gains recorded in cash flow hedge reserve	41.9	-	112.9
Fair value losses on investment securities	(3.8)	(4.3)	(9.1)
Actuarial loss on retirement benefit surplus	(0.8)	(1.7)	(4.9)
Revaluation loss on properties revalued	-	-	(1.9)
Tax on items taken directly to equity	(8.9)	3.6	(26.7)
Other comprehensive income net of tax	28.4	(2.4)	70.3
Profit for the period	89.2	112.6	161.9
Total comprehensive income for the period	117.6	110.2	232.2

Summary Condensed Consolidated Statement of Cash Flows

	Six months to 30 June 2023 (Unaudited)	Six months to 30 June 2022 (Unaudited)	Year to 31 December 2022 (Audited)
	£m	£m	£m
Net cash flows from operating activities	1,088.7	292.9	739.1
Net cash flows from investing activities	(966.9)	(289.8)	(443.3)
Net cash flows from financing activities	(292.0)	60.0	200.5
	(170.2)	63.1	496.3
Cash and cash equivalents at the beginning of the period	3,194.0	2,697.7	2,697.7
Cash and cash equivalents at the end of the period	3,023.8	2,760.8	3,194.0

Key Performance Indicators

	Six months to 30 June 2023 (Unaudited)	Six months to 30 June 2022 (Unaudited)	Year to 31 December 2022 (Audited)
Net interest margin	1.34%	1.50%	1.50%
Profit after tax as a proportion of mean assets	0.69%	0.97%	0.67%
Management expenses as a proportion of mean assets	0.61%	0.56%	0.59%

Notes to Editors

For more information, please contact the press office at pressoffice@leedsbuildingsociety.co.uk or call 07721 622548.

Leeds Building Society operates throughout the UK and had assets of £26.9bn at 30 June 2023 (£24.1bn at 30 June 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 2023 What Mortgage Awards, its eighth consecutive year of success in this category. It also received 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.

Leeds Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority. Leeds Building Society is registered on the Financial Services Register under number 164992.You can check this on the FCA website at https://register.fca.org.uk/s/ or by calling 0800 111 6768.

Leeds Building Society head office: 26 Sovereign Street, Leeds, West Yorkshire, LS1 4BJ.

As at 30 June 2023, the Board Directors of Leeds Building Society were as follows:

- Annette Marie Barnes
- Farah Buckley
- Andrew Peter Conroy
- Iain Charles Andrew Cornish
- Richard Guy Fearon
- David Fisher
- Neil Anthony Fuller
- Andrew John Greenwood
- Gareth John Hoskin
- Robert James Howse
- Pam Rowland
- Anita Tadayon

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