London Stock Exchange

RNS Final Results

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LEEDS BUILDING SOCIETY

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Leeds Building Society
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Record lending by Leeds brings home ownership within reach for thousands more

Building Society CEO hails landmark year as he reports 2021 results

Setting new records for mortgage lending helped Leeds Building Society to an exceptional performance in 2021 as it delivered on its purpose of bringing home ownership within reach for more people than ever before.

Reporting its annual results, Chief Executive Officer Richard Fearon said the Society's record support for the housing market, particularly under-served sectors including 20,000 first time buyers, had been key to success in an extremely demanding year.

The benefits of the mutual's ongoing investment to future-proof IT systems became evident in handling its busiest-ever year for applications, with gross lending reaching a record £4.4bn, and it continued to lead in the affordable housing space.

Growth in lending was aided by an increase in savings balances to top £15.25bn (£14.2bn 2020), as the Society maintained its support for savers by consistently paying above the market average savings rate, which equates to an annual benefit of more than £71m[1] to its saving members.

In addition, the lender added to its track record for innovation, launching preferential mortgage deals for the most energy-efficient homes and developing a unique carbon neutral product for other purchasers.

"2021 was a landmark year for Leeds Building Society and I'm incredibly proud of our successful performance, and all my colleagues have done for us to achieve this," said Richard.

"We delivered on our purpose by supporting the housing market, bringing home ownership within reach for record numbers of first time buyers and Shared Ownership purchasers.

"The Society broke so many records in 2021 - it was our busiest 12 months ever for mortgage applications and our biggest year for first time buyer lending, which accounted for almost one in three of all our new mortgages, another record.

"Our successful strategy for supporting customers less well served by the wider market saw us join the Government's new First Homes scheme and complete the mortgages for its very first purchasers, and we remained active in Shared Ownership, winning further awards. With first time buyers in mind, we also launched a new Regular Saver account, ideal to start building up a deposit."

Leeds Building Society's strong performance in a vibrant housing market delivered record profit before tax of £163.7m (£80.7m 2020), enabling the business to further increase capital and reserves to £1.46bn (£1.35bn 2020), well above the regulatory requirement. The Society continues to retain very strong levels of liquidity.

The UK's fifth-largest mutual has used its financial strength to protect members in the historic low rate environment, supporting borrowers by holding SVR (standard variable rate) after the Bank Base Rate rise in December, before helping its savers by increasing rates in response to the Base Rate rise announced earlier this month.

Significant investment in IT continued to improve resilience, security and capacity, which increased the Society's operating costs for the year, although its keen focus on efficiency mean its cost to income ratio of 43.9% and cost to mean asset ratio of 0.58% (51.0% and 0.48% respectively, 2020) are still among the best in the building society sector.

IT systems, such as the Mortgage Hub broker platform, are now integrated with major sourcing systems, saving brokers time and effort, and will facilitate further enhancements and improvements to online services for brokers and direct customers.

The Society also invested further in its colleagues, creating 121 skilled jobs in key areas including data, IT, risk, and mortgage underwriting, as well as raising the minimum base level salary to £10 per hour, building on its existing Fair Pay Charter and going beyond its commitment as an accredited Living Wage Employer.

"Our colleagues' skill and commitment is what drives our business success and our record customer satisfaction scores, so I was delighted we were crowned the best financial services company to work for by Best Companies," said Richard.

"The importance of giving great service to our members, and the role played by our branch network, was behind one of our two landmark moves in Leeds in 2021 - to our new Leeds Central branch in Commercial Street.

"The other move was leaving our historic Albion Street home for an award-winning new head office in Sovereign Street, which provides the room to unite office teams formerly split across three city centre sites.

"It's modern and airy, with plenty of collaborative space to support our new hybrid ways of working, giving colleagues flexibility to be in the office when it's most useful and make the connections which build our fantastic culture. We're asking people to be in eight days each month and empowering them to choose how this works for their role.

"As our new headquarters are very environmentally friendly, being carbon neutral in operation, relocation also helped our commitment to cutting the Society's carbon footprint.

"We're making good progress against the challenging targets we've set ourselves to reduce the Society's environmental impact and I'm pleased we were able to achieve carbon net neutral status for scope 1, 2 and 3 (business travel) emissions, more than a year ahead of plan.

"With our green mortgages and tree dedications for new children's account openings, we've also taken a lead in linking our products to positive environmental action.

"Housing is responsible for 16% of the UK's total emissions[2], so we believe it's important that we support our members as they seek to reduce their own carbon footprint.

"Listening to our members and colleagues, and staying close to the communities where they live and work, remains fundamental to us as a mutual, and how we've evolved and stayed relevant over the past century and a half.

"By the end of 2021, their passion and generosity had taken total fundraising for Dementia UK, our national charity partner, past £380,000 and I'm excited that the Closer to Home project will expand in 2022, bringing specialist dementia care to even more communities across the UK.

"That sense of having a stake in something bigger and being able to achieve success by working together shows that we're still living the purpose for which we were founded almost 150 years ago.

"Combined with our financial security and the resilience we've shown through the unique challenges of the pandemic, this gives me great confidence as we look ahead to the future."

Ends

[1] We paid an average rate of 0.79% against the rest of the market rate of 0.29%. CACI's CSDB, Stock, December 2020 to November 2021, latest data available

[2] Source: 2020 UK Greenhouse Gas Emissions, final figures (publishing.service.gov.uk)

Notes to Editors

Key information from the Society's Group Results for the year ended 31 December 2021 follows.

To arrange an interview with Leeds Building Society Chief Executive Officer Richard Fearon, or for a hi res photo of Richard, please contact the press office on 07769 675330.

The Society operates throughout the UK and had assets of £22.5bn at 31 December 2021 (£20.6bn at 31 December 2020). The UK's fifth-largest mutual 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 2021 What Mortgage Awards, its sixth consecutive year of success in this category. It also received a Gold Ribbon from Fairer Finance for savings accounts for the fourth year running, based on customer happiness and trust, along with the ability to explain things clearly.

Key facts and figures from Group Results for the year ended 31 December 2021:

Record support for first time buyers and the housing market

- Record support for the housing market with our biggest ever year for applications and £4.4bn of gross lending
- Helped more than 20,000 first time buyers step onto the housing ladder, another Society record
- Continued strong performance in Shared Ownership lending, earning industry awards including the title of Best Shared Ownership Mortgage Lender in 2021's What Mortgage Awards, for the sixth year running
- Supported new initiatives such as First Homes, being the first lender to complete applications under the Government scheme and see our newest members realise their home owning dreams
- Waived arrears fees during the year and continue to work closely with members at risk of financial difficulty to agree a solution to best suit their circumstances

Continued to innovate to meet members' evolving needs and lead in green finance

- Introduced a popular fixed rate savings bond in support of Dementia UK, our national charity partner
- Launched new high LTV (loan to value) mortgages with preferential deals for the most energy efficient homes
- First lender to launch a carbon neutral mortgage, offsetting the carbon footprint of the property during the initial fixed term of the mortgage
- Dedicated more than 1,000 trees through partnership with Yorkshire Dales Millennium Trust, one for each children's account opened in branch, as well as a further 1,500 on behalf of our colleagues

Used our financial strength to support members and invest for a successful future

- Continued to pay our savings members above the market average, equating to more than £71m extra in their pockets
- Invested in our people, creating 121 skilled jobs in key areas including data, IT, risk, and mortgage underwriting, as well as raising the minimum base level salary to £10 per hour, beyond our commitment as an accredited Living Wage Employer
- Our colleagues deliver great service and their votes saw us crowned best financial services company to work for by Best Companies
- Completed the move to our award-winning, energy-efficient new head office in Sovereign Street, bringing together Leeds office teams previously split across three sites
- Sovereign Street also offers modern, collaborative space for future ways of working, including our new hybrid working model (eight days in the office each month) as we look forward to welcoming back office colleagues in greater numbers
- Opened our new Leeds Central branch, part of our commitment to a sustainable branch network and another investment in the future of our home city
- Accelerated our investment in our IT systems to boost capacity, resilience and security, while remaining among the most efficient businesses in the banking and building society sector
- Completed successful rollout of our Mortgage Hub online platform for brokers, which is now integrated with major sourcing systems, saving brokers time and effort, and supporting further enhancements and improvements to online services

GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Summary Consolidated Income Statement

	2021 £M	2020 £M
Interest receivable and similar income	424.7	402.6
Interest payable and similar charges	(142.5)	(197.2)
Net interest receivable	282.2	205.4
Fees and commissions receivable	6.8	5.6
Fees and commissions payable	(0.4)	(0.6)
Fair value losses from financial instruments	(0.5)	(16.8)
Other operating (expense) / income	(1.1)	3.2
Total income	287.0	196.8
Administrative expenses	(116.9)	(92.9)
Depreciation and amortisation	(9.1)	(7.5)
Impairment credit / (charge) on loans and advances to customers	4.1	(14.6)
Provisions charge	(1.4)	(1.1)
Operating profit and profit before tax	163.7	80.7
Tax expense	(43.5)	(18.7)
Profit for the financial year	120.2	62.0

Summary Statement of Financial Position

	31 December 2021 £M	31 December 2020 £M
Assets		
Liquid assets	3,646.8	2,974.8
Derivative financial instruments	219.3	192.8
Loans and advances to customers	18,527.2	16,988.9
Fair value hedge accounting adjustment	(169.1)	96.1
Other assets, prepayments and accrued income	166.5	270.4
Current tax assets	2.8	-
Deferred tax assets	4.5	5.6
Intangible assets	25.0	28.8
Property, plant and equipment	82.4	81.3
Retirement benefit surplus	8.3	1.0
Total assets	22,513.7	20,639.7
Liabilities and equity		
Shares	15,258.0	14,162.7
Fair value hedge accounting adjustment	(72.9)	(13.5)
Derivative financial instruments	166.8	237.9
Deposits and securities	5,111.0	4,654.7
Current tax liabilities	-	2.3
Deferred tax liabilities	6.2	4.7
Other liabilities, accruals and provisions	203.3	194.7
Subordinated liabilities	339.4	-
Subscribed capital	227.3	241.5
Total equity attributable to members	1,274.6	1,154.7
Total liabilities and equity	22,513.7	20,639.7

Statement of Comprehensive Income	2021	2020
	£M	£M
Fair value (losses) / gains on investment securities	(6.5)	8.6
Actuarial gain / (loss) on retirement benefit surplus	7.1	(1.9)
Revaluation (loss) / gain on properties revalued	(1.0)	2.7
Tax on items taken directly to equity	0.1	(2.8)
Other comprehensive income net of tax	(0.3)	6.6
Profit for the year	120.2	62.0
Total comprehensive income for the year	119.9	68.6

Summary Consolidated Cash Flow	2021	2020
	£M	£M
Net cash flows from operating activities	637.9	(209.1)
Net cash flows from investing activities	(14.1)	735.3
Net cash flows from financing activities	48.8	(116.2)
	672.6	410.0
Cash and cash equivalents at the beginning of the year	2,025.1	1,615.1
Cash and cash equivalents at the end of the year	2,697.7	2,025.1

Summary of key ratios		
Net interest margin	1.31%	0.99%
Liquid assets as a percentage of shares and borrowings	17.9%	15.8%
Profit after tax for the financial year as a percentage of mean total assets	0.56%	0.30%
Management expenses as a percentage of mean total assets	0.58%	0.48%

Notes to the Financial Information

1. The financial information set out above, which was approved by the Board of directors on 24 February 2022, does not constitute accounts within the meaning of the Building Societies Act 1986.

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