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FINAL RESULTS

LEEDS BUILDING SOCIETY

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Leeds Building Society 2023 Annual Results

Leeds Building Society helps 17,700 first time buyers - more than half of new mortgages in 2023 - during a record breaking year

Leeds Building Society announces record breaking results for the third consecutive year, while delivering its purpose of putting home ownership within reach of more people, generation after generation.

In what was one of the hardest years to afford a home since the Society was founded in 1875[1] it helped 17,700 first time buyers get on the housing ladder. More than half of all its new mortgages went to first time buyers in 2023, an increase from a third in 2022.

The Society also announced today agreements with North Norfolk District Council and North Yorkshire Council to stop new loans on holiday let homes during a 12-month trial, beginning at the end of March. This decision further increases the Society's support for first time buyers by removing one of the many obstacles they face to accessing a supply of available and affordable homes. The Society has liaised with the councils over the holiday lets restrictions, as it has sought to balance local housing needs with the economic benefits tourism can provide.

Key 2023 highlights include:

- **Purposeful mortgage lending:** Lent to 17,700 first time buyers, representing more than 1 in 2 new mortgages in 2023. This is an increase from 1 in 3 new mortgages in 2022.
- **New innovative products and partnerships to help first time buyers:** Helped borrowers break down barriers preventing homeownership through innovative products such as Home Deposit Saver, and through partnerships such as being the first UK mortgage provider to connect to Experian Boost.
- **Record growth in savings:** Annual net savings inflow increased to a record high of £2.7 billion (2022: £2.1 billion). Total savings balance reached a record of £20.8 billion, 19% higher than 2022 (2022: £17.5 billion).
- **Record annual benefit for savings members:** Paid an average interest rate 0.59% above the market average**,** which equates to a record annual benefit for members of £110 million[2](2022: £80.5 million).
- **Record number of members:** 122,000 new savings members and 35,000 new mortgage members saw total Society membership increase by 10% to a record high of 919,000 (2022: 839,000)
- **Mortgage lending:** Gross mortgage lending of £4.4 billion (2022: £5.0 billion) and net lending of £1.5 billion (2022: £2.0 billion). The Society increased its market share in 2023 to 2.0% (2022: 1.6%)[3] and year-end mortgage asset balance stood at a record high of £21.8 billion (2022: £20.3 billion).
- **Invested in customer service and digital transformation:** Investments in customer service and digital technology led to an increase in operating costs to £169 million (2022: £141 million). Cost to income ratio is 47.3% (2022: 37.4%) and remains one of the lowest for banks and building societies.
- **Strong financial performance:** Profit before tax of £181.5 million (2022: £220.5 million), the second highest in the Society's history. Total assets increased to £28.1 billion (2022: £25.5 billion), a record high. Capital and reserves stand at £1.6 billion and liquidity levels continue above regulatory requirements.
- **Responsible lending:** The average loan to value ratio of new lending was 62.3% and 51.2% for all the Society's mortgages. In a challenging financial environment, the level of mortgage repayment arrears increased marginally to 0.68% (2022: 0.58%), demonstrating the robustness of affordability testing and lending criteria.

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

"As a building society established to help people save and buy their own home, I am incredibly proud of the progress we are making to deliver our purpose and of the support offered to first time buyers in 2023.

We concentrated our support on the needs of aspiring homeowners and helped nearly 18,000 first time buyers to get on the housing ladder. We did this by launching innovative partnerships and products designed to help break down barriers which prevent home ownership, such as Experian Boost and Home Deposit Saver, and by continuing our market leading position in shared ownership mortgages[4].

We also stood shoulder to shoulder with members already on the property ladder during a year which saw the Bank of England interest rate reach a 15-year high, helping when it really matters with support tailored to their individual circumstances. We were one of the first to sign up to the Mortgage Charter and the first lender to launch a simple, digital application process for those seeking help; we limited increases in our standard variable rate, and we did not charge arrears fees - and will not again during 2024.

We've been helping people get on, and stay on, the housing ladder for nearly 150 years, but home ownership has rarely been as unaffordable, inaccessible, and unavailable as it is today. We want to change that and our decision to stop new loans on holiday let homes in North Norfolk and North Yorkshire for a 12 month trial is another example of the Society acting in the interests of first time buyers.

In some areas holiday lets have grown to have a significant stranglehold on the pipeline of homes available for local people to live in. Our decision adds to the arsenal of options available to local authorities to balance local housing needs with economic benefits in a way which leaves power in the hands of the local authorities. We will learn through the trial how effective this measure can be in increasing the supply of residential homes and gain greater insight on steps that can make a positive difference.

Our purpose guides us to help first time buyers in innovative ways, however our mutuality and long-held position as a sustainable and financially secure Society provides the ability to do so. Our capital and reserves stand at £1.6 billion and total assets increased to £28.1 billion, an all-time high for the Society.

Pre-tax profits of £181.5 million resulted from record trading performance in a turbulent market for both savers and borrowers. We paid savers an average interest rate of 0.59% above the market average, putting an additional £110 million into their pockets; we delivered a record year for net savings inflows of £2.7 billion and saw a 19% increase in total savings balances to £20.8 billion. We lent over £4 billion for residential mortgages and hold £21.8 billion of total mortgage assets, also a record high. We welcomed 157,000 new members to the Society during the year, bringing total membership to an all-time high of 919,000.

This performance underpins our financial strength and maintains our ability to invest for the future. Indeed, we continued to invest in our branches, which are one of our greatest strengths, and in improving digital experiences, which led to our highest member satisfaction score of 94%. We have laid the foundations for customer experiences and digital capabilities in years to come, allowing members to engage with us in a way they choose to; be that in branch, contact centre, digitally, or all three.

Our achievements this year show the Society at its best. Looking ahead, we remain confident in our ability to support savers and borrowers for generations to come. Yet the most important measure of our performance is how many people trust us to help them to achieve their home ownership ambitions. Our dedication to this - our purpose - continues unchanged because everyone deserves a place to call home."

DEEPENING SUPPORT FOR NEW AND EXISTING BORROWERS

The Society is committed to putting homeownership within reach of more people, generation after generation. In 2022, it became the first national mortgage lender to stop providing mortgages for residential second homes to increase the supply of residential homes. In 2023, it deepened its support with new products and innovations designed to help first time buyers get on the housing ladder. In 2024, it will continue to act to support the needs of first time buyers, such as the decision to stop new loans on holiday let homes in North Yorkshire and North Norfolk during a 12-month trial.

Key 2023 highlights include:

- Launched Shared Ownership Saver, a new savings product tailored to shared ownership borrowers aiming to buy a larger share of their homes.
- Launched Home Deposit Saver, a regular savings account offering a £500 bonus upon receiving a mortgage offer from us. 251 accounts were opened in 2023 with £518,000 deposited. The first £500 bonus was paid in December.
- Being the first UK mortgage provider to work with Experian and connect to their free Boost service, which allows people to improve their credit scores by using open banking to assess the last 12 months of payments such as council tax. Since its launch in May, 49 borrowers secured a mortgage with the Society who would not have been able to without Experian Boost.
- Continued as the market leading Shared Ownership lender and won Best Shared Ownership Mortgage Lender in the 2023 What Mortgage Awards for the eighth consecutive year
- Launched First Home Helper tool in July, which helps first time buyers to understand the ways in which they can buy their first home and how to set a budget for saving for a deposit.
- Won First time Mortgage Buyers' Choice at the 2023 Moneyfacts Consumer Awards.
- Won Leading With Purpose Award at the 2023 Business Culture Awards.

DELIVERING FOR MEMBERS

The strength of the Society starts with its 919,000 members, the highest number in its 149-year history. Member satisfaction levels reached a record high of 94% in 2023 (2022: 93%).

The total number of savings members increased from 581,000 to 650,000 and new savings accounts totalled 231,000, 35% higher than 2022 (2022: 171,000). The Society paid its savers 0.59% above the market average - a rate of 3.05% compared to the rest of market average of 2.46% - which equates to an annual benefit to savers of £110 million(2022: £80.5 million).

Key 2023 highlights include:

- Levels of arrears increased marginally to 0.68% (2022: 0.58%), demonstrating the robustness of affordability testing and lending criteria.
- The Society did not charge arrears fees in 2023, a policy which remains in effect until at least the end of 2024.
- Since December 2021, the Bank of England has increased its base rate 14 times by a total of 5.15%. On 6 occasions the Society chose not to apply these increases to its standard variable mortgage rate, which has increased by 2.70% over the same period.
- One of the first signatories to the Government's Mortgage Charter and the first lender to launch a simple, digital application process for borrowers seeking help. The Society helped hundreds of borrowers through the Mortgage Charter in 2023.
- Accepted applications from existing borrowers for product transfer alternatives to standard variable rate mortgages six months before mortgage term maturity.
- Invested in customer services and systems capabilities to help provide members with support if they experience difficulty paying their mortgages, training customer service teams to better identify and support members and partnering with debt advice charity Step Change to refer members to free financial support.

INVESTING IN CUSTOMER SERVICE AND DIGITAL TRANSFORMATION

The Society has made a step change in customer service and digital led transformation, investing in change programmes such as digital platforms which create more personalised interactions for members and more engaging customer services. This resulted in a record Customer Experience Index score and a consistent service experience for members however they choose to interact with us.

A 50 strong national network of branches offers face-to-face services for members, reinforcing a promise to be there when, and how, they need us. Member satisfaction with service in branches remains extremely high as a result of investing in branch experience and the colleagues who work there during 2023. The Society now has one of the most efficient branch networks amongst its peer group. Colleagues in branch opened 72,000 new savings accounts, a 10% year on year increase; they spent over 17,000 hours in support of our contact centre as well as providing additional support to back-office functions, processing requests from online and postal customers.

Branches, and colleagues who work in them, are vitally important to delivering the highest levels of customer service for members. The Society is committed to a multi-year refurbishment and upgrade programme of its branch network and continues to look at opportunities to relocate in existing locations.

Key 2023 highlights include:

- 145,000 new account openings - 63% of the total new account openings - were made via the Society's website, an increase of 10% from 2022.
- Improvements made to the digital saving maturity journey increased the number of members using digital channels by 41%.
- A new savings application process reduced account opening time by over 80%.
- Achieved an average broker net promoter score of 62 by streamlining lending journeys to make it easier for partners to do business with us.
- Investments in digital experiences reduced the average application to offer time by 24% and brokers can receive a mortgage offer in principle as quickly as within 17 seconds after submission.
- Reduced the average number of days from mortgage application to offer from 15 days to 11 days.
- Launched new savings products at pace, reducing average time to launch by 60%, ensuring members have access to the Society's most competitive products as quickly as possible.

MAKING A DIFFERENCE TO MEMBERS AND COMMUNITIES

As a mutual, the Society recognises its responsibility to consider the wider impact of its business and believes in sharing its success with colleagues and members, as well as communities and the causes members care about. In 2023 it awarded over £1 million to communities, supporting 247 organisations through grants, fundraising and volunteering, with more than one third of colleagues donating 5,900 hours to community groups.

Key 2023 highlights include:

- Commitment to the orderly transition to a greener, net zero economy by 2050. This year the Society was certified as a carbon neutral company by Climate Impact Partners, continued its journey to significantly reduce energy consumption by 2030 and become net zero in operational emissions.
- Launched an online tool in partnership with the Energy Savings Trust to help members assess and improve the energy performance of their properties.
- Launched a new mortgage which includes a property's Energy Performance Certificate rating in affordability assessments - making energy efficient new builds an attractive option for homebuyers.
- Accredited with the Gold Standard by Inclusive Employers, the joint first private sector organisation to achieve this and one of only 4% of companies assessed to have ever reached that level. This recognition underscores the Society's dedication to serving members with diverse needs and ensuring equal access to financial services.
- Reaccredited as a Real Living Wage employer, a Disability Confident Employer and for the Fair Tax Mark.
- Launched our new apprenticeship programme supporting a diverse cohort in taking their first steps on their career journeys. A new digital work experience programme saw 398 young people gain a better understanding of financial services as a career pathway and insight into entry level roles that students may apply for in the future.
- A four-year partnership with Dementia UK draws to a close in 2024 with in-year fundraising of £267,000 and topping over £800,000 over the course of the partnership. Beyond fundraising, the 'Closer to Home' project has seen over 400 specialist face-to-face dementia care clinics in 40 branches and facilitated over 3,300 virtual appointments with Dementia UK's Admiral Nurse.
- Using funds donated by the Society and its members through the "Your Interest in Theirs" scheme, the Leeds Building Society Charitable Foundation awarded just under £340,000 to 47 charities, providing support to people in need of a safe and secure home.
- Five community projects supporting people who experience barriers to homeownership received a share of £240,000 thanks to nominations from Society colleagues.
- Extended a long-standing sponsorship of Leeds Rhinos rugby league through to 2026, expanding this partnership to include sponsoring the Leeds Rhinos netball team during the 2024 season.
- Recognising local roots through sponsorships of the Leeds Digital Festival and Leeds Pride, where over 200 colleagues joined the parade through the city.

[ends]

Sources:

[1] Leeds Building Society analysis of Bank of England, Office for National Statistics and Land Registry average earnings and house price data from 1845 to present day.

[2] The Society paid an average of 3.05% to our savers compared to the rest of market average of 2.46%**,** which equates to an annual benefit to our savers of £110m. Source: CACI's CSDB, Stock, January 2023 to December 2023, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

[3] UK Finance 2023 Mortgage Completions Data (Table MM8)

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

GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

Summary Consolidated Income Statement

	2023 £M	2022 £M
Interest receivable and similar income	1,263.6	675.9
Interest payable and similar charges	(926.0)	(316.3)
Net interest receivable	337.6	359.6
Fees and commissions receivable	5.2	6.1
Fees and commissions payable	(0.8)	(0.7)
Fair value (losses) / gains from financial instruments	(6.7)	14.7
Other operating income / (expense)	22.2	(3.0)
Total income	357.5	376.7
Administrative expenses	(159.9)	(130.1)
Depreciation and amortisation	(9.1)	(10.9)
Impairment charge on loans and advances to customers	(6.1)	(11.9)
Impairment of property, plant and equipment and intangible assets	(0.2)	(3.8)
Provisions (charge) / release	(0.7)	0.5
Operating profit and profit before tax	181.5	220.5
Tax expense	(47.6)	(58.6)
Profit for the financial year	133.9	161.9

Summary Consolidated Statement of Financial Position

	31 December 2023	31 December 2022
	£M	£M
Assets		
Liquid assets	5,559.3	4,580.7
Derivative financial instruments	443.6	679.9
Loans and advances to customers	21,941.2	20,493.2
Fair value hedge accounting adjustment	(132.3)	(585.9)
Other assets, prepayments and accrued income	224.1	248.3
Current tax assets	9.8	4.6
Deferred tax assets	3.0	0.3
Intangible assets	29.8	22.5
Property, plant and equipment	64.5	66.7
Retirement benefit surplus	2.9	3.6
Total assets	28,145.9	25,513.9
Liabilities and equity		
Shares	20,793.0	17,520.4
Fair value hedge accounting adjustment	31.9	(100.7)
Derivative financial instruments	233.0	251.9
Deposits and securities	4,747.8	5,209.1
Other liabilities and accruals	300.2	586.1
Deferred tax liabilities	38.4	33.0
Provisions for liabilities and charges	1.3	0.6
Subordinated liabilities	323.9	309.1
Subscribed capital	33.0	197.6
Total equity attributable to members	1,643.4	1,506.8
Total liabilities and equity	28,145.9	25,513.9

Summary Consolidated Statement of Comprehensive Income

	2023	2022
	£M	£M
Fair value (loss) / gain recorded in cash flow hedge reserve	(11.7)	112.9
Fair value gain / (loss) on investment securities	14.8	(9.1)
Actuarial loss on retirement benefit surplus	(0.9)	(4.9)
Revaluation loss on properties	-	(1.9)
Tax on items taken directly to equity	0.5	(26.7)
Other comprehensive income net of tax	2.7	70.3
Profit for the year	133.9	161.9
Total comprehensive income for the year	136.6	232.2

Summary Consolidated Statement of Cash Flows	2023	2022
	£M	£M
Net cash flows from operating activities	1,168.2	730.5
Net cash flows from investing activities	(1,123.3)	(443.3)
Net cash flows from financing activities	(202.3)	200.5
	(157.4)	487.7
Cash and cash equivalents at the beginning of the year	3,123.3	2,635.6
Cash and cash equivalents at the end of the year	2,965.9	3,123.3

Summary of key ratios	2023	2022
Net interest margin	1.26%	1.50%
Gross capital as a percentage of shares and borrowings	7.83%	8.86%
Liquid assets as a percentage of shares and borrowings	21.77%	20.15%
Profit after tax for the year as a percentage of mean total assets	0.50%	0.67%
Management expenses as a percentage of mean total assets	0.63%	0.59%

Notes to the Financial Information

1. The financial information set out above, which was approved by the Board of directors on 22 February 2024, does not constitute accounts within the meaning of the Building Societies Act 1986.

Notes to editors:

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About Leeds Building Society

- Leeds Building Society is the UK's fifth-largest Building Society.
- The Society held assets of £28.1 billion and had a total membership of 919,000 on 31 December 2023.
- We continue to do today what we were set up to do in 1875 - help people save money and buy their own home. We operate as a mutual, developing and innovating our product range and service offer to help our 919,000 members achieve their financial goals.
- For more on what we do and how we help our members, visit Leeds Building Society/Your Society.
- As of 31 December 2023, we employed over 1,800 colleagues, with a head office in the centre of Leeds, a customer contact centre in Newcastle, and a network of 50 branches across the UK.
- Our purpose is putting home ownership within reach of more people, generation after generation. Since 2020 we have helped 63,000 first time buyers join the housing ladder.
- We are committed to the orderly transition to a greener, net zero economy by 2050 and have set a second ambitious target to reduce our scope 1 and 2 location-based emissions by 60% by 2030, which aligns with the UK Government's net zero commitments.
- Find out more about the impact of our actions within our latest Purpose Impact Report.
- The Society has been a Living Wage employer since 2019.
- 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, won "First time Mortgage Buyers' Choice" at the 2023 Moneyfacts Consumer Awards, and was named as the winner of the "Leading With Purpose Award" at the 2023 Business Culture Awards.

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