Leeds Building Society

29th July 2022

More first-time buyers join growing membership as Leeds sets new lending records

Mutual continues to invest for the future to put home ownership within reach

Continuing to break records for helping thousands more people into homes was key to Leeds Building Society's strong performance in the first half of this year, said its Chief Executive Officer.

Reporting interim results for H1 2022, Richard Fearon said the mutual had built on the exceptional performance of 2021 with gross lending climbing to £2.5bn (£2.0bn 30 June 2021) and net lending rising to £1.2bn (£0.6bn 30 June 2021), both record half-year amounts for the Society.

Nine of its 10 biggest lending days ever occurred during the first six months of this year leading to its highest number of completions in the first-half of a year.

Total membership grew to 815,000, including the 9,000 new members who chose the Society when deciding to buy their first home.

Lending growth was supported by a corresponding rise in savings balances, with the increase topping £1bn, taking total savings balances to £16.4bn (£15.25bn 31 December 2021).

Richard said good value savings products were essential to bring in the level of funds required to support Leeds Building Society's lending ambitions and he was pleased by how many new savings members were attracted to join in H1 2022.

"I'm delighted we've delivered a record breaking first half of the year, achieved a series of landmarks across our lending and supported savers at a critical time," said Richard.

"Being mindful of our roots as a mutual, we've reaffirmed our purpose – to put home ownership within reach of more people – and future generations of first-time buyers are integral to our plans.

"To successfully deliver on that purpose means ensuring we offer a competitive savings range. We've consistently paid above the market average rate – which equates to an extra £66m in our savings members' pockets[1] – and our fixed rate products have been a notable strength, appealing to new and existing savers alike.

"The value that we give to savers is especially important during a cost of living crisis, and we have also been considerate of the challenges facing our borrowers too. While the Bank of England's Base Rate increased four times during the first half of the year, we raised our

[1] We paid an average rate of 0.73% against the rest of the market rate of 0.28%. CACI's CSDB, Stock, May 2021 to April 2022, latest data available

variable savings rates on each occasion but only raised our standard variable mortgage rate (SVR) once.

“I’m proud we were able to attract so many new members but acknowledge the elevated demand for our savings products led to some long waiting times for callers. We didn’t always meet the high standards of service we strive for but I’m pleased that we’ve taken steps to address this and the situation has now returned to normal.

“Work is ongoing to increase online functionality and capacity for savings members and this remains a key focus over the coming months to ensure our savings processes are simpler and quicker to use. This should deliver benefits like those seen since upgrading our mortgage systems – Mortgage Hub, our online mortgage platform, is now capable of processing applications from intermediaries in as little as 11 seconds and further enhancements are planned.

“Our ambitious multi-year IT transformation is progressing to plan and on budget, and during the first six months of 2022 we successfully completed the transfer of our data centres, boosting our resilience and security, both of which must be priorities for any financial services provider.”

Investment this year includes improvements and refurbishment across Leeds Building Society’s 50-strong national network of branches, as part of a commitment to face-to-face service where this is sustainable.

“We’ve continued to recruit, creating a further 65 skilled jobs, such as adding to the varied and specialist IT skills within the Society,” said Richard.

“One in five of our colleagues now works in a ‘tech’ role and we are successfully trialling hybrid working to make effective use of our energy-efficient new head office in Leeds city centre.

“Developing and future-proofing our operations helps us to carry on doing what we do best, meeting consumer need with product innovation, such as launching mortgages that incentivise greener homes. We have also taken significant steps in reaching net zero as a business and supporting our stakeholders to do the same. Having already achieved carbon neutral status on scope 1 and 2 emissions and business travel, we are now assessing our scope 3 emissions to help us reduce our indirect impact on the environment.”

H1 2022’s strong lending performance delivered profit before tax of £146.5m (£70.3m 30 June 2021), buoyed by an exceptional fair value adjustment of £42.0m[2]. The UK’s fifth-largest building society maintains capital and reserves well above the regulatory requirement at £1.57bn (£1.46bn Dec 2021), as well as continuing to retain very strong levels of liquidity.

The success of the Society’s business model and a keen focus on efficiency means it has a reduced cost to income ratio of 30.1% and a stable cost to mean asset ratio of 0.56% (44.9% and 0.56% respectively, 30 June 2021), both among the best in the building society sector.

The proportion of residential mortgages in arrears, calculated as 1.5% or more of outstanding mortgage balances, fell to 0.62% (0.66% December 2021), reflecting the Society’s responsible approach to lending and our members’ financial resilience in the face of inflationary pressures.

Richard continued: “Having reaffirmed our purpose and looked at how we deliver on this, we’ve taken the decision to withdraw from lending on second homes. Second homes reduce the

[2] Fair value adjustments are made under International Financial Reporting Standards (IFRS), against the Society’s legacy equity release portfolio and other assets and liabilities. They are accounting adjustments which arise due to market rate volatility and will typically unwind in future periods

number of properties available to live in and we want to direct more of our efforts to other sectors, especially first-time buyers.

“Serving our members and supporting their communities remains at the heart of our business, as demonstrated daily by the commitment, drive and expertise of our fantastic people throughout what has been another extremely demanding period.

“Our colleagues and members continued their enthusiastic support for our national partnership with Dementia UK, taking fundraising beyond £400,000 as our ‘Closer to Home’ project expands to bring specialist dementia care into more communities across the UK.

“Their compassion and generosity were evident again in the speed and scale of donations for the humanitarian disaster in Ukraine. With matched funding from the Society, more than £100,000 was given to relief efforts in Ukraine and the UK, including refugee aid in our home city of Leeds.

“In Peterborough, work is ongoing to redevelop vacant office space above the Society’s city centre branch for use as emergency accommodation for refugees, which has been a widely-supported and collaborative effort with local businesses and stakeholders.

“The past couple of years have been challenging for everyone but reminded us all of how we can achieve more when we work together, and this remains true as concerns about Covid-19 are overtaken by new worries about rising bills and inflation.

“We’ll continue to support our members and look for new ways we can help and deliver on the purpose for which we were founded almost 150 years ago.

“Keeping the needs of our members and their communities at the heart of our business, combined with our enduring financial strength and security, means I continue to look to the future with confidence.”

Ends

Notes to Editors

Key information from the Society’s Group Interim Results to 30 June 2022 is attached.

To arrange an interview with Leeds Building Society Chief Executive Officer Richard Fearon, please contact the press office on 07553 645576. Hi-res photos are also available.

About Leeds Building Society
The Society operates throughout the UK and had assets of £24.1bn at 30 June 2022 (£21.1bn 30 June 2021). The UK’s fifth-largest mutual has its head office in the centre of Leeds, where it was founded in 1875. The Society 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.

GROUP RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

Condensed Consolidated Income Statement

	Six months to 30 June 2022 (Unaudited)	Six months to 30 June 2021 (Unaudited)	Year to 31 December 2021 (Audited)
	£m	£m	£m
Interest receivable and similar income	271.0	201.6	424.7
Interest payable and similar charges	(98.3)	(73.9)	(142.5)
Net interest receivable	172.7	127.7	282.2
Fees and commissions receivable	2.9	3.1	6.8
Fees and commissions payable	(0.3)	(0.2)	(0.4)
Fair value gains / (losses) from financial instruments	42.0	(1.2)	(0.5)
Other operating expense	(3.0)	(1.2)	(1.1)
Total income	214.3	128.2	287.0
Administrative expenses	(59.5)	(52.9)	(116.9)
Depreciation and amortisation	(4.9)	(4.6)	(9.1)
Impairment (charge) / credit on loans and advances to customers	(3.4)	0.7	4.1
Provisions charge	-	(1.1)	(1.4)
Operating profit and profit before tax	146.5	70.3	163.7
Tax expense	(33.9)	(18.0)	(43.5)
Profit for the period	112.6	52.3	120.2

Condensed Consolidated Statement of Financial Position

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)	31 December 2021 (Audited)
	£m	£m	£m
Assets			
Liquid assets	4,002.9	3,063.0	3,646.8
Derivative financial instruments	453.8	133.0	219.3
Loans and advances to customers	19,676.4	17,549.0	18,527.2
Fair value adjustment for hedged risk on loans and advances to customers	(413.4)	(23.1)	(169.1)
Other assets, prepayments and accrued income	242.9	245.9	166.5
Current tax assets	-	-	2.8
Deferred tax assets	1.5	6.8	4.5
Intangible assets	23.5	27.2	25.0
Property, plant and equipment	72.2	84.0	82.4
Retirement benefit surplus	6.7	2.1	8.3
Total assets	24,066.5	21,087.9	22,513.7
Liabilities			
Shares	16,398.7	14,470.8	15,258.0
Fair value adjustment for hedged risk on shares	(93.2)	(51.7)	(72.9)
Derivative financial instruments	231.0	162.2	166.8
Amounts owed to credit institutions	2,310.9	1,998.6	2,258.9
Amounts owed to other customers	328.6	293.6	297.5
Debt securities in issue	2,584.8	2,305.7	2,554.6
Other liabilities and accruals	383.8	110.8	201.4
Current tax liabilities	-	3.1	-
Deferred tax liabilities	1.4	4.9	6.2
Provision for liabilities and charges	1.4	2.8	1.9
Subordinated liabilities	322.7	347.6	339.4
Subscribed capital	211.6	233.4	227.3
Total equity attributable to members	1,384.8	1,206.1	1,274.6
Total liabilities and equity	24,066.5	21,087.9	22,513.7

Condensed Consolidated Statement of Comprehensive Income

	Six months to 30 June 2022 (Unaudited)	Six months to 30 June 2021 (Unaudited)	Year to 31 December 2021 (Audited)
	£m	£m	£m
Fair value losses on investment securities	(4.3)	(1.9)	(6.5)
Actuarial (loss) / gain on retirement benefit surplus	(1.7)	1.1	7.1
Revaluation loss on properties revalued	-	-	(1.0)
Tax on items	3.6	(0.1)	0.1
Other comprehensive income net of tax	(2.4)	(0.9)	(0.3)
Profit for the period	112.6	52.3	120.2
Total comprehensive income for the period	110.2	51.4	119.9

Summary Condensed Consolidated Statement of Cash Flows

	Six months to 30 June 2022 (Unaudited)	Six months to 30 June 2021 (Unaudited)	Year to 31 December 2021 (Audited)
	£m	£m	£m
Net cash flows from operating activities	292.9	275.0	637.9
Net cash flows from investing activities	(289.8)	62.2	(14.1)
Net cash flows from financing activities	60.0	(178.3)	48.8
	63.1	158.9	672.6
Cash and cash equivalents at the beginning of the period	2,697.7	2,025.1	2,025.1
Cash and cash equivalents at the end of the period	2,760.8	2,184.0	2,697.7

Key Performance Indicators

	Six months to 30 June 2022 (Unaudited)	Six months to 30 June 2021 (Unaudited)	Year to 31 December 2021 (Audited)
Net interest margin	1.50%	1.23%	1.31%
Profit after tax as a proportion of mean assets	0.97%	0.51%	0.56%
Management expenses as a proportion of mean assets	0.56%	0.56%	0.58%