

23 February 2010

For immediate release

## **Leeds Building Society delivers record operating profit**

Leeds Building Society, the UK's sixth largest building society, today announced strong results for 2009 despite continued economic uncertainty.

### **2009 Business Highlights:**

- Operating profit before impairment losses and provisions increased to a record £80.1m (2008 £68.6m).
- Pre-tax profit rises to £31.7m (2008 £20.3m).
- Capital and reserves increased to a record level of £543m (2008 £526m).
- Savings balances rose by £225m to a record level of £6.8bn.
- 71,000 new members attracted taking total membership to over 680,000.
- Efficiency improved even further in 2009:
  - Cost asset ratio reducing to 45p per £100 of assets from 48p in 2008.
  - Cost income ratio reduced to 36% from 40%, which was the most favourable of any building society.
- Quality of lending remains good with the average loan to value (LTV) on 2009 advances being just 50%, the same LTV as on our total residential mortgages.
- Wholesale funding ratio reduced to 23% (29% 2008).

Chief Executive, Ian Ward, said "Leeds Building Society achieved a good set of financial results for its members. Our successful, sustainable business model has delivered record operating profit and an increase in pre-tax profit, strengthening further our capital and reserves.

"Savings balances, which are a vital component of our traditional, mutual, building society business, rose by £225m to a record £6.8bn. Our net inflow, which represented £258m above our natural market share, was supported by 59,000 new savings' members, an increase of 35% compared to 2008. These members were attracted by both the security and value we provide.

"Our new lending totalled £922m in 2009, compared to £1.28bn last year. However, this reflected the much smaller UK market with net mortgage lending, which declined to less than £12bn, only around a quarter of the 2008 volume. Throughout the year, we offered a wide range of mortgage products enabling many customers to remortgage or buy their first home. All of the Society's residential mortgage lending is funded entirely by retail savings.

"Our lending policies continue to be very prudent and this is demonstrated by our average LTV on new lending in 2009 being just 50%, the same LTV as on our total residential mortgages.

"We attach great importance to our superior efficiency, as demonstrated by our favourable cost ratios. Our cost income ratio, the lowest of any building society in 2008, improved further to 36% and we again expect this to be the most favourable in our sector. The cost asset ratio reduced to 45 pence per £100 of assets compared to 48 pence a year earlier.

"The security of our members' savings was strengthened further by an increase in our capital and reserves of £17m to £543m. Total assets of £9.5bn include liquid assets of £1.9bn at 31st December 2009, representing 22% of total funds.

“We achieved a record operating profit, before impairment losses and provisions, of £80.1m, a significant increase of 17% compared with £68.6m in 2008. However, as the UK suffered its worst recession for over 60 years, creating rising unemployment, there was inevitably an increase in borrowers experiencing difficulties meeting their mortgage repayments. As a result, the charge for impairment losses and provisions for commercial and residential property rose to £52.5m in 2009 (£32.1m 2008).

“We introduced a range of initiatives to help mortgage customers through this period and residential arrears (2.5% or more of outstanding mortgage balances), which had been rising in the early part of 2009, stabilised in the summer and have now started to reduce. At 31 December, 2009, our arrears percentage was 2.24% (2008: 1.26%) and, based on the latest available data (30 September 2009), is superior to the average for all lenders.

“Despite these provisions, pre-tax profit increased to £31.7m compared to £20.3m in 2008. We believe that this represents a superior performance in the context of the overall results of financial services organisations.

“Pleasingly, we have maintained strong credit ratings from both Moody’s and Fitch, despite the very challenging economic environment. Fitch said “The affirmation of Leeds Building Society’s Long and Short Term ratings, with a stable outlook, reflects the Society’s good earnings capacity, excellent cost efficiency and strong capital position.” Moody’s, highlighted our stronger profitability, good asset quality, solid funding structure and strong management of costs.

“Leeds Building Society has delivered a sound performance in 2009, with rising retail balances, increased profitability and even stronger reserves further underlining its successful, sustainable business model. This, combined with our prudent approach to lending, keen cost control and strong levels of capital means that we are in an excellent position to deal with the challenging economic outlook for 2010 and beyond.”

**ENDS**

## **Note to Editors**

A copy of the Society’s results for 2009 is attached.

The Society’s press office would be happy to arrange interviews with the Society’s Chief Executive, Ian Ward.

### **For further information please contact:**

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## GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

### Summary Consolidated Income Statement

	<u>2009</u>	<u>2008</u>
	£M	£M
Interest receivable and similar income	455.4	583.1
Interest payable and similar charges	(345.6)	(490.4)
	<u>109.8</u>	<u>92.7</u>
Net Interest receivable		
Fees and commissions receivable	19.3	20.4
Fees and commissions payable	0.0	(0.1)
Fair value gains less losses from derivative financial instruments	(4.6)	0.3
Other operating income	0.0	1.4
	<u>124.5</u>	<u>114.7</u>
Administrative expenses	(43.2)	(44.8)
Depreciation and amortisation	(1.2)	(1.3)
	<u>80.1</u>	<u>68.6</u>
Operating profit before impairment losses and provisions		
Impairment of loans and advances to customers	(52.5)	(32.1)
Gains/(losses) on securities available for sale	2.5	(10.0)
Provisions for liabilities and charges		
Other	0.3	3.5
FSCS levy	1.3	(9.7)
	<u>31.7</u>	<u>20.3</u>
Operating profit and profit on ordinary activities before income tax		
Income tax expense	(9.1)	(6.0)
	<u>22.6</u>	<u>14.3</u>
<b>Profit for the financial year</b>	<b><u>22.6</u></b>	<b><u>14.3</u></b>

### Statement of Comprehensive Income

	<u>2009</u>	<u>2008</u>
	£M	£M
Profit for the financial year	22.6	14.3
Other Comprehensive Income		
Gain/(loss) on available for sale securities	1.8	(5.8)
(Loss)/gain on cash flow hedges	(7.7)	10.4
Actuarial (loss) on retirement benefit obligations	(1.1)	(4.1)
Tax relating to components of other comprehensive income	2.0	(0.1)
	<u>(5.0)</u>	<u>0.4</u>
Other comprehensive income net of tax		
	<u>17.6</u>	<u>14.7</u>
Total comprehensive income for the year	<b><u>17.6</u></b>	<b><u>14.7</u></b>

## Summary Statement of Financial Position

	<u>31 December</u> <u>2009</u> £M	<u>31 December</u> <u>2008</u> £M
<b>Assets</b>		
Liquid assets	1,916.4	2,301.7
Derivative financial instruments	142.1	195.5
Loans and advances to customers	7,333.6	7,479.0
Other investments	0.1	0.1
Property, plant and equipment	33.0	33.4
Investment properties	7.0	0.0
Deferred income tax assets	3.6	3.8
Prepayments, accrued income and other assets	109.3	123.1
Total assets	<u>9,545.1</u>	<u>10,136.6</u>
<b>Liabilities</b>		
Shares	6,780.0	6,555.0
Derivative financial instruments	142.2	227.2
Deposits and securities	1,923.6	2,671.2
Current income tax liabilities	4.6	0.0
Deferred income tax liabilities	3.8	6.1
Provision for liabilities, accruals and deferred income	144.8	147.2
Retirement benefit obligations	3.0	3.0
Subordinated liabilities	40.0	41.4
Subscribed capital	25.0	25.0
Revaluation reserve	16.9	16.9
General reserve	455.5	433.7
Other reserves	5.7	9.9
Total reserves and liabilities	<u>9,545.1</u>	<u>10,136.6</u>

## Summary Consolidated Cash Flow

	<u>2009</u> £M	<u>2008</u> £M
Net cash flows from operating activities	(356.2)	533.9
Net cash flows from investing activities	661.1	(804.0)
Net increase/(decrease) in cash and cash equivalents	<u>304.9</u>	<u>(270.1)</u>
Cash and cash equivalents at the beginning of the year	234.4	504.5
Cash and cash equivalents at the end of the year	<u>539.3</u>	<u>234.4</u>

## Summary of key ratios

Gross capital as a percentage of shares and borrowings	6.3%	5.7%
Liquid assets as a percentage of shares and borrowings	22.0%	25.0%
Profit for the financial year as a percentage of mean total assets	0.23%	0.15%
Management expenses as a percentage of mean total assets	0.45%	0.48%

## Notes to the Financial Information

1. The financial information set out above, which was approved by the Board of Directors on 22 February 2010, does not constitute accounts within the meaning of the Building Societies Act 1986.