Leeds Building Society

19th February 2013 For Immediate Release

Leeds Building Society delivers record mortgages and savings

Leeds Building Society today announced strong results for 2012 with record performance in its mortgage and savings markets, membership numbers at the highest in its history and record capital and reserves.

2012 Business Highlights:

- New mortgage lending increased by 35% to £1.65bn (£1.23bn 2011) which is significantly above our market share[1]
- Net residential lending of £737m (£300m 2011) is our best ever performance
- Savings balances grew by £384m (£329m 2011) to £7.74bn
- Assets increased by 5% to a record £10.32bn (£9.86bn 2011)
- 61,000 new members were attracted, taking total membership to a record 696,000
- Pre-tax profit rose by 4% to £52.4m (£50.2m 2011)
- Capital and reserves increased by 7% to £614m (£572m 2011)

Chief Executive, Peter Hill, said, "Leeds Building Society has again delivered a strong set of financial results, continued to grow market share and achieved a record performance in both the mortgage and savings markets. Residential mortgage completions increased by 35% to £1.65bn, net residential lending was almost two and a half times higher than 2011, at £737m, and retail savings balances grew by £384m, a rise of 5%. I am also delighted that assets and membership numbers are the highest in our history and capital and reserves are at record levels.

"This increase in new residential lending represents almost double our market share. Furthermore, £497m of our new lending, almost 30%, has helped 5,700 first-time-buyers onto the housing ladder. Including these mortgages, the average loan-to-value (LTV) on all new lending in 2012 was still only 56% (51% 2011).

"The Bank of England introduced the 'Funding for Lending' scheme (FLS) to stimulate lending and we were one of the first institutions to sign up. Whilst this initiative supported our mortgage volume aspirations, retail savings remain the core of our funding requirements, and will continue to be so, as we look to grow the business over the coming years.

"Our net savings growth was significantly above our market share and 39,000 new savings members were attracted by the security and value we provide. Furthermore, this means that all of our residential mortgage balances are funded entirely by members' savings.

"During 2012, we continued to benefit from access to diverse forms of funding, raising £375m in the long-term wholesale market and drawing down £200m from the FLS. This means that the majority of our wholesale funding has more than 1 year to maturity, providing stability for our members. Our wholesale funding ratio reduced to 18.8%, compared to 19.2% a year earlier.

"We continue to reinvest for the long-term prosperity of the Society as we develop a solid platform for growth, refurbish branches, develop technology and improve service, and I am delighted that we have been able to create 30 new jobs in 2012. As a result, our cost income ratio increased slightly to 33%, from 31% a year earlier, as did our cost asset ratio, from 48p per £100 of assets to 49p as at 31 December 2012. However, these ratios are amongst the best in the building society sector.

“Economic conditions remain challenging, maintaining the pressure on household budgets. We work closely with those borrowers experiencing financial difficulty and offer a range of forbearance options. Despite these headwinds, residential arrears (1.5% or more of outstanding mortgage balances) reduced from 3.23% in 2011 to 2.89%.

“The charge for impairment losses reduced by £6.6m, to £41.9m, in 2012. As a result, the total residential and commercial balance sheet provisions are £80m (£85m 2011), leaving the Society well covered for losses.

“We no longer have any Treasury or Sovereign debt exposure to the so-called ‘peripheral’ Eurozone countries of Portugal, Italy, Ireland, Greece or Spain.

“We have again delivered a strong pre-tax profit performance of £52.4m (£50.2m 2011), which has enabled us to further increase the security of our members’ savings as capital and reserves increased by 7%, to £614m (£572m 2011). Only 4.2% of this is in the form of borrowed capital, the lowest ratio of the larger building societies. Our Core Tier 1 capital ratio strengthened to 14.3% from 13.8% in 2011, and total assets rose to £10.32bn (£9.86bn 2011), including liquid assets of £1.75bn, representing 18.5% of total funds.

“The credit ratings agencies, Moody’s and Fitch, both continue to assign long term ‘A’ ratings to the Society citing our resilient profitability, driven by a good interest margin and strong cost control.

“We are well placed to continue our outstanding performance, providing our members with good value for money savings products and helping people to buy their own homes. Leeds Building Society is a profitable, well capitalised business and this gives us the opportunity to achieve our growth aspirations. We intend to increase lending further in 2013 and beyond, which will include more availability of higher LTV loans as we continue to support home ownership, the housing market and the wider economy.”

ENDS

Note to Editors

Leeds Building Society has 67 branches throughout the UK, Gibraltar and Ireland and assets of £10.3bn (as at 31 December 2012). The Society has operated from the centre of Leeds since 1886.

Note 1. Leeds Building Society defines market share as follows:
Mortgages - Council of Mortgage Lenders market share statistics
Savings - Mutual sector net retail savings as published by the Building Societies Association

A copy of the Society’s results for 2012 is attached.

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

For further information please contact:

Gary Brook (Head of Corporate Communication)
0113 225 7606 or 07866 455111 (out of office hours)
gbrook@leedsbuildingsociety.co.uk

GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

Summary Consolidated Income Statement

	2012 £M	2011 £M
Interest receivable and similar income	360.7	334.9
Interest payable and similar charges	(227.5)	(207.3)
Net Interest receivable	133.2	127.6
Fees and commissions receivable	16.1	19.7
Fees and commissions payable	(0.2)	(0.1)
Fair value gains less losses from derivative financial instruments	0.7	0.1
Other operating income	1.1	1.7
Total income	150.9	149.0
Administrative expenses	(48.9)	(45.7)
Depreciation and amortisation	(0.8)	(0.9)
Operating profit before impairment and provisions	101.2	102.4
Impairment of loans and advances to customers	(41.9)	(48.5)
Provisions for liabilities and charges		
Other	(0.6)	0.0
FSCS levy	(5.2)	(3.4)
Investment property fair value movement	(1.1)	(0.3)
Profit on ordinary activities before income tax	52.4	50.2
Income tax expense	(13.0)	(13.6)
Profit for the financial year	39.4	36.6

Summary Statement of Financial Position

	31 December 2012 £M	31 December 2011 £M
Assets		
Liquid assets	1,748.7	1,979.8
Derivative financial instruments	118.9	139.5
Loans and advances to customers	8,275.3	7,596.7
Property, plant and equipment	28.5	27.5
Investment properties	5.6	6.7
Deferred income tax assets	3.0	2.3
Prepayments, accrued income and other assets	135.9	107.2
Total assets	10,315.9	9,859.7
Liabilities		
Shares	7,738.3	7,354.2
Derivative financial instruments	148.5	146.7
Deposits and securities	1,721.4	1,679.6
Current income tax liabilities	7.6	7.1
Deferred income tax liabilities	2.8	1.3
Provision for liabilities, accruals and deferred income	81.1	97.5
Retirement benefit obligations	2.4	0.9
Subordinated liabilities	0.9	0.9
Subscribed capital	25.0	25.0
Revaluation reserve	13.2	13.2
General reserve	560.8	522.7
Other reserves	13.9	10.6
Total reserves and liabilities	10,315.9	9,859.7

Statement of Comprehensive Income

	31 December 2012 £M	31 December 2011 £M
Valuation gain on revaluation of available for sale investments	7.9	7.7
Loss on cash flow hedges	(3.5)	0.0
Actuarial loss on retirement benefit obligations	(1.6)	(1.4)
Tax on items taken directly to equity	(0.8)	(1.6)
Other comprehensive income net of tax	2.0	4.7
Profit for the year	39.4	36.6
Total comprehensive income for the year	41.4	41.3

Summary Consolidated Cash Flow

	31 December 2012 £M	31 December 2011 £M
Net cash flows from operating activities	(225.0)	51.8
Net cash flows from investing activities	739.5	13.4
	514.5	65.2
Cash and cash equivalents at the beginning of the year	261.0	195.8
Cash and cash equivalents at the end of the year	775.5	261.0

Summary of key ratios

Gross capital as a percentage of shares and borrowings	6.5%	6.4%
Liquid assets as a percentage of shares and borrowings	18.5%	21.9%
Profit for the financial year as a percentage of mean total assets	0.39%	0.38%
Management expenses as a percentage of mean total assets	0.49%	0.48%

Notes to the Financial Information

1. The financial information set out above, which was approved by the Board of directors on 18 February 2013, does not constitute accounts within the meaning of the Building Societies Act 1986.