



21st February 2012

Immediate Release

Profit up 19% as Leeds increases mortgage market share

Leeds Building Society today announced very strong results for 2011 with record operating profit and membership and savings balances reaching their highest ever levels.

2011 Business Highlights:

- Operating profit increased by 21% to a record £102.4m (£84.5m 2010)
- Pre-tax profit rose by 19% to £50.2m (£42.2m 2010)
- New residential lending increased by 25% to £1.23bn (£984m 2010) which is significantly above our natural market share
- Savings balances grew by £329m to a record level of £7.4bn
- 58,000 new members were attracted, taking total membership to a record 691,000
- Remained highly efficient, as demonstrated by our cost income ratio reducing to 31% from 34%, which was the best of any building society in 2010
- Quality of lending remains good with the average loan to value (LTV) on 2011 advances being just 51% (53% 2010)
- Capital and reserves increased by 8% to a record £572m (£531m 2010)

Chief Executive, Peter Hill, said, "Leeds Building Society has again delivered an excellent set of financial results and provided even more capacity in the UK mortgage market, especially to first-time-buyers (FTBs). I am particularly pleased that my first results as Chief Executive saw record operating profit, and our membership and savings balances reached their highest ever levels. We also saw new mortgage lending increase by 25%, to £1.23bn (£984m 2010), which is one and half times our natural market share.

"This significant increase in new residential lending represents £442m above our CML market share. Furthermore, £290m of this, almost 24%, has helped 4,000 first time buyers onto the property ladder. We intend to increase lending further in 2012, and this will include more availability of 95% loans, which we see as an important contribution to supporting home ownership, the housing market and the wider economy.

"Our prudent approach to underwriting continued and, even when taking into account our lending to FTBs, the average LTV on our new lending was only 51% in 2011 (53% 2010).

"Savings balances rose by £329m to a record £7.4bn. This represents £156m above our natural building society market share, with 41,000 new saving customers attracted by the security and value we provide. Our success in attracting deposits means that all of the Society's residential mortgage balances are funded entirely by members' savings.

"Superior efficiency remains an integral part of our strategy and this is demonstrated by our low cost income ratio. This improved further in 2011, reducing to 31% from 34%, which was the best of any building society in 2010. The cost asset ratio increased slightly to 48p (47p 2010) per £100 of assets. These ratios compare very well to the average of the major building societies, which were 67% and 89p respectively, at the end of 2010.

"We achieved our highest ever operating profit of £102.4m, which is £17.9m higher than last year's record of £84.5m, and an increase of 21% compared to 2010. After impairment losses and provisions, our pre-tax profit was £50.2m, an increase of 19% compared to the previous year.

“This strong profitability means that the security of our members’ savings was strengthened even further as our capital and reserves increased by £41m, to a record £572m (£531m 2010). Only 4.5% of this is in the form of borrowed capital, the lowest ratio of the larger building societies. Core Tier 1 capital ratio strengthened even further to 13.8% from 13.2% in 2010, and total assets rose to £9.9bn (£9.5bn 2010), including liquid assets of £2.0bn, representing 22% of total funds.

“Household budgets were squeezed in 2011 with high inflation and rising unemployment. Despite this, residential arrears (1.5% or more of outstanding mortgage balances) reduced from 3.25% in 2010 to 3.23%. We work closely with those borrowers experiencing financial difficulty, offering a range of forbearance strategies including payment arrangements, term extensions, changes to repayment type and alternative mortgage products. The charge for specific provisions reduced in 2011 to £34m from £40m in 2010. However, given the difficult economic backdrop, we have increased the collective provision charge from £4.5m to £15m to cover any further deterioration in 2012. As a result, the total residential and commercial balance sheet provisions increased to £85m from £61m in 2010.

“During 2011, we were able to improve the maturity profile of our wholesale funding portfolio. This included raising £250m of 7-year money taking the proportion of our wholesale funding which has more than 1-year to maturity, to over 50%, providing even greater stability to our business. Our overall wholesale funding ratio reduced from 19.9% to 19.2%.

“As a result of our resilient profitability driven by good interest margins and low costs, we are one of only three building societies with an ‘A’ long term credit rating from both Moody’s and Fitch.

“Leeds Building Society is both independent and successful, with a strong capital base and has been consistently profitable, despite the challenging environment. Throughout the downturn, we have continued to invest in the business and be an active player in the savings and mortgage markets, the benefits of which can be clearly seen in our results. We are in an excellent position to continue to focus on doing what we do best: providing good value for money products backed up by excellent service, delivered by our highly professional staff throughout this year and beyond.”

ENDS

Note to Editors

A copy of the Society’s results for 2011 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 2011

Summary Consolidated Income Statement

	2011 £M	2010 £M
Interest receivable and similar income	334.9	294.5
Interest payable and similar charges	(207.3)	(185.4)
	<hr/> 127.6	<hr/> 109.1
Net Interest receivable		
Fees and commissions receivable	19.7	19.7
Fees and commissions payable	(0.1)	(0.1)
Fair value gains less losses from derivative financial instruments	0.1	(1.6)
Other operating income	1.7	1.7
	<hr/> 149.0	<hr/> 128.8
Total income		
Administrative expenses	(45.7)	(43.3)
Depreciation and amortisation	(0.9)	(1.0)
	<hr/> 102.4	<hr/> 84.5
Operating profit before impairment and provisions		
Impairment of loans and advances to customers	(48.5)	(44.2)
Impairment of investment securities	-	3.2
Provisions for liabilities and charges		
Other	-	(0.2)
FSCS levy	(3.4)	(0.8)
Impairment losses on land and buildings	-	(0.3)
Investment property fair value movement	(0.3)	-
	<hr/> 50.2	<hr/> 42.2
Operating profit and profit on ordinary activities before income tax		
Income tax expense	(13.6)	(11.3)
	<hr/> 36.6	<hr/> 30.9
Profit for the financial year		

Summary Statement of Financial Position

	<u>31 December</u> <u>2011</u> £M	<u>31 December</u> <u>2010</u> £M
Assets		
Liquid assets	1,979.8	1,932.1
Derivative financial instruments	139.5	126.4
Loans and advances to customers	7,596.7	7,314.4
Other investments	-	0.1
Property, plant and equipment	27.5	26.9
Investment properties	6.7	7.0
Deferred income tax assets	2.3	2.8
Prepayments, accrued income and other assets	107.2	93.4
Total assets	<u>9,859.7</u>	<u>9,503.1</u>
Liabilities		
Shares	7,354.2	7,025.2
Derivative financial instruments	146.7	143.9
Deposits and securities	1,679.6	1,682.1
Current income tax liabilities	7.1	4.2
Deferred income tax liabilities	1.3	2.0
Provision for liabilities, accruals and deferred income	97.5	113.9
Retirement benefit obligations	0.9	0.7
Subordinated liabilities	0.9	0.9
Subscribed capital	25.0	25.0
Revaluation reserve	13.2	13.2
General reserve	522.7	487.1
Other reserves	10.6	4.9
Total reserves and liabilities	<u>9,859.7</u>	<u>9,503.1</u>

Statement of Comprehensive Income

	<u>31 December</u> <u>2011</u> £M	<u>31 December</u> <u>2010</u> £M
Property revaluation	-	(5.3)
Valuation gain on revaluation of available for sale investments	7.7	0.8
Loss on cash flow hedges	-	(1.9)
Actuarial (loss)/gain on retirement benefit obligations	(1.4)	0.9
Tax on items taken directly to equity	(1.6)	1.7
Other comprehensive income net of tax	<u>4.7</u>	<u>(3.8)</u>
Profit for the year	36.6	30.9
Total comprehensive income for the year	<u><u>41.3</u></u>	<u><u>27.1</u></u>

Summary Consolidated Cash Flow	<u>31 December</u> <u>2011</u> £M	<u>31 December</u> <u>2010</u> £M
Net cash flows from operating activities	51.8	59.0
Net cash flows from investing activities	13.4	(363.4)
Net cash flows from financing activities	-	(39.1)
	<u>65.2</u>	<u>(343.5)</u>
Cash and cash equivalents at the beginning of the year	<u>195.8</u>	<u>539.3</u>
Cash and cash equivalents at the end of the year	<u><u>261.0</u></u>	<u><u>195.8</u></u>

Summary of key ratios

Gross capital as a percentage of shares and borrowings	6.4%	6.2%
Liquid assets as a percentage of shares and borrowings	21.9%	22.2%
Profit for the financial year as a percentage of mean total assets	0.38%	0.32%
Management expenses as a percentage of mean total assets	0.48%	0.47%

Notes to the Financial Information

1. The financial information set out above, which was approved by the Board of directors on 20 February 2012, does not constitute accounts within the meaning of the Building Societies Act 1986.