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For Immediate Release

Leeds Building Society's record membership reaps benefits of innovation and investment

Success through innovation in both the mortgage and savings markets has helped Leeds Building Society to deliver another record year in 2013.

Chief Executive Peter Hill said member numbers, savings balances and residential mortgage lending at their highest in Leeds Building Society's long history leave it well-placed for further investment to benefit members and drive the continued and sustainable growth of the business.

2013 highlights:

- Pre-tax profit rose by 18% to a record £64.2m (£54.6m 2012 restated¹)
- New residential mortgage lending increased by 31% to £2.16bn (£1.65bn in 2012), significantly above our market share²
- Net residential lending of £1bn (£0.7bn in 2012), our best ever performance
- Savings balances grew by £884m (£384m in 2012) to £8.6bn, the highest level in our history
- 71,000 new members were attracted, taking total membership to a record 714,000 (696,000 in 2012)
- Capital and reserves increased to a record £661m (£618m 2012 restated¹)

Leeds Building Society Chief Executive Peter Hill said:

"I am particularly pleased that in our core markets of savings and mortgages we increased our market shares significantly, and our membership numbers are at an all-time high.

"As a member owned building society, our business model is built on providing security and value for savers and helping more people to buy homes. In particular, we have brought award-winning innovation to the mortgage market with our unique Welcome Mortgage, and introduced the UK's only 10-Year Monthly Income Bond paying 4%, with a capital guarantee, for savers.

Supporting the Aspirations of Borrowers and Savers

"New residential mortgage lending increased by 31% to £2.16bn (£1.65bn in 2012), significantly above our market share², and in 2013 we helped more than 6,000 First Time Buyers to purchase their homes, accounting for 30% of our total lending.

"In addition to 'mainstream' home loans, we also developed the unique Welcome Mortgage, which is the only product of its kind, with an option to pay no interest for the first three or six months. This was recognised at the Mortgage Finance Gazette Awards with the 'Innovation Award for Lenders' and the MoneyNet Personal Finance Awards title of 'Most innovative personal finance provider'.

"We also lent in less well served mortgage markets including Shared Ownership, and higher Loan to Value loans, both within and outside the Government's Help to Buy Equity Scheme. Including these mortgages, the average Loan to Value ratio on all new lending in 2013 remained below 60%.

"Our record net savings growth was above our market share and all of our residential mortgage balances continued to be funded entirely by members' savings. During 2013, we streamlined and improved our savings range to remove unnecessary complexity and on average we paid 2.33% across our range compared to the market average of 1.73%³.

“Furthermore, we introduced the UK’s only 10-Year Monthly Income Bond paying 4%, with a capital guarantee, and we began taking steps to ensure all our savings accounts pay at least 0.5%, equivalent to today’s Bank Base Rate, which will benefit a significant number of our members.

Continuing Financial Security

“Pre-tax profit rose by 18% to a record £64.2m (£54.6m 2012 restated¹), which has enabled us to further increase the security of our members’ savings as capital and reserves rose to a record £661m (£618m 2012 restated¹). Our Core Tier 1 Capital Ratio remained strong at 14.4%, compared to the minimum requirement of 8%. Total assets increased to £11.2bn (£10.3bn 2012).

“The Society’s residential arrears (1.5% or more of outstanding mortgage balances) fell from 2.89% in 2012 to 2.28%. The total charge for impairment losses was £47.9m (£41.9m in 2012) and total residential and commercial balance sheet provisions were £74m (£81m in 2012), leaving the Society well-covered for potential losses.

“Our strong financial performance meant the credit ratings agencies, Moody’s and Fitch, both continued to assign long term ‘A’ ratings to the Society.

Investing in the Business

“Our investment in the Society has increased substantially to ensure we have the right people and skills, systems and support infrastructures to be able to continue to offer outstanding personal service in a fast-changing market.

“This included the creation of more than 100 new jobs in 2013, taking the number of colleagues over 1,000, and we plan to recruit a further 100 during 2014. Our investment will continue in 2014 and members will benefit from improvements to systems and better access to information, to make life easier and more straightforward for our members.

“As a result, our cost to asset ratio increased to 52p (49p 2012) per £100 of assets. However, our strong growth in profitability resulted in a reduction in our cost to income ratio, which improved to 31% from 33% a year earlier. Our focus on efficiency ensures these ratios remain amongst the best in the building society sector.

“The Society’s excellent performance in 2013, which built on a strong year in 2012, demonstrates the success of our business model and the important role building societies play in the UK’s financial services sector and the communities we serve.

“Although the improving economic environment has also seen greater competition in the mortgage market, I am confident that our commitment to continued investment and innovation will deliver security, value and an even better service to our members in 2014.”

Ends

Notes to Editors

¹ The Group has adopted IFRIC 21, which changes the trigger date for when the Society’s liability to the FSCS scheme should be recognised.

² 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

³ CACI Data, October 2013 – CACI is an independent company that provides Financial Services benchmarking data and covers 86% of the high street cash savings market

A copy of the Society’s results for 2013 is below.

To arrange an interview with Leeds Building Society Chief Executive Peter Hill, please contact the press office on 0113 225 7606.

Leeds Building Society has 67 branches throughout the UK, Gibraltar and Ireland and assets of £11.2bn (as at 31 December 2013). The Society has operated from the centre of Leeds since 1886.

For further information please contact:

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GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

Summary Consolidated Income Statement

	<u>2013</u>	<u>2012</u>
	£M	<u>Restated</u> £M
Interest receivable and similar income	384.0	360.7
Interest payable and similar charges	(220.8)	(227.5)
	<hr/> 163.2	<hr/> 133.2
Net Interest receivable		
Fees and commissions receivable	14.6	16.1
Fees and commissions payable	(0.5)	(0.2)
Fair value gains less losses from derivative financial instruments	(0.9)	0.7
Other operating income	0.9	1.1
	<hr/> 177.3	<hr/> 150.9
Total income		
Administrative expenses	(54.2)	(48.9)
Depreciation and amortisation	(1.3)	(0.8)
	<hr/> 121.8	<hr/> 101.2
Operating profit before impairment and provisions		
Impairment of loans and advances to customers	(47.9)	(41.9)
Provisions for liabilities and charges		
Other	(1.9)	(0.6)
FSCS levy	(5.7)	(3.0)
Impairment loss on land and buildings	(0.8)	0.0
Investment property fair value movement	(1.3)	(1.1)
	<hr/> 64.2	<hr/> 54.6
Operating profit and profit on ordinary activities before tax		
Tax expense	(15.2)	(13.4)
	<hr/> 49.0	<hr/> 41.2
Profit for the financial year	<hr/> <hr/> 49.0	<hr/> <hr/> 41.2

Summary Statement of Financial Position

	<u>31 December</u> <u>2013</u>	<u>31 December</u> <u>2012</u>
	£M	<u>Restated</u> £M
Assets		
Liquid assets	1,820.1	1,748.7
Derivative financial instruments	99.5	118.9
Loans and advances to customers	9,151.9	8,275.3
Property, plant and equipment	28.4	28.5
Investment properties	4.4	5.6
Deferred income tax assets	2.0	3.0
Prepayments, accrued income and other assets	87.9	135.9
Total assets	<u>11,194.2</u>	<u>10,315.9</u>
Liabilities		
Shares	8,622.0	7,738.3
Derivative financial instruments	100.2	148.5
Deposits and securities	1,703.5	1,721.4
Current income tax liabilities	8.5	8.8
Deferred income tax liabilities	3.0	2.8
Provision for liabilities, accruals and deferred income	93.1	75.9
Retirement benefit obligations	3.3	2.4
Subordinated liabilities	0.9	0.9
Subscribed capital	25.0	25.0
Revaluation reserve	12.4	13.2
General reserve	612.1	564.8
Other reserves	10.2	13.9
Total reserves and liabilities	<u>11,194.2</u>	<u>10,315.9</u>

Statement of Comprehensive Income

	<u>2013</u>	<u>2012</u> <u>Restated</u>
	£M	£M
Valuation of available for sale investments	(8.3)	7.9
Cash flow hedges	3.5	(3.5)
Actuarial loss on retirement benefit obligations	(2.3)	(1.6)
Property revaluation	(0.9)	0.0
Tax on items taken directly to equity	1.8	(0.8)
Other comprehensive income net of tax	(6.2)	2.0
Profit for the year	49.0	41.2
Total comprehensive income for the year	<u>42.8</u>	<u>43.2</u>

Summary Consolidated Cash Flow

	<u>2013</u>	<u>2012</u> <u>Restated</u>
	£M	£M
Net cash flows from operating activities	82.2	(225.0)
Net cash flows from investing activities	154.5	739.5
	236.7	514.5
Cash and cash equivalents at the beginning of the year	775.5	261.0
Cash and cash equivalents at the end of the year	<u>1,012.2</u>	<u>775.5</u>

Summary of key ratios

Gross capital as a percentage of shares and borrowings	6.4%	6.5%
Liquid assets as a percentage of shares and borrowings	17.6%	18.5%
Profit for the financial year as a percentage of mean total assets	0.46%	0.41%
Management expenses as a percentage of mean total assets	0.52%	0.49%

Notes to the Financial Information

1. The financial information set out above, which was approved by the Board of directors on 25 February 2014, does not constitute accounts within the meaning of the Building Societies Act 1986.
2. Restated following the implementation of International Financial Reporting Interpretations Committee (IFRIC) 21 Levies