

Leeds Building Society Investor Presentation (updated H12010)

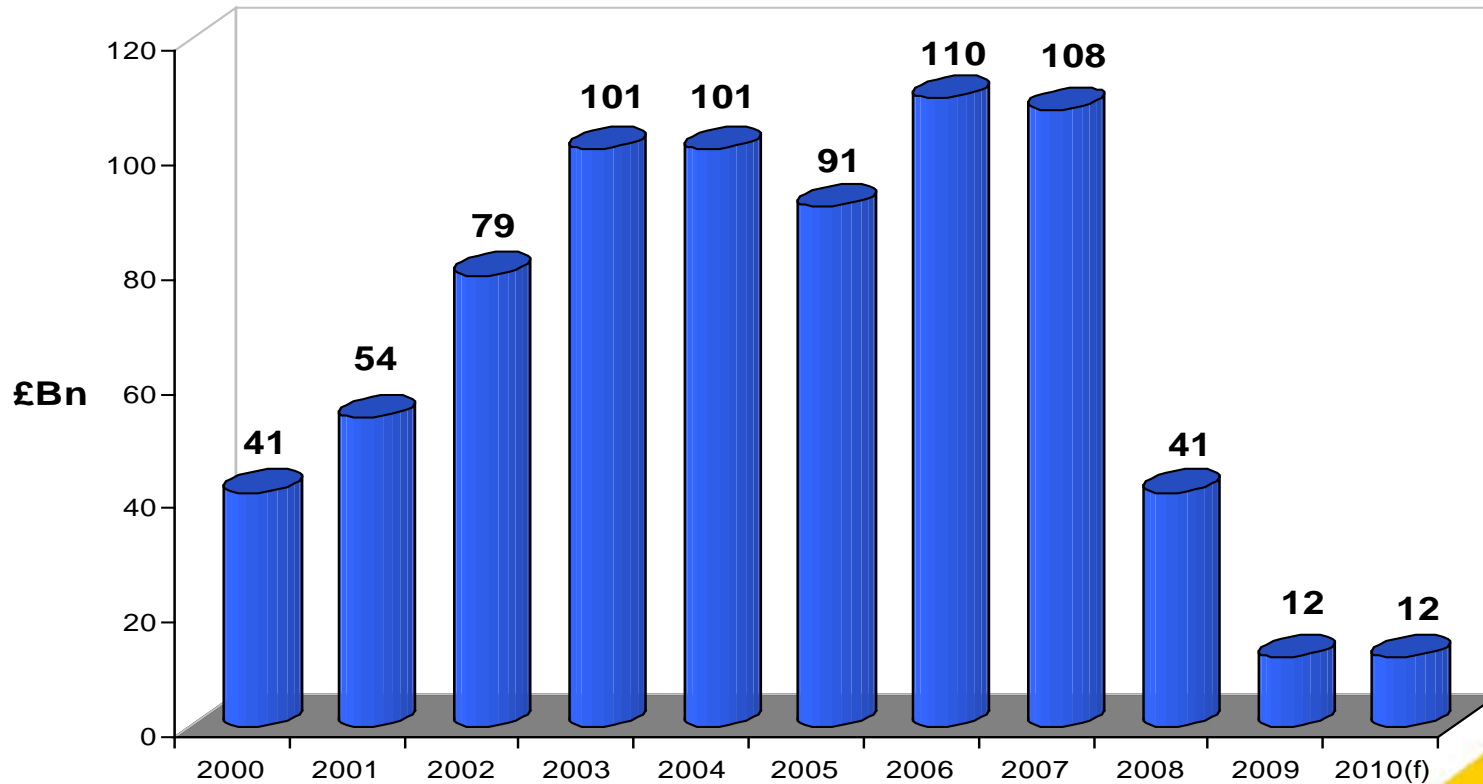
Overview of Leeds Building Society

- Founded in 1875, Leeds Building Society (previously Leeds & Holbeck) is the 5th largest UK building society with circa £9.6Bn of assets (June 10).
- LBS has over 680,000 members and operates from 70 branches in the UK, Ireland and Gibraltar.
- Leeds offers an extensive range of mortgage and investment products.
- Mortgage lending activity is generated through the Society's branch network, a direct call-centre, the internet and financial intermediaries.
- Savings business is also directed through the Society's branches, postal applications and the internet.
- Leeds Financial Services Ltd was established in 2000 to provide investment and regulated financial products.
- LBS is committed to remaining an independent mutual building society.

Challenging Market Conditions

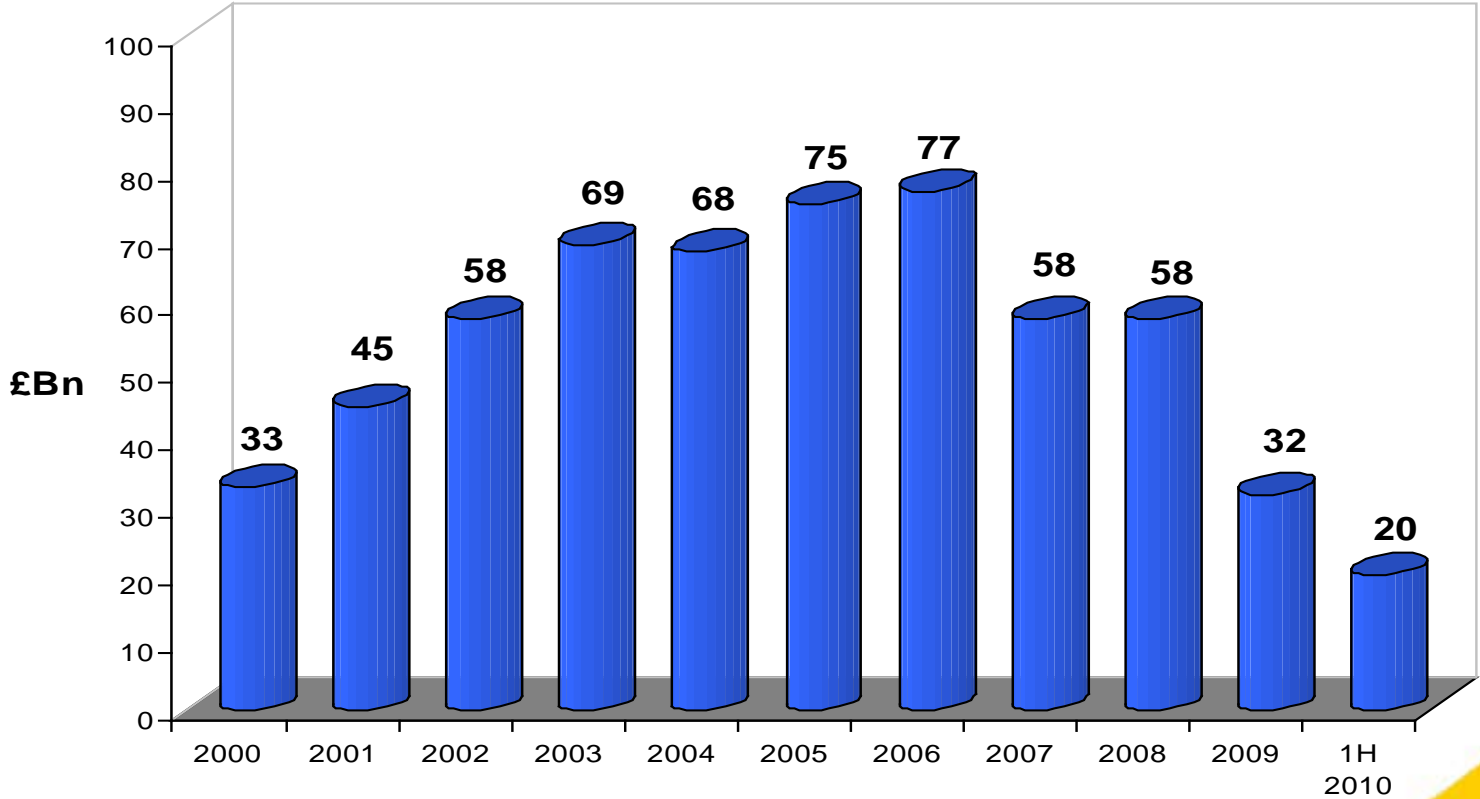
- Continued unprecedented market conditions.
- UK economy still experiencing the effects of the longest recession since records began in 1955.
- Fragile recovery in house prices following decline of 18% over 2008/09.
- Net mortgage lending remains low during 2010. It is forecast to reach £12bn in 2010, circa a 1/10 of the peak years of 2006/07
- The increase in the savings market is almost half 2008 levels.
- Further consolidation in the building society sector.

Mortgage Lending – Net Advances



Source : BSA

Change in Savings Balances



Source : BSA

Response to Challenging Market Conditions

- Key focus on improving Operating Profit through margin management and product pricing.
- Maintain robust net interest margin.
- Reduction in costs.
- Increased pre-tax profitability, which has supplemented capital position.
- Continued focus on retail savings proposition.
- Reduced reliance on wholesale funding.
- Maintained withdrawal from higher risk lending segments.
- Improved quality of liquidity through higher level of 'buffer' assets.

2009 LBS Highlights

- Robust Operating Profit of £39.3M for 1H2010 (£40.3M 1H2009).
- Pre-tax profit rises to £18.0M in 1H2010 compared to £16.3M in 1H2009, a 10.4% increase.
- Resilient net Interest margin of 1.05%.
- Cost income ratio of 35% and cost asset ratio of 45p per £100 of assets, versus 86% and 83p for building society average.
- Gross mortgage lending of £400M, fully funded by repayments.
- Savings balances increased by £254M in 1H2010. Net receipts were circa £177M above market share.
- Reliance on non member funding reduced to 23% from 20%.
- Total capital and reserves of £515M as at June 2010, Tier 1 capital ratio stood at 12.6%.

Leeds maintains its credit ratings unchanged during 2010

MOODY'S
INVESTORS SERVICE

Category	Rating
Long Term Bank Deposits	A2
Short Term Bank Deposits	P-1
Bank Financial Strength	C+
Outlook	Stable

FitchRatings
KNOW YOUR RISK

Category	Rating
Long Term IDR	A
Short Term IDR	F1
Outlook	Stable

Leeds
Building Society

What the Rating Agencies say

Moody's (A2/P-1/C+/Stable) – June 2009

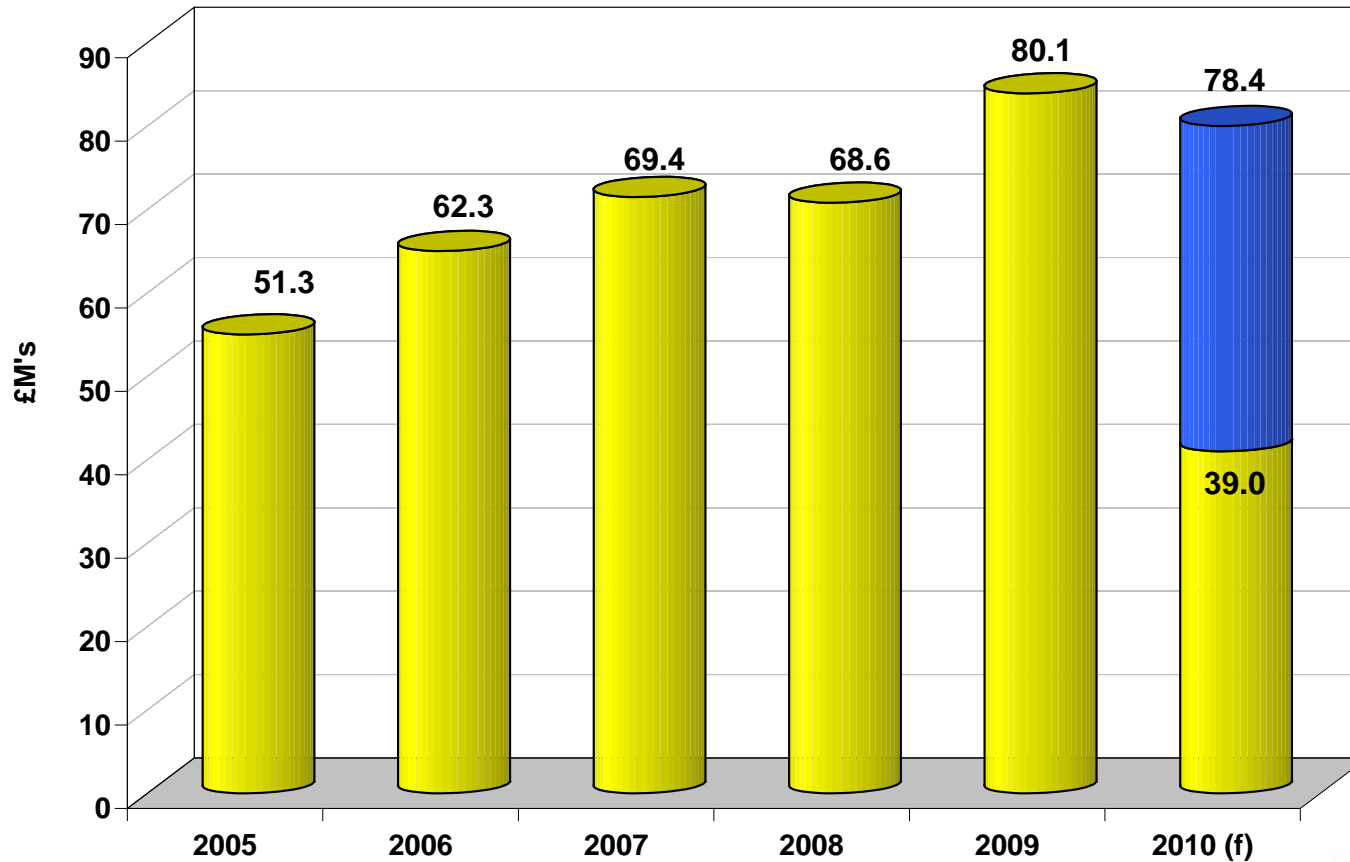
- “stronger profitability than that of its building society peers”
- “strong management of costs”
- “good asset quality and solid funding structure”

FitchRatings (A/F1/Stable) – February 2010

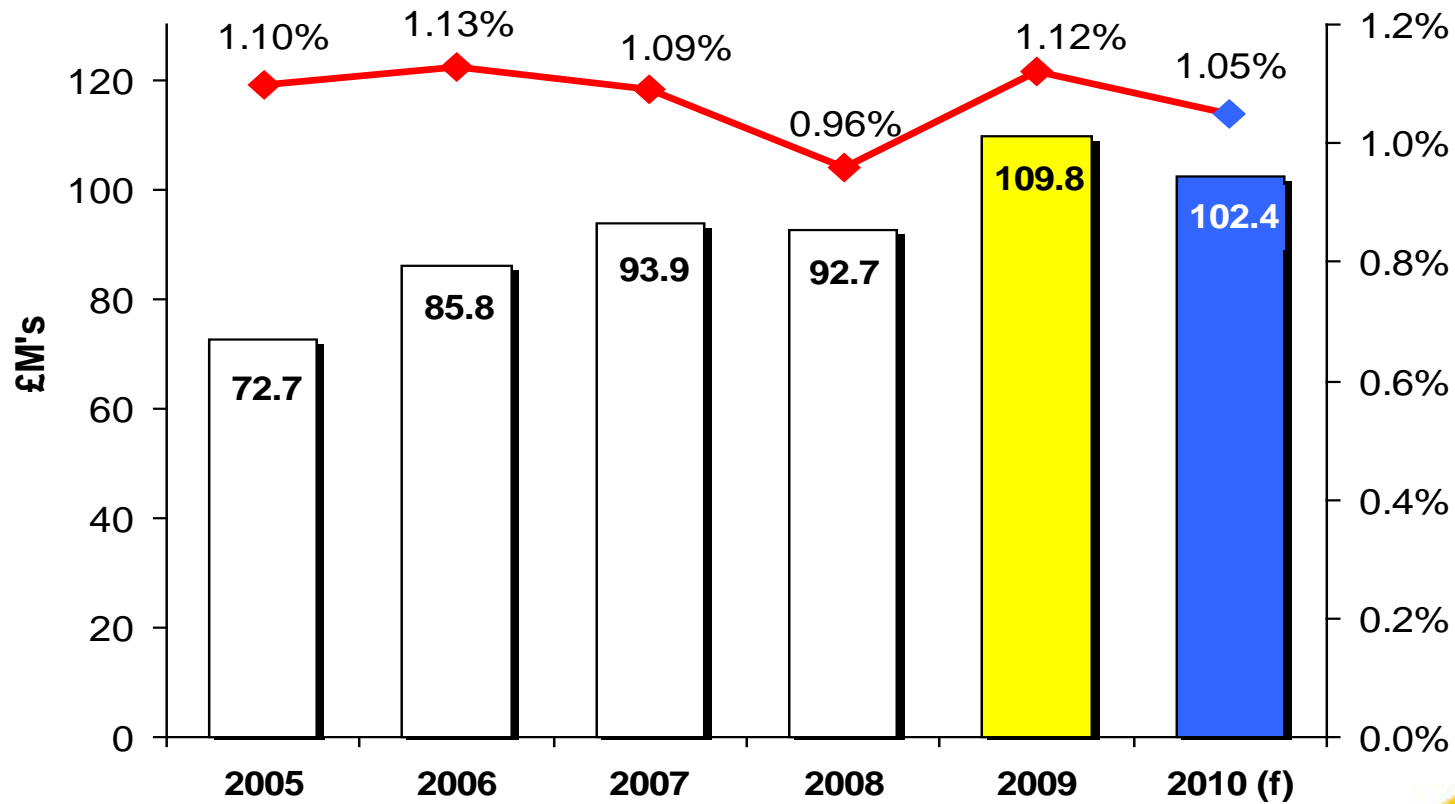
- “good earnings capacity, excellent cost efficiency and strong capital position”
- “[Fitch] expects LBS to remain one of the most profitable societies across the sector continuing to benefit from low costs.”

2010 Financial Performance

Strong Underlying Profitability - Pre Provision Profits



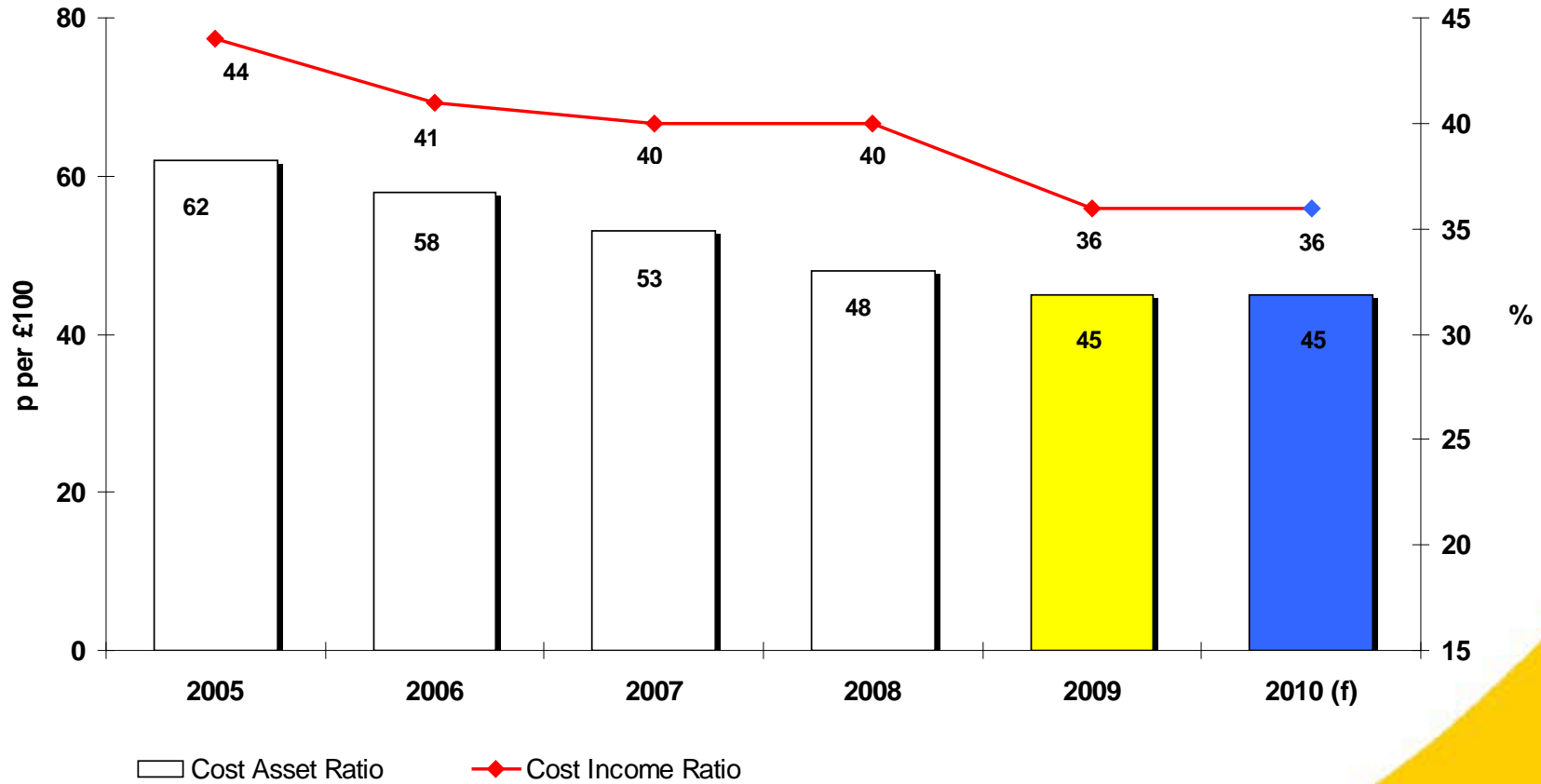
Robust Net Interest Margin



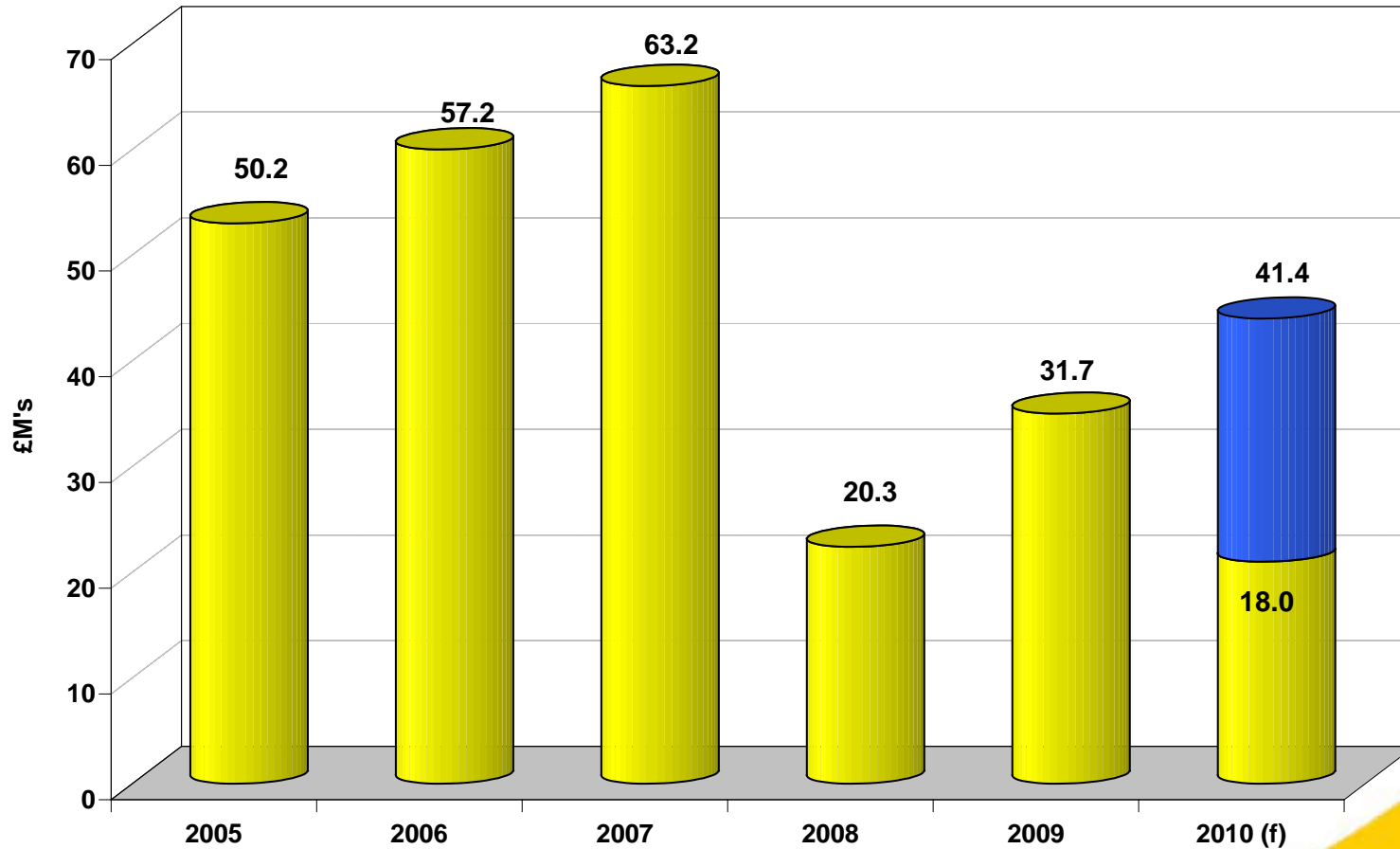
Net Margin £M's

Net Margin %

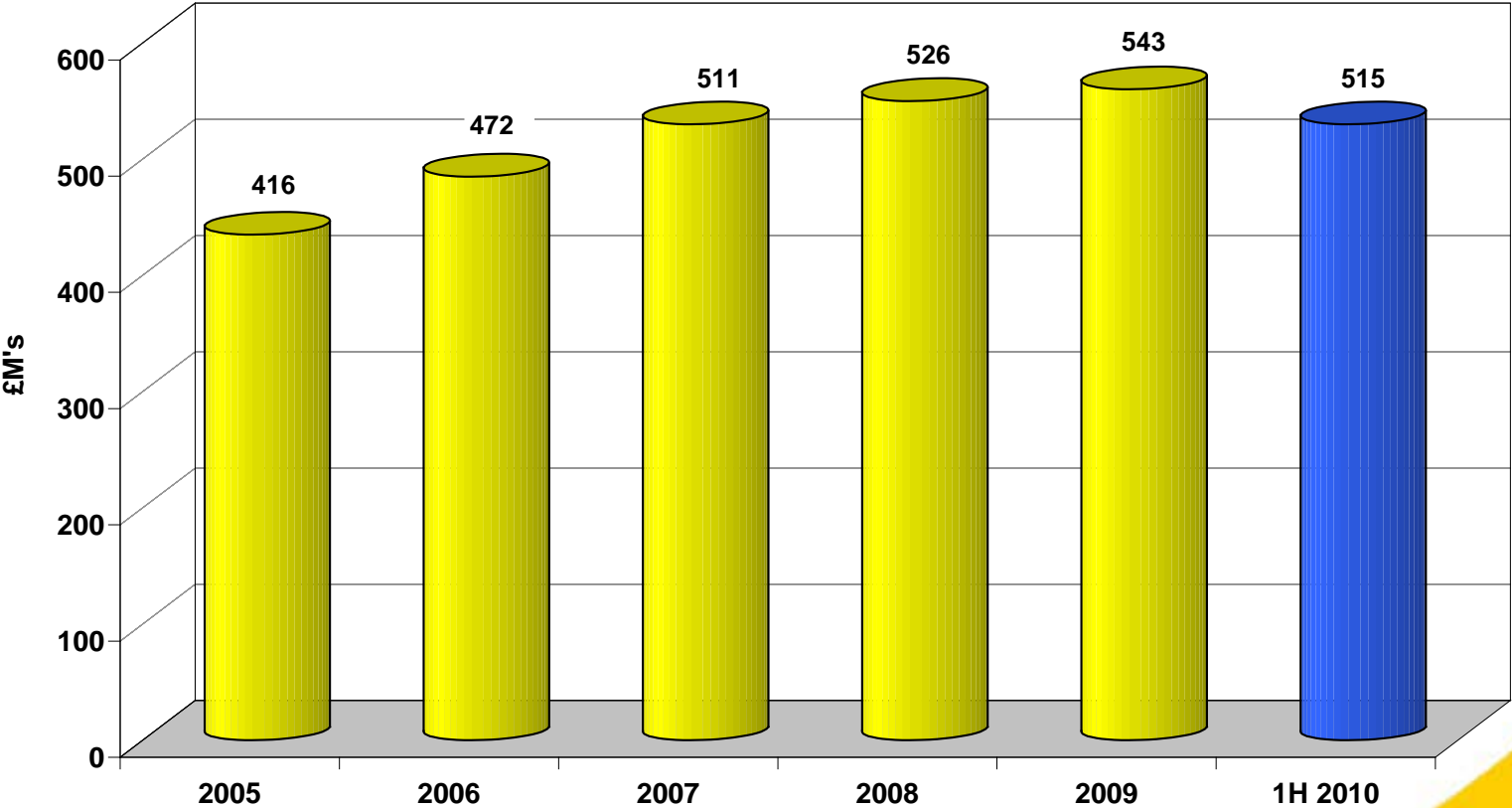
Cost Efficiency



Profit before Tax



Strong Capital Base



During Q1 2010 LBS repurchased £40m of subordinated debt.

Increased capital ratios

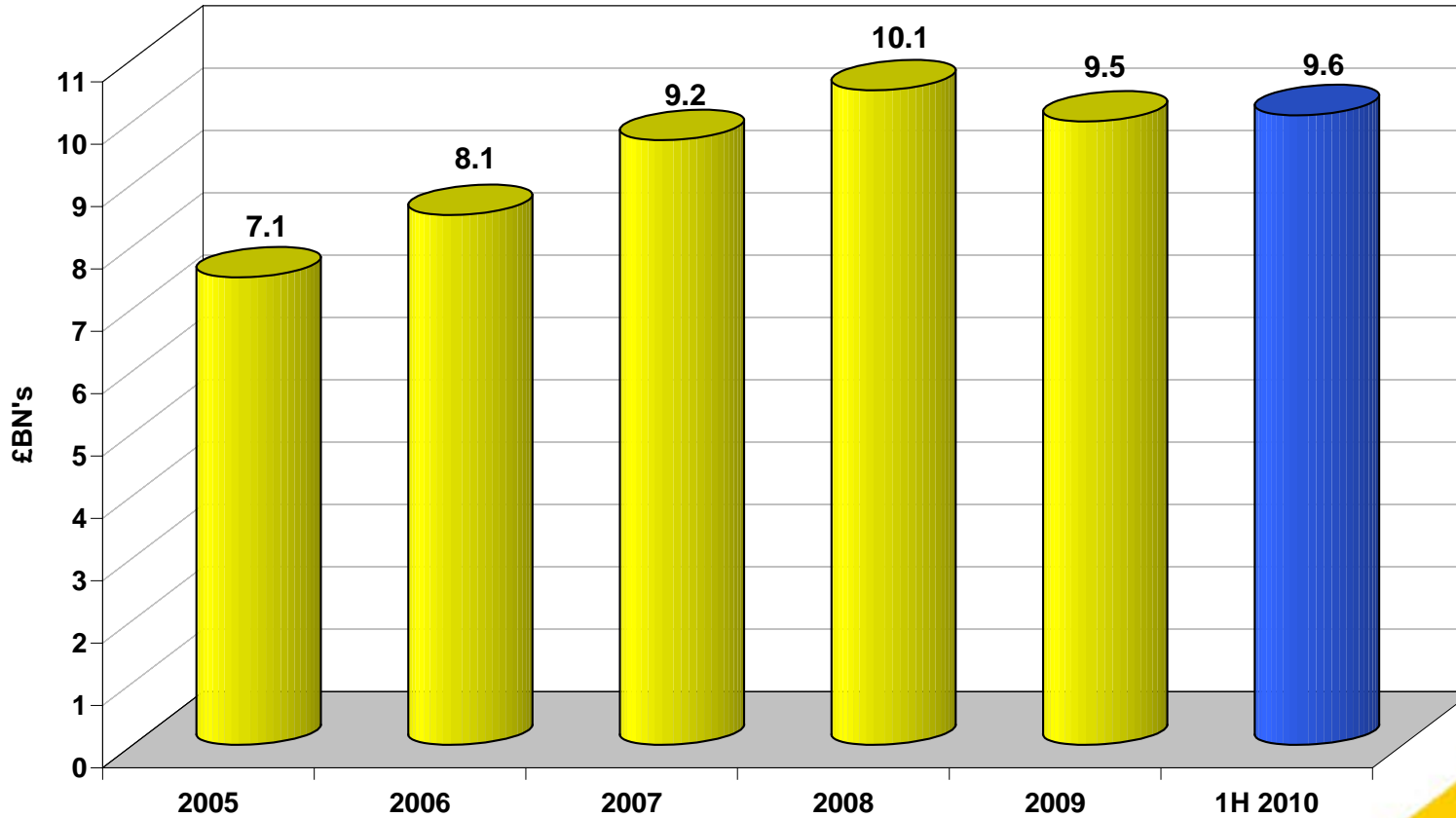
	2005	2006	2007	2008	2009	1H2010
Total capital ratio	12.5%	12.3%	11.7%	13.4%	14.5%	13.4%
Tier 1	10.5%	10.5%	10.1%	11.5%	12.7%	12.6%
Tier 2	2.0%	1.8%	1.6%	1.9%	1.8%	0.8%

Basle II methodology 2008 onwards.

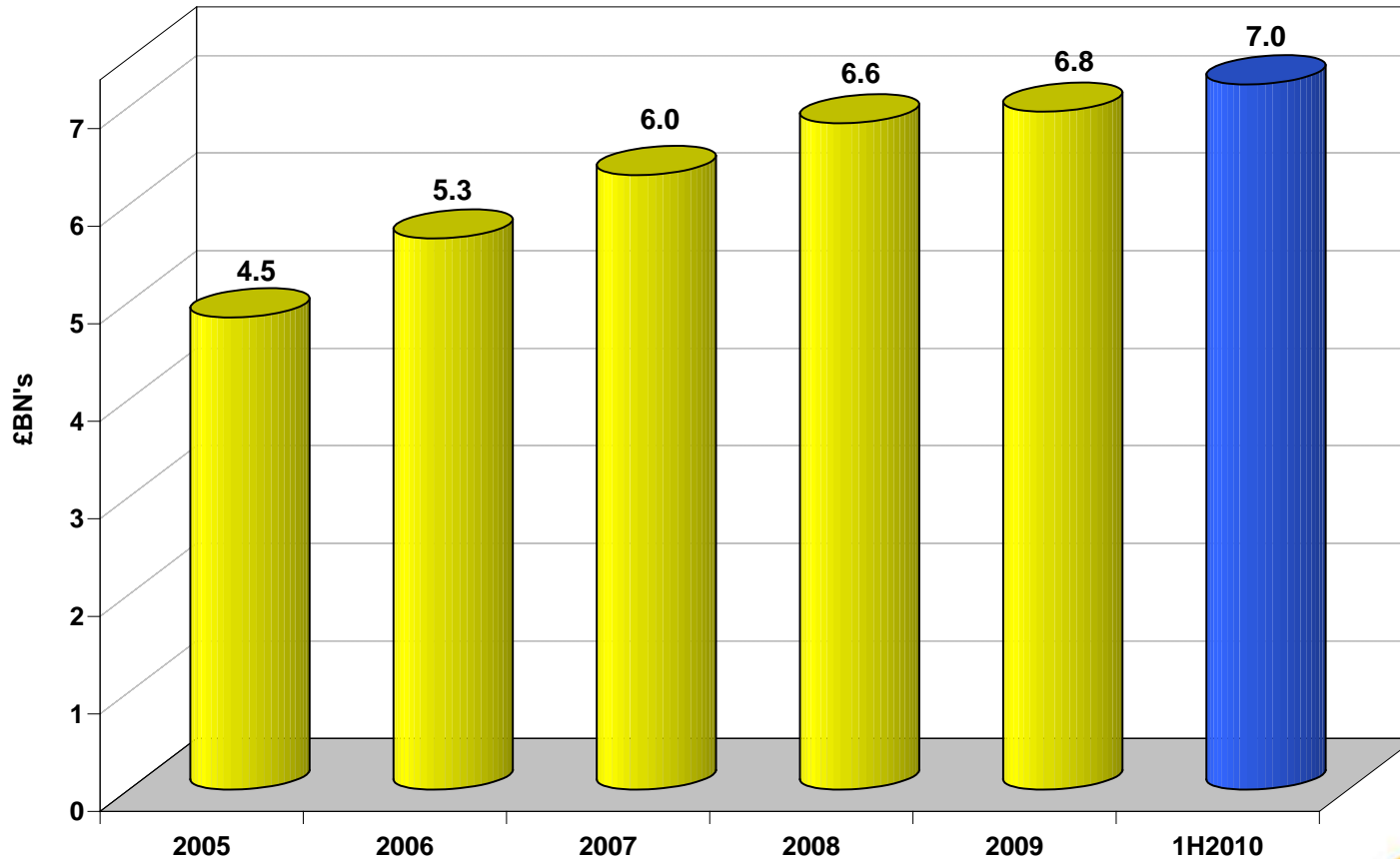
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2009 Balance Sheet Performance

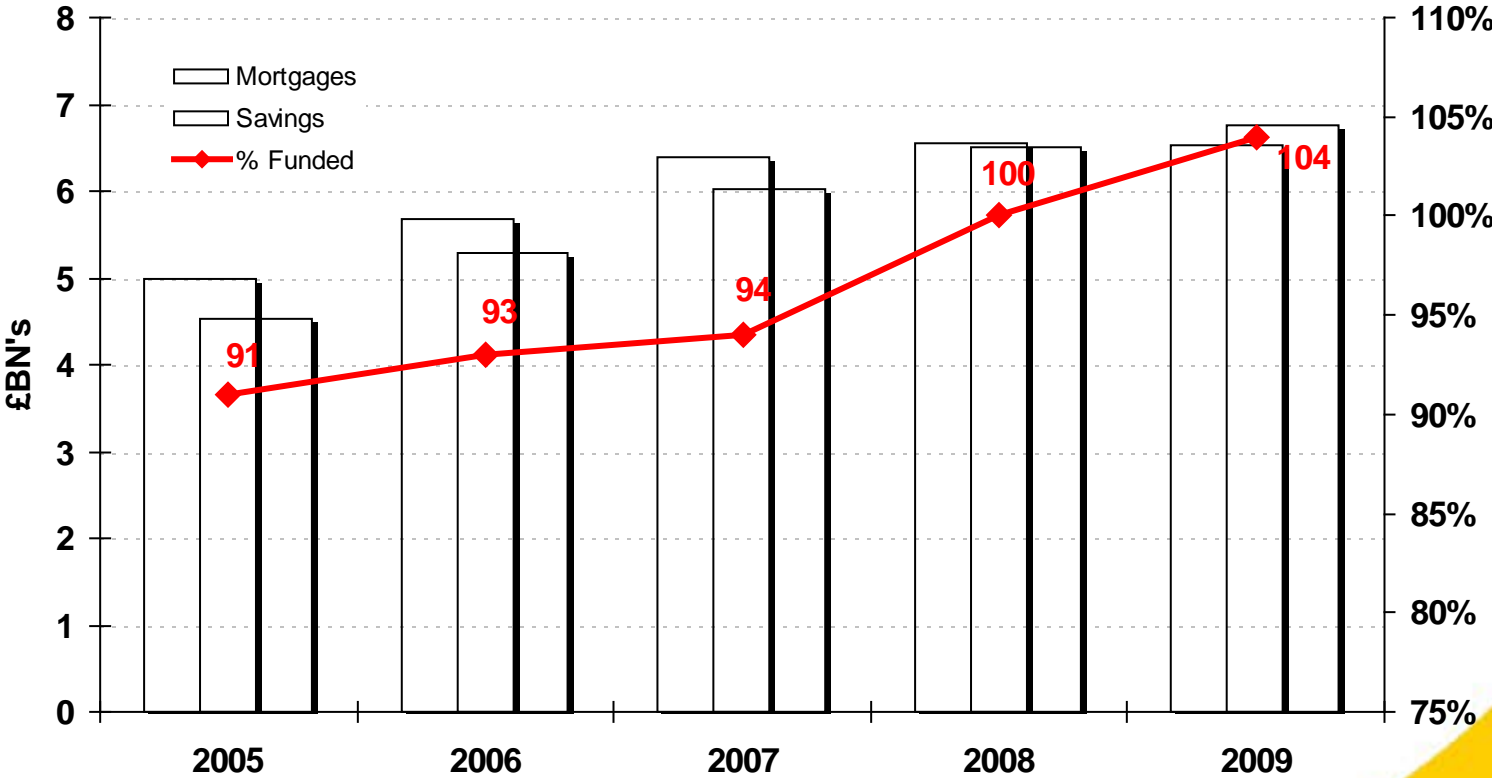
Total Assets



Growing Retail Savings Balances

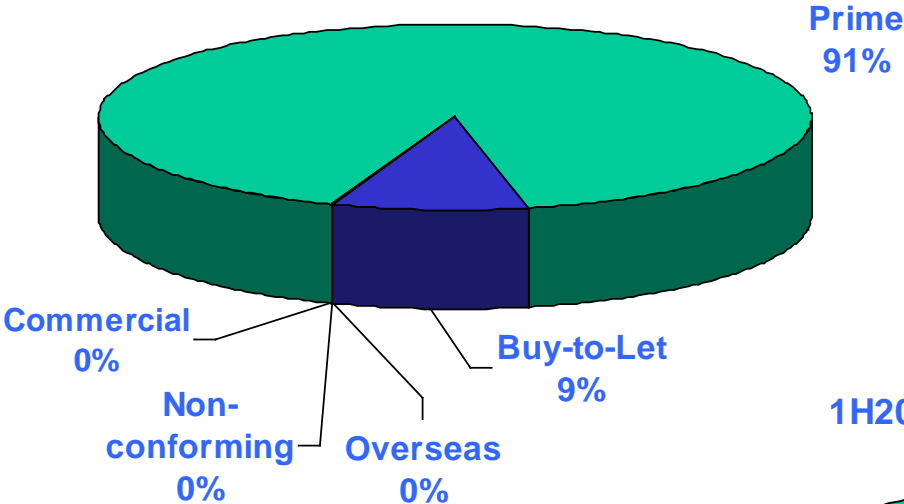


Residential Mortgages Funded By Savings

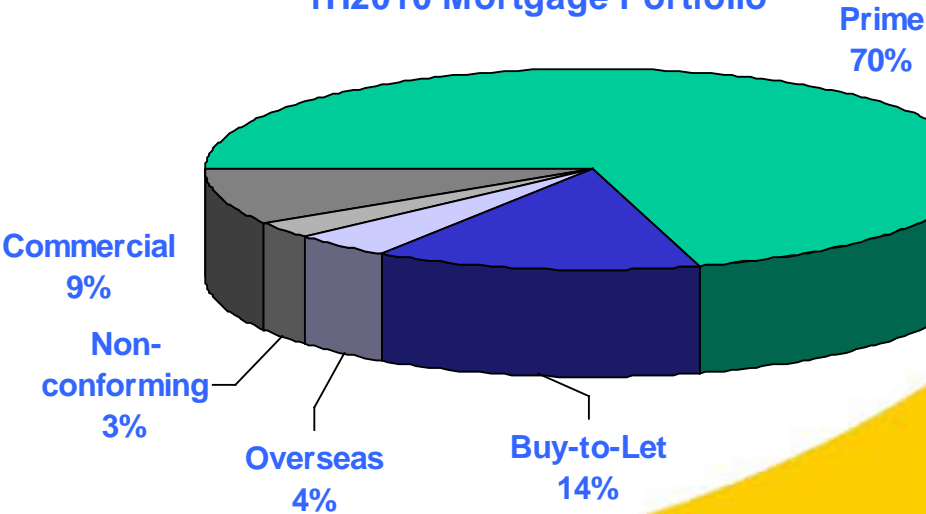


Asset Quality : Lending Segments June 2010

June 2010 YTD Mortgage Lending Segments

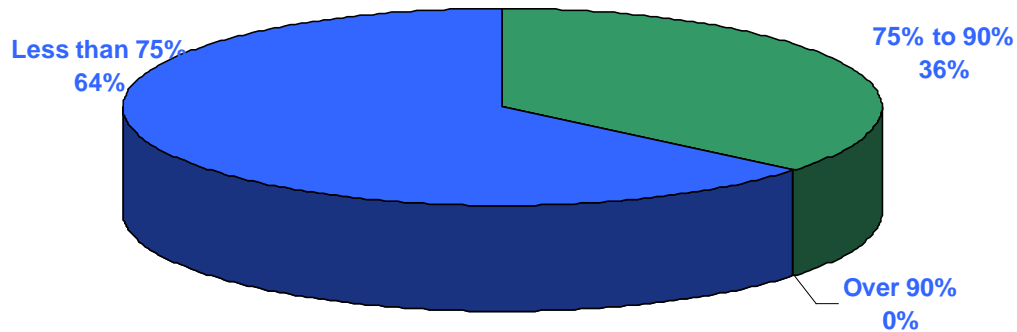


1H2010 Mortgage Portfolio



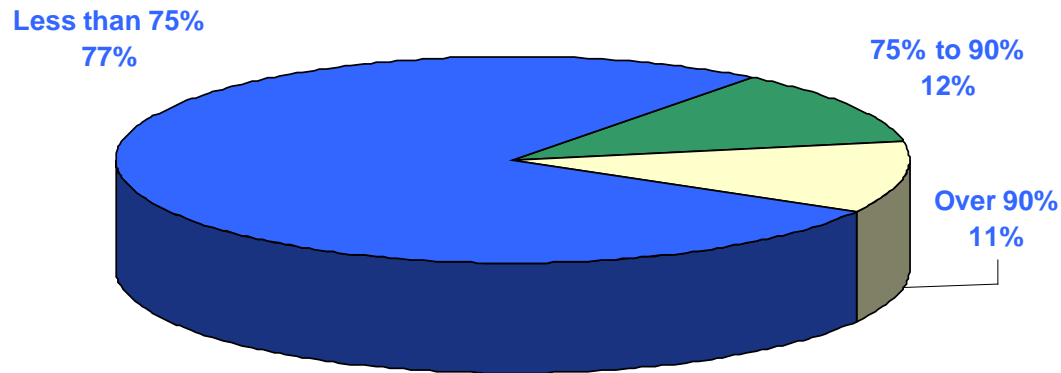
Asset Quality : Conservative Lending Policy

June YTD 2010 Residential Lending by LTV



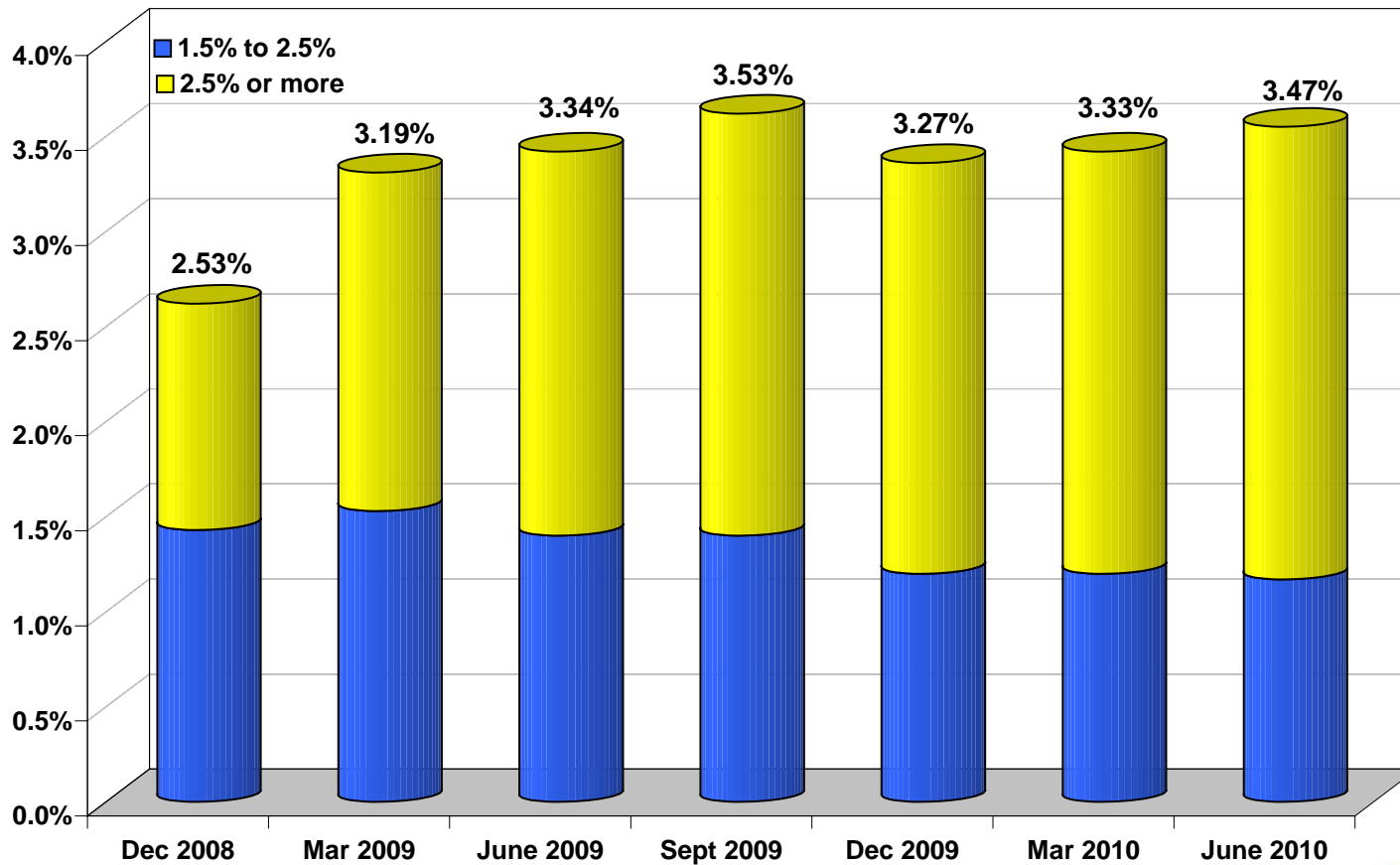
Average LTV 53%

Indexed LTV of Residential Mortgage Portfolio: 1H2010



Average LTV 47%

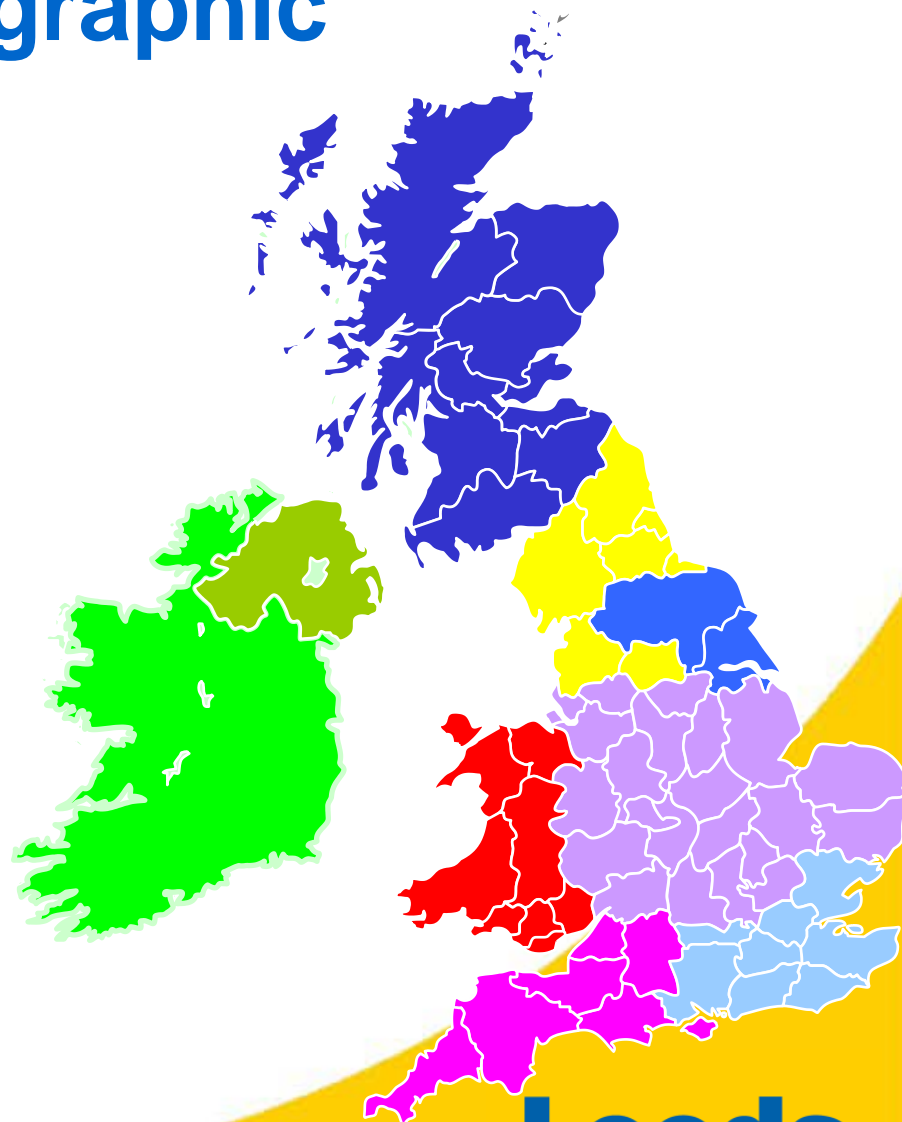
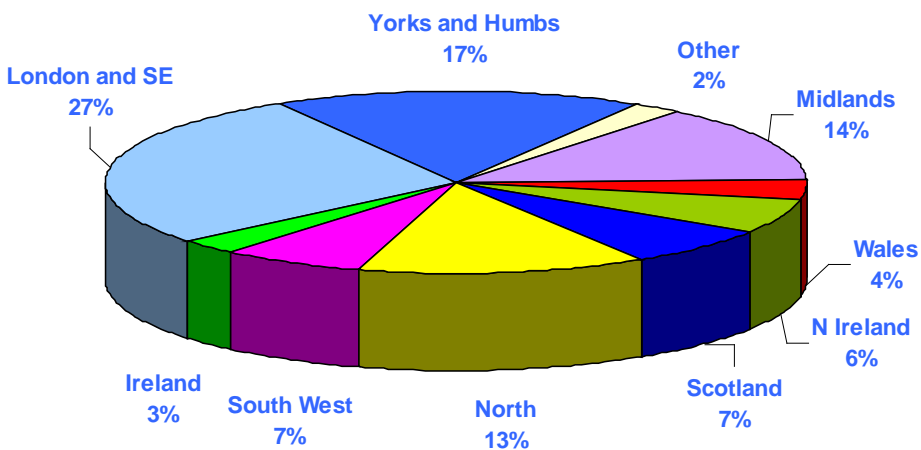
Asset Quality : Arrears



Total arrears greater than 1.5% by balance

Asset Quality : Geographic

Geographic Distribution of Portfolio June 2010



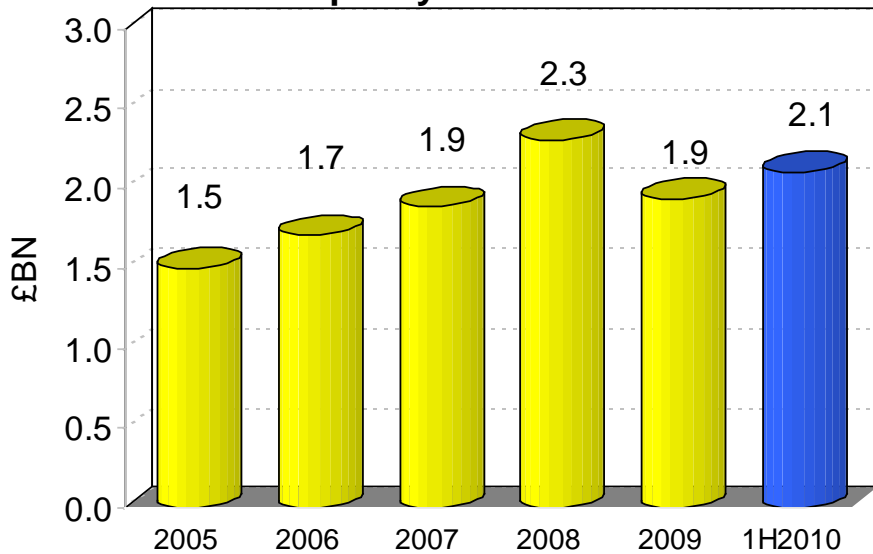
2009 Treasury Activity

Liquidity

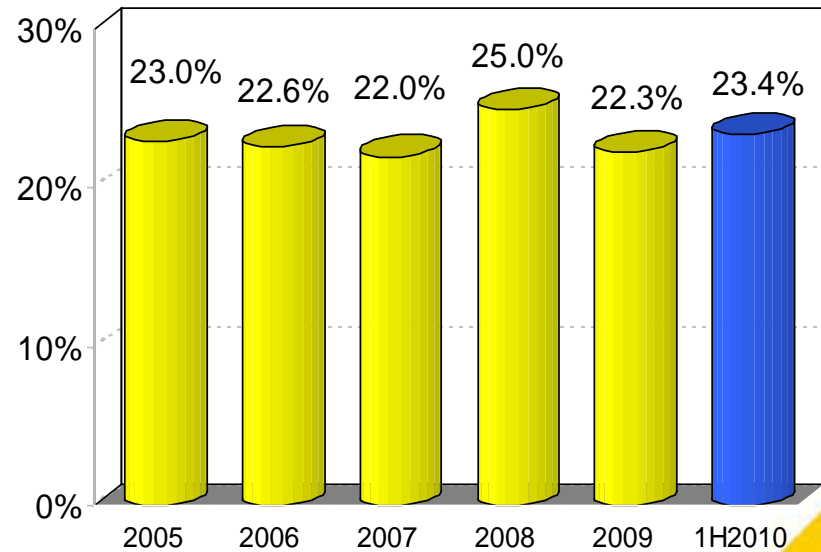
- Continued improvement in the quality of liquidity during 2010 YTD.
- Liquidity ratio increased slightly to 23% (2009 – 22%) in line with long run average.
- Holdings of “Liquidity Buffer” assets increased from £588M to £721M.
- Full ILAS firm under new regulatory liquidity standards, new stress testing developed and CFP strengthened.
- Legacy “illiquid” assets reduced further by circa £100M.

Liquidity

Liquidity Portfolio Balances



Liquidity Ratio (vs total funds)



Liquidity Portfolio - Asset Quality

Asset	Jun 10 (£M)	AAA (%)	AA (%)	A (%)	BBB (%)	Dec 09 (£M)
Gilts / T-Bills / Supras / BoE Res	721	100%	-	-	-	588
Government Guaranteed Bonds	99	100%	-	-	-	100
Certificates of Deposit	718	3%	54%	39%	4%	517
Loans to financial Institutions	70	11%	27%	62%	-	186
RMBS	291	100%	-	-	-	321
Floating Rate Notes	156	-	42%	58%	-	225
Total Liquidity	2,056	56%	23%	17%	4%	1,937

← 79% →

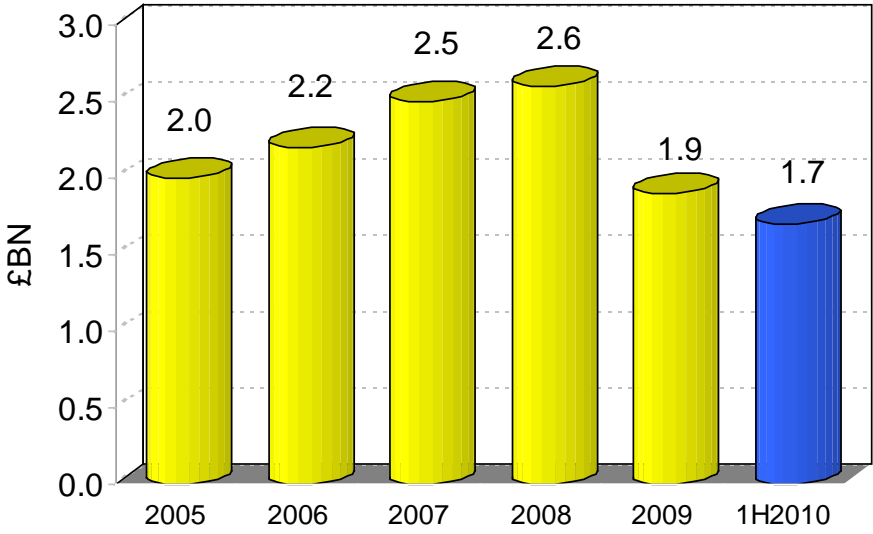
← 96% →

Wholesale Funding

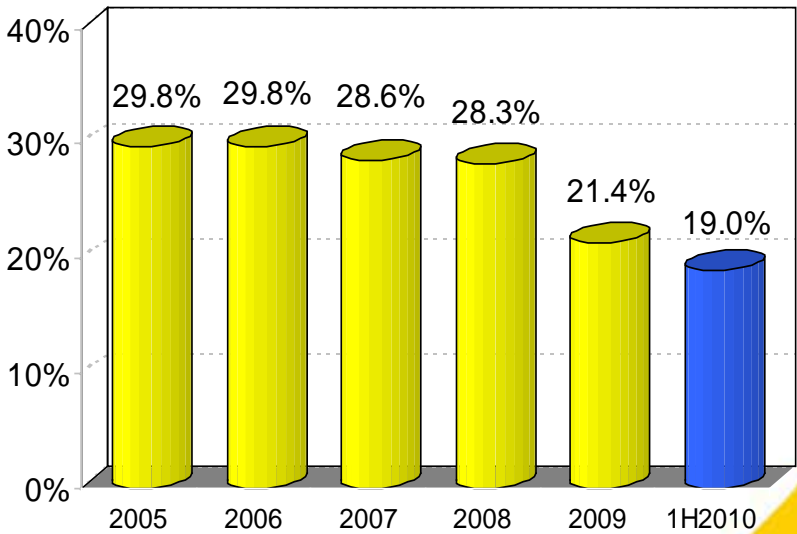
- Planned strategic reduction in wholesale funding rate to 19.0% from 21.4%.
- Delivering a significant reduction in the reliance upon short term wholesale funds.
- Maintained duration of the wholesale funding portfolio, funding > 1 yr at 40%.
- Wholesale funding volume now fully covered by liquid assets, 100% of maturities up to 1 year covered.
- Over £1Bn of unencumbered repo collateral available, headroom to issue further under covered bond programme.

Wholesale Funding

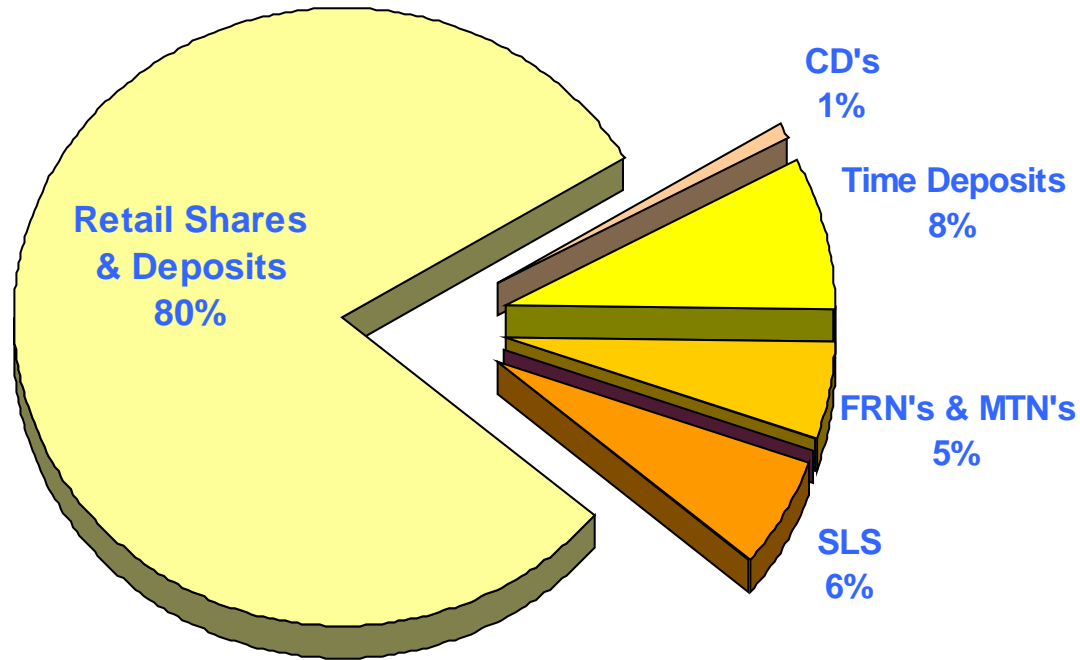
Wholesale Funding Balances



Wholesale Funding Ratio



Total Funding: Composition



Covered Bond Programme Summary

Issuer/Seller	Leeds Building Society
FSA Regulated	Leeds Building Society was approved to the FSA RCB register on the 1 st May 2009
Programme Size	€7.0 Billion
Ratings	AAA / Aaa
Currency	Sterling
Covered Bond Guarantor	Leeds Building Society LLP (the “LLP”), a single purpose bankruptcy remote vehicle
Group Guarantor	Leeds Building Society guarantees all Covered Bonds and other obligations of the Issuer
Listing	London
Law	English

2010 Outlook

2010 – Market Outlook

- Housing market to remain subdued, fragile recovery.
- UK mortgage market to remain constrained by lack of supply.
- Low interest rates, Bank base rate to remain at 0.50% for 2010/11.
- Savings market to remain below long run trend: Fierce competition.
- Elevated inflation in the short term, reducing longer term.
- Rise in unemployment to continue.
- Continued pressure on arrears & repossessions.
- Emerging funding gap and high level of refinancing.
- Potential for more industry consolidation.
- Regulatory pressures.

2010 – Outlook for LBS

- Operating profits to remain strong.
- Reductions in losses and provisions.
- Further improvement in pre-tax profits.
- Maintain net interest margin above 1.00%.
- Continued funding of all mortgage lending from savings deposits.
- Further reduction in wholesale funding ratio.
- To remain the most efficient building society – continued tight cost control.
- To maintain our successful, sustainable business model.
- To remain an independent, successful building society.

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