

MediaRelease

from Kent Reliance Building Society



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KENT RELIANCE ANNOUNCES ANOTHER YEAR OF IMPROVED PERFORMANCE

Kent Reliance is pleased to announce financial results for the year ended September 2008. In a difficult trading environment nobody could have predicted the significant events of the last year that have torn through the global financial markets with such devastating consequences. The banks, some of whom pursued aggressive and high risk strategies, have sustained very large losses and several long established well known financial institutions have paid the ultimate price of failure.

Against this backcloth it is pleasing that Kent Reliance has been able to build upon previous years of progress, improved efficiency and reduced relative costs.

The financial highlights in summary are:

Total Assets	£2.34bn	(2007: £2.134bn)	up 9.6%
Profit before tax	£12.60m	(2007: £5.71m)	up 121%
Profit after tax	£8.94m	(2007: £3.98m)	up 125%
Mortgage balances	£1.88bn	(2007: £1.568bn)	up 19.9%
Retail Balances	£1.747bn	(2007: £1.651bn)	up 5.9%
Gross capital	5.23%	(2007: 7.37%)	
Free Capital	4.94%	(2007: 7.23%)	
Liquid Assets	20.12%	(2007: 27.87%)	
Management Expense ratio	0.41%	(2007: 0.44%)	down 7%
Lending Limit	5.91%	Statutory Limit 25%	
Funding Limit	20.84%	Statutory Limit 50%	
Net Interest margin	0.83%	0.86%	Latest industry comparable

The increase in total assets has not required a commensurate increase in overhead costs and therefore the efficiency of the Group has improved for the seventh consecutive year. The management expense ratio, universally accepted as the industry benchmark for efficiency is at 41p per £100 of assets and is the lowest in the sector. This improvement can be attributed in large part to the back office offshore operation - Easiprocess - in India.

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Mike Lazenby, Chief Executive commented;

"We have continued to invest in technology, to process re-engineer the business and to capitalise upon the investment in our Bangalore based subsidiary company. As a consequence we are able to process back office work faster, more efficiently, with more flexibility and at less cost than is possible in the UK and the results are evident from these accounts".

During the year the Group was able to undertake a capital restructure which released profit into the business to help off set the adverse climate including the funding of a levy to the Financial Services Compensation Scheme (FSCS). It is disappointing that the building society sector is being called upon to help pay for the failure of banks that lost their way but the Society remains fully supportive of the FSCS even though it does not believe that the scheme was designed to fund large banks that were taking extreme risks or offering uneconomic rates on their products. The provision against Group profits for the FSCS levy in the year amounted to £1.043 m.

Mortgage assets increased as did retail savings such that retail lending is almost entirely funded from the retail market. Since the year end wholesale borrowing has dropped even further. The quality of assets generally has remained very high and the Society has avoided the types of loan associated with the sub prime market and toxic debt.

Nevertheless in difficult trading conditions the Society has made higher provisions on certain loans. Despite these increased provisions, actual losses incurred as a result of bad debts have been insignificant to date and even the increased impairment provision of £3.6m this year represents just 0.19% of total mortgage balances.

The net interest margin remains below the industry average demonstrating that the Society is giving more back to its members through superior interest rates than the industry generally. This is largely due to the lower costs of operating the business because of Easiprocess. In addition to providing back office services to the Group the subsidiary continues to provide services to a Jamaican based mutual Building Society and is also providing telephone support for a Sharia compliant cash card operated in conjunction with Mastercard.

Mike Lazenby adds;

"Our Channel Islands subsidiaries continue to perform very well in the domestic mortgage markets of Guernsey and Jersey. It remains a disappointment that we have been unable to secure a deposit taking licence on Jersey and so we are currently reviewing our strategic options for our Channel Islands operations notwithstanding that the Channel Islands provides a beneficial impact on the Group.

Our strategy continues to be to drive down relative costs and control real costs whilst at the same time continuing to run the business in a prudent manner. We believe that we are well placed to negotiate our way through the difficulties ahead in the global financial markets and we will continue to offer a safe haven for investors. Control and regulation are perceived generally to be for the benefit and protection of all customers of financial institutions, but they involve a significant cost. During the last year we spent some £750,000 (over 8.3% of our total costs) on all aspects of compliance".

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The Society maintained its shirt sponsorship of Gillingham Football Club and also engaged with Kent County Cricket Club. It continued with work in local communities of Kent and the Indian State of Karnataka. In Kent, the Society remained a supporter of the Kent Sports Development Unit, and continues to support the local schools walking bus initiative and Kent Air Ambulance.

In India, the Kent Reliance Group is working on two child related initiatives. In Bangalore it is helping the SOS Children's Village to provide homes for children who may otherwise be homeless and harmed physically and mentally. In Mangalore, it supports the funding of a home run by Y Care International for children who are affected by HIV.

In response to member requests, the Society became carbon neutral by offsetting its carbon emissions and is pursuing environmentally beneficial opportunities, including green mortgage and savings products wherever possible.

In summary Kent Reliance believes that it continues to live out the rationale for being a building society - offering competitively priced mortgages and a safe and secure place for savings whilst contributing to the local communities in which it operates. The Society expects its offshore capability to be a critical part of the future and expects to be able to supply services to more third parties in the year to come.

KENT RELIANCE BUILDING SOCIETY GROUP
FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2008
SUMMARY

	2008 £'000s	2007 £'000s
INCOME STATEMENT		
Net interest receivable	18,580	13,628
Gain on repayment of subordinated debt	8,550	-
Other income and charges	(109)	430
Administrative expenses	(9,260)	(8,341)
Provisions	(5,158)	(4)
Profit for the year before taxation	12,603	5,713
Taxation	(3,666)	(1,735)
Profit for the year	8,937	3,978
BALANCE SHEET		
Assets		
Liquid assets	444,186	552,429
Mortgages	1,784,871	1,523,861
Other loans	95,612	44,585
Fixed and other assets	15,252	13,390
Total assets	2,339,921	2,134,265
Liabilities		
Shares	1,747,553	1,650,904
Borrowings	460,026	331,011
Other liabilities	16,860	6,184
Subordinated liabilities	27,058	66,726
Subscribed capital	36,843	36,789
Reserves	51,581	42,651
Total liabilities	2,339,921	2,134,265

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Notes

International Financial Reporting Standards (IFRS)

1. These results are our third to be published under IFRS and the accounting policies are in accordance with all standards and related interpretations that have been adopted by the European Union as at 30 Sept 2008. While profits under IFRS are expected to be more volatile, the net impact on this year's result has not been material.

Kent Reliance Group

2. The Kent Reliance Group is made up of Kent Reliance Building Society, Jersey Home Loans Limited, Guernsey Home Loans Limited, Easiprocess Limited, Easiprocess Private Limited and Reliance Property Loans Limited.

Easiprocess

3. Kent Reliance is the only building society to have an offshore, outsource operation - Easiprocess, based in Bangalore.

Channel Islands mortgage lending

4. Kent Reliance is the only Building Society to have a Jersey registered mortgage business - Jersey Home Loans Limited - which has been the fastest growing lender on the island over the last six years. Lending in Guernsey is conducted by a separate Guernsey registered subsidiary, Guernsey Home Loans Limited.

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