



NEWS RELEASE

22nd October 2008

JOINT STATEMENT: YORKSHIRE BUILDING SOCIETY TO MERGE WITH BARNSELY BUILDING SOCIETY

The Boards of Yorkshire Building Society and Barnsley Building Society today announce that they have agreed heads of terms for a merger.

This is an extremely positive development for the future of the Barnsley and its members, bringing it together with the larger Yorkshire Building Society which shares its commitment to mutuality, staff and local communities. The proposal follows swift, pre-emptive action from the board of the Barnsley in approaching the Yorkshire to seek a merger after the identification of possible losses of deposits with Icelandic banks.

About Yorkshire Building Society

The Yorkshire, which has its head office in Bradford, is the UK's third largest society with more than 1.9 million members, 136 branches, 64 agencies and total assets of over £20bn*. It has a low risk business model with excellent capital strength, high levels of liquidity and a solid retail funding base.

About Barnsley Building Society

The Barnsley is the UK's 34th largest society with around 60,000 members, 8 branches and total assets of £376m*. The Barnsley has a very high quality mortgage portfolio and a strong retail funding base.

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Yorkshire Building Society, which is authorised and regulated by the Financial Services Authority, chooses to introduce its customers to:
- Legal & General for the purposes of advising on and arranging life assurance and investment products bearing Legal & General's name; and
- Homeowners Friendly Society for the purpose of arranging stakeholder Child Trust Funds.

All communications with us may be monitored/recorded to improve the quality of our service and for your protection and security.

The Barnsley has exposure to two Icelandic banks that may require a write-off of up to £10m. This sum can be fully absorbed by the general reserves held by the Barnsley, but its board has determined that the long term interests of its members would be best served by a merger with the Yorkshire.

Summary of the merger process

- The merger will proceed under section 42B(3)(b) of the Building Societies Act on the basis of a board resolution of the Barnsley as permitted by a direction given by the Financial Services Authority (FSA). This means that there will not be a vote on the merger by Barnsley members.
- The FSA has also consented to the Yorkshire proceeding by a resolution of its board of directors
- The merger will not involve any distribution to the Barnsley membership
- All eligible members of the Barnsley will receive a Merger Notification Statement outlining the details of the merger by the end of November
- The merger is subject to confirmation by the FSA and is expected to complete on 31st December 2008.

Summary of the terms of the merger

The Yorkshire recognises the strengths of the Barnsley's franchise and the loyalty of the members it serves in its local communities. The merger terms are subject to final agreement by both societies, however, it is the intention that the terms of the merger will include:

- The combined society will be called Yorkshire Building Society but the Barnsley's local identity and name will be retained (subject to FSA approval)
- Retention of all the Barnsley's branches under the Barnsley name
- A migration of all Barnsley borrowers who currently make payments based on its Standard Variable Rate (SVR) to the Yorkshire's SVR.
Current SVRs are: Barnsley - 7.19%; Yorkshire - 6.90% (however there can be no guarantee of what the Yorkshire's SVR will be on or after the effective date).
- The accounts of Barnsley savings members will move to the Yorkshire but will remain under the Barnsley brand and will be on similar, or better, terms and interest rates than provided by the Barnsley prior to the merger.
- Yorkshire is committed to retaining the Barnsley's strong community connections through its sponsorship and affinity arrangements.

- Following completion of the merger, the Yorkshire intends to pursue recovery of the Barnsley's deposits with Kaupthing Singer & Friedlander and Heritable banks. Should this be successful, the Yorkshire will consider an ex-gratia cash payment from the proceeds of any recovery, net of recovery costs and taxation. Any such payment will be made to those who were saving or borrowing members of the Barnsley on 21st October 2008 and who meet certain conditions, including continuing as members of the Yorkshire to the date of any payment. The terms of any payment will be determined by the Yorkshire at the time of recovery and may take into consideration the size of account balances (in the case of savers) maintained at the Barnsley over the intervening period. The Yorkshire cannot guarantee however that a payment will be made.

Iain Cornish, Chief Executive of Yorkshire Building Society said "This merger is a further step in demonstrating the strength of the mutual sector in the UK, with complete certainty to customers maintained at no cost to the taxpayer. I am delighted that the Yorkshire's strong financial position enables us to provide assurance to the members of the Barnsley, as well as preserving its local character.

"Yorkshire members will benefit from the Barnsley's strong funding position and very high quality mortgage book, as well as strengthening even further our position in our heartland area."

Steve Mitchell, Acting Chief Executive of Barnsley Building Society said "The board has been consistent in pro-actively managing its exposure to the financial markets by spreading risk across a variety of institutions and countries. The global crisis of recent weeks has seen governments taking positive measures to support their financial systems. However, the current exceptional situation in Iceland and the full extent of the repercussions were beyond anticipation.

"The Society's reserves are sufficient to absorb our potential losses to Icelandic banks, but the board considered that their reduced level would restrict its ability to provide members with the security and benefits associated with mutuality. In response, the board has made a very positive decision to lead the Society into a more secure future as part of a larger society, through merger with Yorkshire Building Society, which shares our values and has a strong commitment to members, staff and local communities. This will provide the very best in terms of financial stability and expected future benefits for our members".

* As at 31st December 2007

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