



# 2008

**Summary Financial Statement** Cambridge Building Society  
for the year ended 31st December 2008

**CAMBRIDGE**  
BUILDING SOCIETY



## SUMMARY FINANCIAL STATEMENT for the year ended 31st December 2008

This financial statement is a summary of information in the audited annual accounts, the directors' report and annual business statement, all of which will be available to members and depositors free of charge on demand at every office of the Cambridge Building Society from 1st April 2009 and on our website at [www.cambridgebs.co.uk](http://www.cambridgebs.co.uk).

Approved by the Board of Directors on 17th February 2009 and signed on its behalf by:

I O'Reilly, Chairman; R J Wolverson, Vice-Chairman; S J Mitcham, Chief Executive

### SUMMARY DIRECTORS' REPORT

#### BUSINESS REVIEW FOR 2008

- Total assets now exceed £919 million, and continue to increase in line with planned growth
- New mortgages amount to £187.4 million, an increase of £22 million on the previous year and a new record
- Mortgage balances outstanding increase by 14.1% to £678.4 million
- Net receipts for the year from savers amount to £59.8 million
- Share balances at the year end total £845.6 million
- Profit after tax for the year end reduces to £1.5 million, driven by the Financial Services Compensation Scheme levy and increased mortgage provisions
- Careful management of variable costs have led to the management expenses to mean assets ratio reducing to 1.23%.

### SUMMARY DIRECTORS' REPORT continued

#### KEY PERFORMANCE INDICATORS FOR THE GROUP five year table

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
<b>Total assets</b>					
Balances	919.5	844.1	793.9	751.5	701.0
% increase	8.9%	6.3%	5.6%	7.2%	6.8%
<b>Liquid assets</b>					
Balances	232.8	240.4	221.4	199.9	175.4
% of share and deposit liabilities	27.1%	30.6%	30.0%	28.6%	26.9%
<b>Mortgages</b>					
Amount advanced	187.4	165.4	150.1	138.9	108.9
Balances	678.4	594.6	563.2	542.3	516.5
% increase	14.1%	5.6%	3.9%	5.0%	1.6%
<b>Savings and investments</b>					
Net receipts	59.8	46.6	39.9	48.1	40.9
Balances	845.6	785.8	739.2	699.3	651.2
<b>Profits and capital</b>					
Net interest receivable	16.1	14.7	13.4	12.8	12.7
Other income	1.2	1.2	0.8	0.8	0.6
Profit before tax	2.5	4.8	3.5	3.9	4.4
Profit after tax	1.5	3.2	2.4	2.7	3.0
Increase in general reserve	1.5	4.7	2.8	1.9	2.6
General reserve	53.8	52.3	47.6	44.8	42.9
<b>Performance ratios</b>					
Management expenses to mean assets	1.23	1.26	1.27	1.24	1.23
Return on mean total assets	0.17	0.40	0.31	0.37	0.45
Return on mean total reserves	2.90	6.46	5.18	6.11	7.05
Gross capital	6.27	6.66	6.44	6.40	6.59
Free capital	5.47	5.69	5.35	5.28	5.40

## SUMMARY DIRECTORS' REPORT continued

### REVIEW OF EVENTS

#### Mortgages

We had a busy start to the year and, in spite of the economic uncertainties during 2008, the Society set a new record for mortgage business. Gross lending of £187.4 million was achieved, an increase of £22 million on the previous year.

The Society's strength of funding advances through savings rather than money markets worked to its advantage and helped it to continue supporting its members through the difficult trading conditions.

During 2008 we continued our policy of offering value for money to our members through our very competitive variable rate mortgage products. This achievement was recognised by consumer magazine 'What Mortgage' who voted us 'Best Regional Building Society' for a second year in recognition of providing customers with long-term value.

Mortgage advances remain a principal focus for the Society but in line with market predictions gross lending will be substantially lower in 2009 matching with our prudent growth objectives.

#### Savings and investments

Savings and investments remain a primary objective. The Society's strategy for attracting savings continues to be through our established branches. In another record year funds raised totalled £59.8 million, an increase of £13.2 million over 2007. This supported our increase in mortgage advances.

Our branch network is supported by offering a range of simple and competitive savings products backed up by clear financial promotions. We continued to extend our product range in 2008, introducing 90 Day Notice and Regular Savings Accounts. Both are popular with our members.

We have no plans to change this approach in 2009 when reduced funding is required.

#### Profits and capital

2008 saw many challenges for the financial services industry and the Society was not immune from the impact of the adverse economic conditions that continue to prevail. The Society has had to balance the requirement to offer best possible rates to both savers and borrowers.

A significant unforeseen factor is that the Society, along with all other deposit takers, has been required to make substantial contributions to the Financial Services Compensation Scheme which has compensated savers of failed banks. Lower treasury rates have also made an impact on profits, as have increased provisions for mortgage losses in 2009.

These factors resulted in the Society posting a profit considerably lower than last year. This does not compromise the Society's financial integrity. We are committed to preserving the Society's financial strength but it is anticipated that profits next year will be lower than in previous years.

#### Branches

We have reviewed our distribution channels in light of changing customer needs and will be rolling out changes to the branch network during the coming year. The majority of our branches perform well and provide good value to the Society and its members. However, we have identified four branches not providing sufficient value and with little potential to do so. These branches will be closed during 2009.

Where possible we will transfer customers to nearby branches where we can deliver a comprehensive range of services. With 19 branches we will still have better coverage than any other bank or building society in our region.

#### Community

We are proud that the Society and its staff support the local communities where we operate. During 2008 staff donated 2,580 hours of their own time to support 190 local fundraising events and charities.

The Society's own annual staff charity week is now in its seventh year. In 2008 the staff organised a number of fundraising events including a family day of sponsored cycling and walking around Grafham Water. Staff and their families raised over £8,000 for three local charities.

During the year, the Society made charitable donations of £18,446. No contributions were made for political purposes.

#### Staff

The Society's staff continued to provide dedicated customer support in what has been an extraordinary year in terms of difficult trading conditions. They have risen to meet the challenges and have demonstrated a professional attitude in spite of the additional pressures. The directors wish to record their sincere appreciation of the dedication of staff in a challenging year.

## SUMMARY DIRECTORS' REMUNERATION REPORT

### REMUNERATION COMMITTEE

The Society's remuneration committee is responsible for determining the level of executive directors' pay and benefits. The Society's members are invited, at the AGM, to vote on the adoption of the directors' remuneration report. No director or executive is involved in any decision as to their own remuneration.

### NON-EXECUTIVE DIRECTORS' REMUNERATION

The executive directors and the chairman determine non-executive directors' fees. The chairman's remuneration is determined by the executive directors and the vice-chairman. Fees are based on comparable data from similar financial services organisations. The non-executive directors do not qualify for either a pension or bonus scheme.

### EXECUTIVE DIRECTORS' REMUNERATION

The board's policy is designed to ensure that executive remuneration reflects performance and enables the Society to attract, retain and motivate a sufficient number of executives to lead and direct the Society in an increasingly regulated and competitive market.

#### The main components

Basic salary

This takes account of job content and responsibilities as well as salary levels in comparative organisations. The remuneration committee use external advisers to provide advice in this area.

Annual bonus

Any bonus payable is linked to the Society's performance based on a number of key targets set by the board.

Contracts

No executive director holds a contract with a notice period of more than 12 months.

Emoluments	2008			2007			Total	Total
	Salary/fee	Benefits	Increase in accrued pension	Salary/fee	Benefits	Increase in accrued pension		
	£	£	£	£	£	£	£	£
<b>Non-executive directors</b>								
I P O'Reilly (Chairman)	34,650	-	-	34,650	33,315	-	-	33,315
R J Wolverson (Vice-Chairman)	22,900	-	-	22,900	22,015	-	-	22,015
G Coteman	18,000	-	-	18,000	16,600	-	-	16,600
M Donaldson (appointed 23/09/08)	6,000	-	-	6,000	-	-	-	-
J N C Hood	18,000	-	-	18,000	16,600	-	-	16,600
J Pilcher	18,000	-	-	18,000	16,600	-	-	16,600
E Powell	18,000	-	-	18,000	16,600	-	-	16,600
J Spence	18,000	-	-	18,000	16,600	-	-	16,600
	<b>153,550</b>	<b>-</b>	<b>-</b>	<b>153,550</b>	<b>138,330</b>	<b>-</b>	<b>-</b>	<b>138,330</b>
<b>Executive directors</b>								
S J Mitcham (Chief Executive – appointed 23/04/07)**	138,500	9,850	11,829	160,179	111,190	11,953	9,948	133,091
C R Verrill (Secretary)*	95,000	12,642	5,090	112,732	78,385	11,949	1,130	91,464
R H Jackson (Chief Executive – retired 23/04/07)	-	-	-	-	44,204	3,525	397	48,126
	<b>233,500</b>	<b>22,492</b>	<b>16,919</b>	<b>272,911</b>	<b>233,779</b>	<b>27,427</b>	<b>11,475</b>	<b>272,681</b>
Total directors' remuneration	<b>387,050</b>	<b>22,492</b>	<b>16,919</b>	<b>426,461</b>	<b>372,109</b>	<b>27,427</b>	<b>11,475</b>	<b>411,011</b>

\*\*S J Mitcham held the position of Chief Executive Designate from 26th September 2006 to 22nd April 2007, the 2007 remuneration disclosed reflects the payment made for this and the Chief Executive position. In 2008 a bonus of £7,500 was paid and is included with the Salary/fee (2007: Nil)

\*In 2008 a bonus of £5,000 was paid to C R Verrill and is included with the Salary/fee (2007: £2,000)



## GROUP RESULTS FOR THE YEAR

	2008	2007
	£000	£000
Net interest receivable	16,053	14,677
Other income and charges	306	525
Administrative expenses	(10,825)	(10,312)
Provisions for bad and doubtful debts	(1,225)	(107)
Provisions for FSCS levy	(1,765)	-
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Profit for the year before taxation	2,544	4,783
Taxation	(1,003)	(1,556)
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<b>Profit for the year</b>	<b>1,541</b>	<b>3,227</b>

## FINANCIAL POSITION AT END OF YEAR

	2008	2007
	£000	£000
Assets		
Liquid assets	232,837	240,441
Mortgages	678,351	594,632
Fixed and other assets	8,139	8,664
Prepayments and accrued income	192	398
	<hr/>	<hr/>
	<b>919,519</b>	<b>844,135</b>
Liabilities		
Shares	827,500	771,587
Borrowings	31,204	14,188
Other liabilities	2,093	2,971
Accruals and deferred income	1,610	1,238
Provisions for liabilities - FSCS levy	1,765	-
Net pension liability	1,494	1,813
Reserves	53,853	52,338
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	<b>919,519</b>	<b>844,135</b>

## SUMMARY OF KEY FINANCIAL RATIOS

	2008	2007
	%	%
Gross capital as a percentage of shares and borrowings	6.27	6.66
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Liquid assets as a percentage of shares and borrowings	27.11	30.60
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Profit for the year as a percentage of mean total assets	0.17	0.40
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Management expenses as a percentage of mean total assets	1.23	1.26
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## Notes to the Key Financial Ratios

1. The gross capital ratio measures the proportion that the Group's capital bears to the Group's shares and borrowings. Capital consists of the Group's general reserves which are the profits of the Group accumulated since incorporation. Capital provides a financial buffer against unforeseen events that might arise in the Group's business and ensures that our investors are properly protected.
2. The liquid assets ratio measures the proportion that the Group's assets held in the form of cash, short term deposits and Government securities bears to the Group's shares and borrowings. As liquid assets are by their nature readily realisable, this assists the Group in its cash management and enables the Group to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.
3. The ratio of profit for the year as a percentage of mean total assets measures the proportion that the profit after taxation for the year bears to the average balance of the total assets during the year. A reasonable level of profit must be generated each year by the Group to maintain its capital ratios thereby protecting investors' funds.
4. The ratio of management expenses as a percentage of mean total assets measures the proportion that administrative expenses as reported in this document (which include depreciation and amortisation) bear to the mean of total assets.

## STATEMENT OF THE INDEPENDENT AUDITORS

### to the members and depositors of Cambridge Building Society.

Pursuant to Section 76 of the Building Societies Act 1986, we have examined the summary financial statement of Cambridge Building Society set out on pages 2 to 7 (excluding the summary directors' remuneration report).

This auditors' statement is made solely to the Society's members, as a body, and to the Society's depositors, as a body, in accordance with Section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body and the Society's depositors as a body, for our work, for this statement, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the summary financial statement, in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement with the full annual accounts, annual business statement and directors' report and its conformity with the relevant requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

We also read the other information contained in the summary financial statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

### Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board for use in the United Kingdom. Our report on the Group's full annual accounts describes the basis of our audit opinion on those annual accounts.

### Opinion

In our opinion the summary financial statement is consistent with the full annual accounts, the annual business statement and directors' report of Cambridge Building Society for the year ended 31st December 2008 and conforms with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

Cambridge  
17th February 2009

Member of the Building Societies Association



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