

# Business Review

including

## Summary Financial Statement

for year ended

31st December 2010

*'helping you build a better future'*

This Business Review is a summary of information in the audited Annual Accounts, the Directors' Report and Annual Business Statement. All of these documents will be available to Members and Depositors free of charge, on request, from the Society's Head Office from 5th April 2011. Approved by the Board of Directors on 16th March 2011 and signed on its behalf by:

R.R. CURRIE  
*Chairman*

K.W. GREEN  
*Vice-Chairman*

M.J. STANNARD  
*Chairman, Audit and Compliance Committee*

# Buckinghamshire Building Society



## Chairman's Statement

### OVERVIEW

Throughout the 2010 financial year, trading conditions in the financial services sector have remained difficult and the Society continues to experience a very challenging marketplace. The wider economic conditions also impact our strategic decisions, with the austerity measures being introduced by the new coalition Government having yet to be felt in full effect.

As always, the overall economy is impacted by a number of intertwined components.

The housing market suffered a bumpy ride during the year, house prices ending with an overall gain of just 0.4% using Nationwide Building Society's numbers. However, house prices are trending downwards and the outlook for 2011 remains uncertain at best.

Unemployment at the year end was similar to that of a year before, at 2.49m people or 7.9% on a seasonally adjusted basis, according to the ONS. Whilst it appears that the pace of growth in unemployment has slowed, the fragile nature of the current economy means that a slow, jobless recovery remains a threat.

Interest rates have remained at historic lows throughout the year and we are very aware of the pressures this places upon our savings members. We have tried to keep our rates as competitive as possible. This competition for retail savings meant that, regrettably, we had to increase our variable mortgage rates during the year but this was kept to an absolute minimum.

The Financial Services Compensation Scheme (FSCS) continues to affect the building society sector as a whole. However, unlike some of our competitors, we elected to make provisions for the whole interest payment for three years in our 2008 accounts. Whilst this action lowered profitability for that year, we have not had to make any provision for the Scheme this year. The future liabilities of the FSCS, and hence our contribution, remain uncertain and it is possible that a further instalment will be required in due course.

Regulatory pressures continue to increase for all financial services firms and we are no exception to this. The Financial Services Authority (FSA) have made no attempt to hide their focus upon a more intrusive regime although I am pleased to be able to tell you that we enjoy a good working relationship with our contacts there. As you may be aware, the FSA is to be split into two bodies and the full ramifications of this are yet to be clarified.

Two significant pieces of regulation affected your Society during the year and will continue to have an impact for years to come. Firstly, there is the Sourcebook applicable to all building societies, impacting in the main upon risk management and lending. The second piece is the revised liquidity requirements which came into full effect in October and resulted in increased holdings of gilts and other government securities. Further increases will be required during 2011.

In the light of the above, I am pleased to be able to nevertheless report a year of significant progress in a number of key areas.

Our assets increased by £11.44m (7.25%). It should be noted that this was real, not cosmetic, growth achieved through an increasing mortgage book funded by retail deposits. Not only did we fund all of our mortgage growth by retail deposits, but we also attracted sufficient savings to be able to repay the whole of our money market borrowings.

Despite the challenges of 2010, your Society had a successful year overall and is well placed to take advantage of any economic recovery when it comes. Some highlights for the year are:

- Improved profitability – post tax profits up by 269%
- Reducing cost ratios – management expense ratio reduced to 0.94%
- Increased share and deposit balances – up by 22.4%
- Increased residential mortgage balances – up by 8.57%
- Significantly reduced arrears – down by 67%



Our traditional business model remains a key strength and our Members trust us as a business. Our primary objective will always be that of providing value to our Members by offering competitively priced savings and mortgage products.

## INTEREST RATES

The Bank of England reduced its base rate to a historic low of 0.5% in March 2009 and it remained at that level throughout 2010. However LIBOR, which is the rate that influences the price institutions pay to borrow from each other, was volatile throughout the year.

Like all societies, the vast majority of our Members are savers, and it is those Members living on a fixed income that have been particularly affected by the low rate environment. We have tried our best during the year to offer attractive products at good rates. Our Big Bucks Bond, launched in January 2010, proved to be exceptionally popular and for which we won the coveted Moneyfacts award for Innovation in Personal Finance.

## LENDING

We have always enjoyed a quality mortgage book with low levels of arrears and this remained the case in 2010. Whilst we saw a substantial level of redemptions throughout the year, gross lending more than compensated for this and the result was a healthy increase in the overall book as at the year end.

We continue to be active but prudent lenders, with every mortgage case being individually underwritten and not credit scored by a machine. Whilst this methodology is relatively expensive, the benefits are self evident. Our arrears at the end of 2010 were significantly lower than those at the end of the previous year, despite growth in the mortgage book, and we have just one property in possession.

We do, however, remain aware of the volatile economic environment and provisions remain at a prudent level to help protect us against any deterioration.

## SHARES AND DEPOSITS

Competition for retail funds in the marketplace was fierce in 2010 and there is little likelihood of this abating. However, at several points during the year, we launched products targeted at niche areas and have been very successful.

Whilst these niche areas might be too small to be of interest to some of our competitors, we made sufficient inroads to both repay all wholesale borrowings and more than adequately fund the mortgage lending side of our business.

Overall, share and deposit balances grew by a fantastic 22.4%, and our marketing to solicitors and pension providers, as well as a broad range of products for individuals, leaves us well placed for continued success in the coming year.

Our strategy is to use the wholesale markets only when necessary and even then only on a short term basis.

## MEMBER AND COMMUNITY INVOLVEMENT

With this year's AGM documents we are again sending a Members' questionnaire and would request that you please take a few minutes to respond: we value your comments and previous similar questionnaires have proven very useful in suggesting future developments.

Once again, as in past years, we have supported a number of local charitable and community projects.

A donation will be made to the Iain Rennie Hospice at Home for every vote cast and we hope that these funds go a little way to help continue their excellent assistance to those less fortunate than ourselves.

No contributions were made for political purposes.

## STAFF AND MANAGEMENT

A number of staff changes have occurred during the year and our thanks go to all those that have helped us on our journey so far. We are now leaner, fitter and more able to keep pace with the challenging arena in which we operate.

During the year, we have appointed our second Executive Director to the Board. His name is Rajesh Patel, who has joined as our Finance Director. Rajesh is a qualified accountant and has many years financial services experience. This combination has already delivered significant improvement in our management information capabilities.

It is to be emphasised that the Directors recognise the contribution made by our staff and we are grateful for all their hard work. We continue to strive for excellent customer service and a number of you have complimented us on this during the year.

## LOOKING FORWARD

2010 was a challenging year and I doubt if 2011 will be any easier.

There are a number of new entrants to the savings and mortgage marketplaces which will mean that we must strive even harder to meet our Members' needs. The continued contraction of the building society sector is a disappointing trend but is one that has been happening for many years. We are proud to be able to say that we are the only remaining Society based in Buckinghamshire.

Overall, we face these challenges with relish. We have a strong and experienced Board, a revitalised Executive Team and a passion for customer service.

Many of you will be aware of the extension to our Head Office premises. Work is progressing well and we anticipate bringing this into use in the middle of 2011.

We will continue to concentrate on our core value of providing value to our Members by offering competitively priced savings and mortgage products. Overlaying this will be a strong corporate governance regime allied to good relationships with the FSA.

In short, we're still helping you build a better future.



# Directors' Report

## BUSINESS OBJECTIVES AND ACTIVITIES

The principal purpose of the Society remains that of providing mortgage finance which is secured on residential property and funded substantially by Members.

The principal business objectives are the promotion of home ownership and a commitment to the provision of excellent service to all existing and potential Members.

The Society is committed to retaining its mutual status, which, we believe, better preserves the security and protection of our Members.

### Product Development

2010 saw a continued effort to create a number of new products to appeal to a wider range of customers. Having received various Member requests for an ongoing regular saver account the Chiltern Gold Builder regularly featured in the Best Buy tables and remains available today.

We have also had success with our fixed rate bonds during the year, which we continue to offer at the highest rates possible to give our Members a good return on longer term savings.

Our commercial customers have also seen an improvement in the range of savings accounts we offer, with a variety of business accounts now available including solicitors' client and SIPP accounts.

### Administrative Expenses

The Society continually reviews its business costs and strives to introduce efficiencies to contain expenditure. These efforts have resulted in the management expense ratio decreasing to 0.94% (2009: 1.04%). We expect a further improvement in 2011 which will see us compare very favourably with our peer group.

## ASSETS

Total assets are an indicator of our success in the two main markets of mortgages and savings. The total assets of the Society at the end of the financial year amounted to £169.29m (2009: £157.85m), representing an increase of £11.44m or 7.25% on the previous year and reflects a good result in the light of the difficulties posed by the economic environment.

## PROFIT AND CAPITAL

The Society aims to generate sufficient profit to enable continued investment and to maintain its financial strength and security of its Members' funds. Profit improved substantially during the year to £351k after tax (2009 £95k). Whilst profit is not a key driver of a mutual institution, it is currently the main source of capital available to us and is therefore vital.

At 31st December 2010 the Gross Capital of the Society increased from £9.8m to £10.15m. However, free capital decreased to 5.18% (2009: 5.49%) of share, deposit and loan balances as a result of our growth and further investment in property.

## SUPPLIER PAYMENT POLICY / CREDITOR PAYMENT POLICY

The Society's policy concerning the payment of its trade creditors and suppliers continues to be to pay within the agreed terms of credit, once the supplier has discharged its contractual obligations.

Amounts due to relevant creditors of the Society as at 31st December 2010 represented 17 days (2009: 19 days).

## FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Directors manage risk from activities both strategically, in the context of the demands in the marketplace, and operationally in terms of the products and services provided to Members and customers of the Society. The key risks and uncertainties inherent in the Society's business can be classified as follows:

### Strategic Risk

The Society monitors the external environment in which it operates, as the profitability of its products could be adversely affected by a downturn in the economy or by interest rate volatility. A corporate plan and annual budget is prepared which is agreed by the Board and monitored on a monthly basis.

### Regulatory Risk

This refers to the risk that the Society's capital and ability to compete over a period of time might be reduced by the volume and complexity of regulatory issues (for instance, Treating Customers Fairly initiatives) and related costs (such as the FSCS levy).

### Operational Risk

Operational risk arises from people, inadequate or failed processes, systems, or external events. The management of operational risk, which includes fraud, regulatory risk and risk associated with both organisational and operational change, is the collective responsibility of senior management.

### Liquidity Risk

Liquidity risk is the risk that the Society is unable to meet its current and future payment obligations when they fall due. Payment obligations arise in respect of repayments due to depositors and commitments to lend, in addition to repayment of other borrowings. The responsibility for managing this risk lies with the Finance Director and the Treasury team and is monitored by the Assets & Liabilities Committee, within the framework outlined under Board Committees.

### Market Risk

Market risk is the risk of fluctuation in financial markets which could impact on the value of the Society's assets and liabilities, primarily as a result of movements in interest rates. The Society's Treasury team manages the underlying risk within a framework and parameters agreed by the Board.

### Credit Risk

Credit risk arises from the failure of a borrower or counterparty to settle financial or contractual obligations as they fall due. In general, decisions to lend money to individual customers are made by the Head of Customer Services, in accordance with the Society's lending policy. In certain circumstances referral is made to the Board for approval.

## Pillar 3 Disclosure – Society's approach to risk management

The Board of Directors have put in place a formal management structure that includes its Internal Capital Adequacy Assessment Process (ICAAP), policy statements, exposure limits, mandates and reporting lines. Since 2008 the Society has been required under the Capital Requirements Directive (CRD) to provide to its Members a document that sets out the Society's approach to risk management as it relates to maintaining and preserving the capital position of the Society. It also provides asset information and capital calculations under Pillar 1 of the CRD. The document in its entirety can be found on our website ([www.bucksbs.co.uk](http://www.bucksbs.co.uk)).

## TECHNOLOGY

The Society's technological capabilities are regularly reviewed to improve the service offered to members and to ensure compliance with regulatory requirements.

The Society's website ([www.bucksbs.co.uk](http://www.bucksbs.co.uk)) has been reviewed to improve ease of use for Members. The website is updated frequently to ensure Members are fully informed of any changes to the product range.

The Society now has the facility to accept payment of mortgage instalments and fees by debit card. This facility will be rolled out during 2011 for the benefit of savings members, considerably reducing the volume of cheques received.

## HUMAN RESOURCES

As the Society operates in a highly regulated environment, the training and competence of all staff, management and directors is paramount and sufficient resources are allocated to maintain service levels to customers and to ensure compliance with regulatory requirements. The Society encourages access to training and career development for all employees. This policy extends to all staff regardless of race, beliefs, gender, marital status, age or physical disability. During 2010 6 members of staff undertook professional studies, leading to a recognised qualification, and were financially supported by the Society.

## DIRECTORS

The following persons served as Directors of the Society during the year:-

R.R. Currie	Chairman of the Board Chairman, Nomination Committee
K.W. Green	Vice-Chairman Chairman, Remuneration Committee
A. Davies	Chairman, Assets & Liabilities Committee
M.J. Stannard	Chairman, Audit, Compliance & Risk Committee
J.E.A. Payne	Senior Independent Director
D.A. Mullen	
I.G. Powell	
I.J. Gould	Chief Executive
R.K. Patel	Finance Director co-opted to the Board 26th May 2010

In accordance with the Rules, directors periodically must stand for re-election. The Directors retiring by rotation this year are Robert Currie, Keith Green and Ian Powell, who, being eligible, offer themselves for re-election at the Annual General Meeting in April 2011.

In May 2010 the Board co-opted Rajesh Patel, who will stand for election at the forthcoming Annual General Meeting.

## AUDITOR

The auditor, Mazars LLP, has audited the Society's accounts for a number of years. In following good governance principles, we have reviewed the provision of audit services and, following a full tender exercise, have decided that this year will be the last time that Mazars LLP will undertake this rôle.

Having completed the audit for the period to 31st December 2010, Mazars LLP therefore has resigned. The Auditor has not declared any circumstances connected with the resignation of which it believes Members should be made aware.

Our thanks go to Mazars LLP for their support and guidance through many years and a challenging marketplace.

At the forthcoming Annual General Meeting the appointment of Deloitte LLP as Auditor will be proposed and members will be asked to vote accordingly.

# Corporate Governance Report

The Board of Directors is responsible for the governance of the Society, on behalf of the Members, and is committed to best practice in Corporate Governance.

The FSA, as the Society's regulator, requires the Board to have regard to the Combined Code on Corporate Governance as issued by the Financial Reporting Council in June 2008. In consultation with the FSA, the Building Societies Association has issued guidance on this revised Combined Code. During 2010, the Financial Reporting Council reviewed the Code and issued a new code of practice – the UK Corporate Governance Code – which will apply in subsequent years.

It should be recognised that the Code provisions have been drafted for large listed companies and require adaptation by a mutual Building Society, to ensure that the spirit of the code of practice is applied. The Board agrees with and supports the principles of the Code and, whilst they are not mandatory for the Society, they have been adopted by the Board unless considered inappropriate for a mutual organisation of our size. Application of these principles is outlined below, with an explanation given where the Society's practice differs from that set out in the Code.

The Board currently consists of two executive Directors, being the Chief Executive and Finance Director, and seven non-executive Directors, including a non-executive Chairman. All the non-executive Directors are viewed by the Board as being of independent character and are able to provide an objective view of the Society's activities and the climate in which it operates. All Directors must continue to meet the FSA's test of fitness and propriety and be

registered with them as Approved Persons in order to fulfil their controlled function responsibilities. New non-executive Directors are given appropriate induction training by the Society and are encouraged to enhance and maintain their knowledge of the industry and its regulatory structure. Directors are assisted by the Society's management in seeking advice, guidance and training to ensure that they are equipped with the skills and knowledge necessary to effectively discharge their duties and responsibilities.

The Board exercises full and effective control over the Society's activities and meets as often as necessary to ensure the proper conduct of business is maintained. A schedule is maintained and reviewed regularly, which clearly defines areas of responsibility for which authority is delegated to Management. Those strategic matters reserved for the Board, such as policy, performance, resources and standards of conduct, are also defined. There is clear delineation between the rôles of Chairman and Chief Executive, which are held by different individuals. Separate meetings are also held by the Board, when required, to discuss and establish strategic objectives.

Full Board Meetings are held at least monthly, with additional meetings of committees and sub-committees to address particular matters. To ensure informed decision making by Directors, relevant papers are circulated with the agenda in advance of meetings and members of Management are invited to attend meetings or serve on sub-committees. The effectiveness of the Board and Board Meetings are reviewed regularly. Standing committees have formal terms of reference and their membership and chairmanship, together

with the rôles of Chairman and Vice-Chairman of the Board and Senior Independent Director, are subject to annual review and appointment at the first Board Meeting following the Annual General Meeting. Opportunities for discussion in the absence of the Chief Executive or Chairman are ensured.

The Code requires the appointment of a Senior Independent Director, envisaged to be a readily identifiable, alternative contact when a Member has concerns which are considered inappropriate for Management or the Chairman/Vice-Chairman to be approached, or where the matter has not been resolved. James Payne acts as Senior Independent Director.

Members' comments and requests for information on the Board's governance of the Society are encouraged, as is their attendance and participation at the Annual General Meeting. A confidential email address – directors@bucksbs.co.uk – exists to allow members to contact the Board without the need to first approach the Society's management team.

Directors' and Officers' Liability Insurance continues to be purchased and reviewed annually to ensure an appropriate level of cover.

## Directors' 2010 Meeting Attendance

	First Appointed	Board	Audit, Compliance & Risk Committee	Nomination Committee	Remuneration Committee	Assets & Liabilities Committee
		(13)	(5)	(5)	(1)	(12)
R.R. Currie	1995	12	~	4	1	~
K.W. Green	2001	13	4	5	1	~
A. Davies	2001	13	2 (2)	5	~	12
J.E.A. Payne	2004	13	~	5	1	~
M.J. Stannard	2005	13	5	5	~	~
D.A. Mullen	2009	13	~	5	~	12
I.G. Powell	2009	13	5	5	~	~
I.J. Gould	2009	13	~	~	~	12
R.K. Patel *	2010	9 (9)	~	~	~	7 (7)

\* co-opted onto the Board in May 2010

## Board Committees

### Audit, Compliance & Risk Committee

The Committee is chaired by Michael Stannard and meets at least four times a year, generally quarterly. Until May 2010, its membership comprised four non-executive Directors, thereafter the Committee was reduced to three. Michael Stannard, Keith Green and Ian Powell served throughout the year, with Andrew Davies serving until May. Meetings are usually also attended by the Chief Executive, relevant members of Management and a representative from Internal Audit. Representatives of the external Auditor also attend meetings where relevant or at their request.

This Committee has the delegated responsibility for the Society's system of inspection and control; it continually reviews the effectiveness of internal controls, regulatory compliance and risk management and makes recommendations as necessary. Throughout the year, the Committee had two standing sub-committees which provided a detailed examination of matters pertaining, respectively, to Risk and to Treating Customers Fairly initiatives.

For some years the Society has outsourced the internal audit function. The Committee receives reports from, and consulted with, the service provider, gaining an insight into the operation and system of control in order to ensure that all statutory requirements are addressed and to assess any proposed improvements that are recommended.

The Committee reviews the work of the external Auditors and oversees the work of the internal audit and compliance monitoring functions, reviewing and making recommendations in relation to appointments and remuneration of service providers and ensuring adequate resource for the in-house compliance monitoring function.

For some years Internal Audit has been outsourced to Mutual One Limited and, again for many years, the external Auditor has been Mazars LLP. During 2010, as periodically required by the principles of good governance, the Committee conducted thorough reviews of both Internal and external Audit services; these reviews included full tender exercises. The Committee recommended that, in each case, a change of service provider be instituted. In January 2011 KPMG LLP commenced as the new Internal Audit service provider. The appointment as Auditor, for the 2011 audit, of Deloitte LLP will be recommended to members at the Annual General Meeting on Wednesday 20th April 2011.

Following guidance received at the end of 2010, the Board have decided to split the Committee into an Audit & Compliance Committee and a Risk Committee. The new Risk Committee is chaired by Ian Powell and includes Andrew Davies and members of the executive management team.

### Assets & Liabilities Committee

This Committee meets not less than monthly or as required and comprises two non-executive Directors – currently Andrew Davies (Chairman) and Declan Mullen – the Chief Executive, the Finance Director and the Head of Customer Services; the Head of Compliance and Risk was a recent addition to the Committee. The Committee reviews Treasury and balance sheet risk related activities and has full responsibility for setting the Financial Risk Management Policy, the review and implementation of controls contained therein and the authorisation, or otherwise, of product proposals and recommendations brought forward from within the Society.

### Nomination Committee

This Committee's membership comprises all seven Non-Executive Directors with Robert Currie as Chairman. The Nomination Committee meets as appropriate to consider Board appointments as and when they arise, in order to make recommendations to the Board in a formal and transparent manner. Full consideration is given periodically to succession planning and the balance of skills, knowledge and experience of the Board for the requirements of the business are assessed; changes are recommended to the Board where necessary.

In 2010, during the recruitment process for the executive appointment to the Board, external advertisements were placed. Newspapers and periodicals and relevant websites, such as that of the Building Societies Association, were used. During the year, no non-executive Directors were appointed.

### Remuneration Committee

Three Non-Executive Directors comprise this committee: Keith Green (Chairman), Robert Currie and James Payne, which meets as required. Responsibility is delegated to the Committee to review the Society's remuneration and benefit policies. The Committee makes recommendations to the Board with regard to the contractual terms, performance and remuneration of executive Directors and, in conjunction with the Chief Executive, those of Management. With Management, it also reviews levels of staff remuneration.

All Code provisions, Society policy and procedures relating to the remuneration of Directors are detailed in the Directors' Remuneration Report.

### BOARD APPOINTMENTS

Directors are usually appointed for periods of three years but may stand for re-election. Appraisal of Directors is formally carried out annually by the Chairman (or Vice-Chairman in respect of the Chairman) following confidential consultation with other Board members. Proposals for re-election are made by the Board as a whole.

Corporate governance best practice stipulates that independent Board members should be rigorously assessed to ensure continuing independence and should not serve for unduly long periods. In order to ensure assessment of independence, the Code envisages that Directors should be subject to annual re-election after serving nine years on the Board.

The Society's Board has been mindful of best practice requirements in consideration of the succession planning for phased replacement of long-serving Directors. Currently there are three Directors who have served for nine years or more: Robert Currie, Keith Green and Andrew Davies.

Mr Currie was first appointed in 1995, and has served as Chairman since 2009; he will be standing for re-election for a period of one year at the AGM in April 2011.

Mr Green was first appointed in 2001 and has served as Vice-Chairman since 2009; he will be standing for re-election for a further three year period at the AGM in April 2011.

Mr Davies also was first appointed in 2001 and is presently Chairman of the Assets & Liabilities Committee. Mr Davies was re-elected for a period of three years in 2010.

The Board has considered these three Directors and their service and believes that all three remain independent in character and judgement and each has demonstrated that their ability to take an objective view of the Society and its business has not been compromised by long service.

# Directors' Remuneration Report

This report sets out the Society's policy on the remuneration of the executive and non-executive Directors and it will again be subject to an advisory vote on its approval at this year's Annual General Meeting. The Society has chosen where appropriate, to follow the Combined Code's best practice in Corporate Governance in relation to remuneration.

## Remuneration Committee

The Combined Code envisages the remuneration of the Chairman and executive Directors being determined by the Remuneration Committee, with that of the non-executive Directors being assessed by the Chairman and executive Directors. The Society's Board includes two executive appointments at present – the Chief Executive and Finance Director- whose salary and benefits are determined by the Committee. However, given the composition of the Society's Board, to ensure fairness and transparency an alternative process has been adopted in relation to the fees paid to Directors. Annually the Board as a whole assesses the Society's performance and refers to amounts paid by other comparable building societies in respect of fee levels. Total Directors' fees are calculated in accordance with the Society's Rules and are based on growth in total assets. Directors then allocate the fee, having regard to the level of commitment required for certain Board positions, including that of Chairman. During 2010, total fees paid amounted to £125,000 (2009: £110,000).

The Committee may seek external advice to inform its deliberations but has not done so during the year.

## Executive Director Remuneration

The Chief Executive's contractual arrangements comprise basic salary, directors' fee, pension contributions and taxable benefits. The basic salary is paid at an external market rate to reflect the responsibilities discharged and the individual's performance. The Chief Executive's terms of engagement allow for termination by either party at twelve months' written notice. The normal retirement age is 65.

The Finance Director's contractual arrangements comprise basic salary, directors' fee, pension contributions and taxable benefits. The basic salary is paid at an external market rate to reflect the responsibilities discharged and the individual's performance. The Finance Director's terms of engagement allow for termination by either party at six months' written notice. The normal retirement age is 65.

## Non-Executive Directors' Remuneration

Non-executive Directors do not have service contracts, being appointed by letter, and receive only a fee. Non-executive Directors do not receive any salary, pension, bonus incentives or other taxable benefits. The fees received relate to time spent on Society affairs including responsibilities to membership of the various Board committees.

During 2010, three non-executive Directors were employed by companies and one related to a sole trader, who each provided services to the Society:

**Robert Currie** is employed as an Associate Director by The Aitchison Raffety Group, Property Consultants; this company provided valuations of the Society's properties, services in connection with the sale of the Society's property in Chalfont St. Peter and were engaged to provide some valuations of properties which were the subject of mortgage applications. In total, fees of £7,186 (2009: £1,175) were paid.

**Andrew Davies** is a Partner in F.A. Magee & Co., Chartered Accountants, which provided payroll services to the Society for a consideration of £2,611 (2009: £2,444).

**Keith Green** provided legal services to the Society for fees totalling £464 (2009: £1,156), which were paid to Land Graham Partnership LLP, Solicitors, of which he is a Partner.

**James Payne** is the son of Edward J. Payne, Architect, who provided architectural services to the Society for fees totalling £10,014 (2009: £11,865).

Director £'000s	Directors' Fee £'000s	Salary £'000s	Benefits in kind £'000s	Pension contributions £'000s	Total 2010 £'000s	Total 2009
R.R. Currie	20				20	19
K.W. Green	16				16	15
A. Davies	16				16	16
M.J. Stannard	17				17	13
J.E.A. Payne	12				12	12
D.A. Mullen *	12				12	8
I.G. Powell *	12				12	8
I.J. Gould *	12	89	2	9	112	74
H.N. Machin **						7
J. Mundell **						38
R.K.Patel ***	8	42	1	4	55	-
<b>Total</b>	<b>125</b>	<b>131</b>	<b>3</b>	<b>13</b>	<b>272</b>	<b>210</b>

\* appointed May 2009    \*\* resigned April 2009    \*\*\* co-opted onto the Board 26th May 2010

on behalf of the Board of Directors

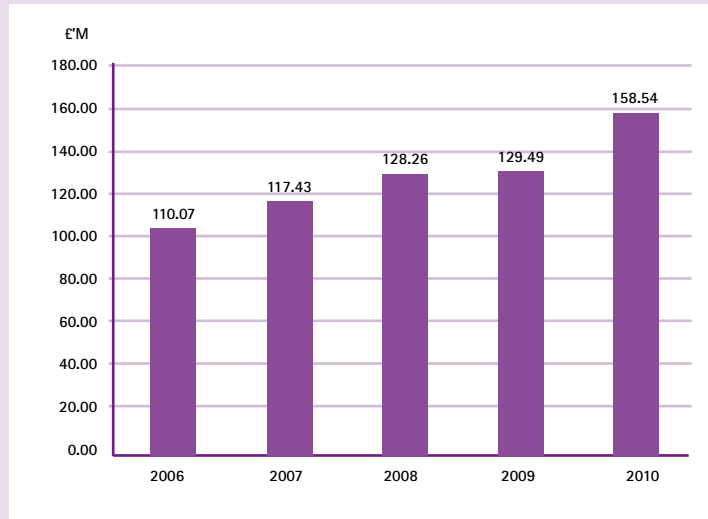


R.R. Currie    Chairman    16th March 2011

# The Society's performance during the period 2006–2010

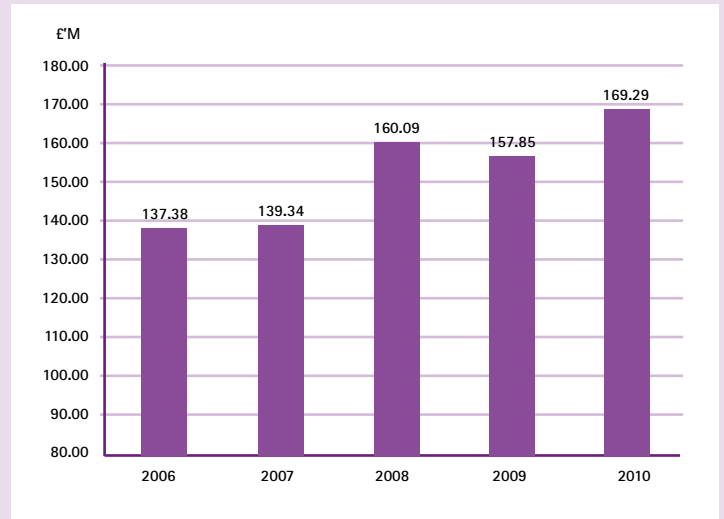
The Society's strategy of controlled and sustainable growth is considered to be core to the protection of interests for both savers and borrowers. Illustrated below are some of the key performance indicators which show the Society's progress over the previous five years.

## SHARE AND DEPOSIT BALANCES



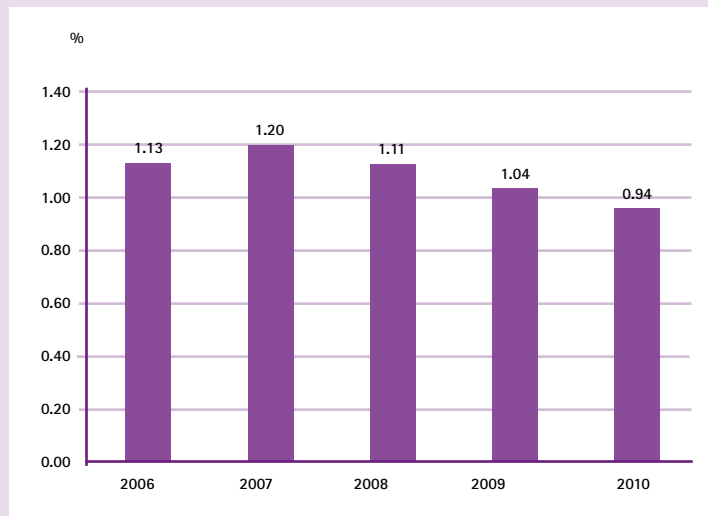
The Society is committed to offering our members a competitive range of investment opportunities

## TOTAL ASSETS



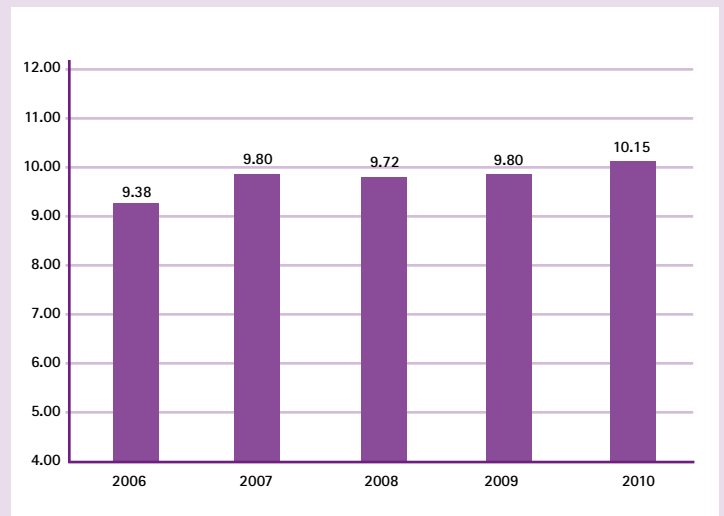
The chart demonstrates our aspiration of controlled and real, not cosmetic, growth

## MANAGEMENT EXPENSES % MEAN ASSETS



Our aim is to reduce cost without prejudicing the level of service

## TOTAL RESERVES



Your Board is committed to maintaining a strong capital base

## Summary of highlights for financial year 2010

- Share & Deposit Balances of £158.54m, an increase of £29.05m (22.44%)
- Mortgage Balances of £125.03m, an increase of £7.77m (6.63%)
- Wholesale funding entirely repaid (2009 £17.84m)

	2010 £'000s	2009 £'000s
Net interest receivable	1,746	1,798
Other income and charges	249	48
Administrative expenses	(1,537)	(1,658)
Operating profit before provisions	458	188
Provisions	(24)	(59)
Profit on sale of fixed asset	16	-
Profit on ordinary activities before tax	450	129
Tax on profit on ordinary activities	(99)	(34)
<b>Profit for the year</b>	<b>351</b>	<b>95</b>

FINANCIAL POSITION AT END OF YEAR	2010 £'000s	2009 £'000s
<b>ASSETS</b>		
Liquid Assets	42,227	38,791
Mortgages	125,026	117,254
Fixed and other assets	2,035	1,804
<b>TOTAL ASSETS</b>	<b>169,288</b>	<b>157,849</b>
<b>LIABILITIES</b>		
Shares and deposits from other customers	158,543	129,488
Funding from credit institutions	-	17,836
Other liabilities	440	529
Provisions for liabilities and charges	154	196
Reserves	9,350	8,926
Revaluation Reserve	801	874
<b>TOTAL LIABILITIES</b>	<b>169,288</b>	<b>157,849</b>
<b>SUMMARY OF KEY FINANCIAL RATIOS</b>		
	2010 %	2009 %
Gross Capital as a percentage of shares and borrowings	6.40	6.65
Liquid Assets as a percentage of shares and borrowings	26.63	26.33
Profit for the year as a percentage of mean total assets	0.21	0.06
Management Expenses as a percentage of mean total assets	0.94	1.04

## NOTES

1. The **gross capital ratio** measures the proportion which the Society's capital bears to the Society's liabilities to holders of **shares and deposits (investors)**.

The Society's **capital** consists of **profits** accumulated over many years in the form of **reserves**, together with the **revaluation reserve**. **Capital** provides a financial cushion against difficulties which might arise in the Society's business and therefore protects investors.

2. The **liquid assets ratio** measures the proportion of the Society's assets which are held in the form of cash or short term deposits. Liquid assets are generally readily realisable, enabling the Society to fund its mainstream business activities.

3. The **profit/assets ratio** measures the proportion which the profit after taxation for the year bears to the average of the Society's total assets during the year. The Society needs to make a reasonable level of profit each year in order to maintain its capital ratio at a suitable level to protect investors' funds.

Your Directors believe that the profit for the year is consistent with the aims of mutuality and that the gross capital ratio is more than sufficient for the protection of investors' funds.

4. The **management expenses ratio** measures the proportion that the Society's administrative expenses bear to the average of the Society's total assets during the year.

### Independent Auditors' Report to the Members of the Buckinghamshire Building Society

We have examined the Summary Financial Statement set out in this document.

### Respective Responsibilities of Directors and Auditors

The Summary Financial Statement is the responsibility of the Directors. Our responsibility is to report to you our opinion on its consistency with the full Annual Accounts, the Annual Business Statement and the Directors' Report and its conformity with the requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

### 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 Society's full Annual Accounts described 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 the Directors' Report of the Buckinghamshire Building Society for the year ended 31st December 2010 and conforms with the requirements of the Building Societies Act 1986, and regulations made under it.

Lee Brook (Senior Statutory Auditor) for and on behalf of Mazars LLP  
Chartered Accountants and Registered Auditors  
The Atrium, Park Street West, Luton, Beds. LU1 3BE

16th March 2011



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K.W. GREEN, Vice-Chairman  
A. DAVIES, ACA, Chairman, Assets & Liabilities Committee  
M.J. STANNARD, Chairman, Audit & Compliance Committee  
I.G. POWELL, LLB(Hons), Chairman, Risk Committee  
J.E.A. PAYNE, FCIOB, Senior Independent Director  
D.A. MULLEN, BComm, MComm  
I.J. GOULD, FCIB, MBA, Chief Executive  
R.K. PATEL, BA(Hons), FCCA, Finance Director

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#### Auditor, for the 2010 audit: Mazars LLP

The Atrium Park Street West Luton Beds LU1 3BE

#### Chief Executive: I.J. GOULD, FCIB, MBA

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Head of Customer Services: K.M. Büggs, Dip ML, CeMAP, CertRBCB

Head of Compliance & Risk: A.C. O'FARRELL, BSc, CeFA

Society Secretary: J. WILLIAMS, BA(Hons), MSc, ACIS

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Registration No. 206022