

Saffron Building Society: A secure place for your investment



Helping you build for the
future since 1849...



Savings | Mortgages | Investments | Insurance | Since 1849
www.saffronbs.co.uk

We offer you –

A secure place for your investment

Cautious lending policies resulting in arrears performance well inside bank and building society averages

No exposure to investments in failed institutions or US sub prime lending

Our overall capital ratio is a strong 16.5% with a high tier-one ratio

Low reliance on wholesale money markets other than to diversify sources of funding

Retail deposits £100 million higher than our mortgage lending

Looking to work together to offer good returns

Operating profits higher in 2008 than in 2007

A Building Society that is part of the community

We've given 160 hours of voluntary work to support community projects

Our 160th birthday parties raised thousands for a number of charities

We've been providing home financing and growing investments for 160 years

Meaning safe, strong returns for you and a helping hand for the community

See page 2 for a full summary of our performance

Further information..

Find out what we could offer you.

Jon Hall (Finance Director)

jon.hall@saffronbs.co.uk,

or Keith Hurley (Treasurer)

keith.hurley@saffronbs.co.uk

Or you can contact them on **01799 582938**

Our latest Report and Accounts for 2008

is available from our website at

www.saffronbs.co.uk/reportandaccounts

Experienced support for your Treasury Investment portfolio



Jon Hall
Finance Director

Jon qualified as a chartered accountant with Pricewaterhouse Coopers and has a strong background in the financial services market. He has held senior management positions in Norwich Union and joined the Society in August 2004 from Central Trust plc where he was Group Financial Controller. Jon was appointed to the board of Safe Home Income Plans (SHIP) in 2008.



Keith Hurley
Group Treasurer

Keith holds 23 years' experience of working in Financial Markets; experience which commenced with 10 years work in London with International banks. He then spent 13 years in the Building Society sector within a Treasury role – the majority of this time was spent with a top 10 Society (asset size →£7bn) in which he arranged funding programmes, public debt insurance, capital issues and managed a wholesale funding book c. £2bn and liquidity portfolio c. £1.7bn

These treasury skills combine with Saffron's straightforward business model to deliver strong liquidity levels and minimise exposure to risks

Richard Bacon, MP for South Norfolk
and member of the Public Accounts Committee

“ For any local authority, investing in a local building society makes really good business sense as a strong relationship between building societies and local authorities benefits everyone, I would strongly encourage local authorities to talk to regional building societies so that they obtain good returns for taxpayers. ”

Saffron Facts & Figures

Overview

Saffron Building Society is the 20th largest Building Society in the UK with assets of £853m.

Its community is based around its 12 branches and 10 agencies in East Anglia, particularly Essex, Herts & Suffolk. It has also been successful at offering telephone and online savings to members throughout the UK.

The Society focuses on its core mortgage and savings members complemented by the development of growing IFA, insurance broking and mortgage broking businesses.

Profitability

The table excludes a one off gain realised in 2007 from the sale by the Society of its branch in Stratford.

The Society has established healthy provisioning against bad debts despite arrears levels significantly below BSA and CML averages.

The asset quality reflects the focus of the business on prime residential lending with commercial lending less than 1% of the portfolio.

Capital

The Society Tier 1 capital ratio was a strong 12.4% and overall capital ratio stood at 16.5%.

The Group's mortgage business is more than 100% funded by retail customer deposits with no material exposure to wholesale funding markets.

As a smaller organisation at £0.9bn assets with no credit rating Saffron does not automatically meet the investment guidelines of Local Authorities or other public bodies. This Fact Sheet has therefore been produced to support an informed decision when considering placing Saffron Building Society onto an approved investment list

| | Saffron Report & Accounts 2008 | Building Society Average 2008: Larger Societies* | Building Society Average 2008: Mid-tier Societies* | Saffron Building Society 2009 Performance |
|----------------------|---|--|--|---|
| Asset Growth | 8.7% | 8.6% | 5.9% | Slight fall in assets as planned |
| Funding Limit | 14.3% | 25.8% | 14.0% | Consistent with 2008 |
| Liquidity Ratio | 25.7% | 25.1% | 26.4% | Consistent with 2008 |
| Arrears | Group arrears: 3 months are 0.80%, below the CML average of 1.44%. Society arrears of 0.28% below BSA average | | | Improved |
| Reserves: Assets | 4.58% | 4.06% | 5.96% | Improved |
| Free Capital | 5.50% | 5.26% | 6.08% | Improved |
| Profit Change** | -29% | -46% | -33% | Improved |
| Cost: Income Ratio | 66.9% | 64.4% | 71.6% | Improved |
| Man Expense (Gp/Soc) | 0.89% / 0.86% | 0.86% / 0.62% | 1.06% / 0.99% | Improved |
| NI Margin (Gp/Soc) | 1.19% / 1.10% | 0.88% / 0.78% | 1.33 / 1.30% | Low BBR but good other income |

*Source: KPMG ** excludes FSCS charges

Saffron Defy Industry Arrears Trends

Saffron Building Society has been bolstering its robust arrears management procedures since early 2008, anticipating that more customers would experience difficulties in repaying their mortgages. Our proactive approach and hard work across the mortgage team has led to impressive arrears figures and many of reassured customers.

Saffron's arrears initiatives this year have included:

- Holding weekly arrears meetings within the team to review each case.
- Increases in management information and reporting – allowing the team to anticipate which borrowers may face difficulties with making repayments in the future.
- Contacting these borrowers to encourage them to get in touch with any concerns about their repayments, at any time.
- Extensive research in to the implications of Shared Ownership on arrears cases, often working with Housing Associations to come to an agreement between the Association and the borrower.

Saffron offers:

- An arrears counselling service for our borrowers through an external company,
- Signposting borrowers to appropriate advice, including giving them the address and telephone number of local CAB; also sending out appropriate leaflets from the BSA and FSA,
- A number or combination of options to help the borrower out of difficulty, including: conversion from Capital and repayment to Interest Only Concession; extension of term; accept reduced monthly payments; reduction of interest rate for a short period.
- An approachable and personal service in which each borrower has one point of contact who knows their case and circumstances as well as they do!

- An experienced team who are able to make decisions on each case within the team without having to refer upwards and keep the borrower waiting.
- The reassurance that repossession is the absolute last resort.

Our team takes pride in finding creative, personal solutions for the borrower that are both achievable for the individual and fair to all of Saffron's other customers.

Our customers tell us that they find the team approachable, supportive, and empathetic. Team members have a strong rapport with borrowers; borrowers are comfortable calling us even when they don't have a problem with 'what if' enquiries. Communication between the team and borrowers is vital to this relationship; we are even known to send text messages to borrowers to remind of payment delays around bank holiday weekends!

Saffron's figures defy industry trends, actually improving from 2008 figures.

Accounts over 3 months in arrears by number:

- Group Jul 08 - 1.21%
- Group Jul 09 - 0.79%
- CML average - 2.39%

Accounts where balances are over 2.5% of outstanding loan by number:

- Group Jul 08 - 0.60%
- Group Jul 09 - 0.42%
- CML average - 1.86%

Our arrears management strategy is exceptional because it focuses on delivering a personal service which addresses each person's needs, and is proactive in the support it provides. Saffron is large enough to offer some flexibility but small enough to treat every borrower as an individual.

We support local communities

Society's birthday bash for teen trust

BY LAURA JEAN MORRIS

Email: editorial@saffronbuildingnews.co.uk

A BUILDING society will support the Teenage Cancer Trust as part of its 160th anniversary celebrations.

Saffron Building Society's Saffron Walden branch will hold a party to mark the anniversary next Tuesday.

Members and non-members alike are invited to the event, which will be raising money for the Teenage Cancer Trust.

For every person in the Market Street branch wearing one of Saffron's "160th birthday" badges, the society will donate 25p to the charity.

The party will run from 10am to 4pm, with the cutting of the cake to take place at 11am.

Malcolm White, Saffron Walden Town Council clerk and a huge supporter of the Teenage Cancer Trust, lost his son to cancer. He said: "It's brilliant that people in Saffron Walden can support the Teenage Cancer Trust simply by visiting Saffron's branch.

"We really appreciate the generosity and would like to wish them a very happy birthday."

John Eastgate, Saffron's sales and marketing director, said: "It's our hope that the party will raise plenty of money for an excellent cause.

"The party is another way that we are giving something back to the community in 2009."

Cream team in centre revamp

STAFF from the Saffron Building Society have swapped their broes for brushes to help redecorate a specialist epilepsy and special needs centre.

Ten staff volunteers from the Saffron's regional branch network plus chief executive Andy Golding joined forces to help St Elizabeth's Centre, Muth Hadham, give its corridor walls a makeover, transforming them from brassy orange to a more soothing cream as part of the building society's 160th birthday celebrations.

"The day of volunteering marks the start of a series of initiatives to help the local community as part of the building society's celebrations.



Throughout the year staff will be launching themed product promotions and work on a range of projects with the local community to commemorate the anniversary. Tracey Harley, fundraising manager at St Elizabeth's Centre, said: "As a not-for-profit organisation we rely on the goodwill of volunteers from the local community so it's fantastic that staff from Saffron Building Society wanted to take time out of their busy days to help us."

Mr Golding said: "It's such a pleasure to join my team and help such a fantastic cause like St Elizabeth's. "The hard work of all the staff at the centre is appreciated by people with special needs from both the local community and across the UK, so it's great to be able to do our bit and help with tasks they are often too busy to do."



Staff from Saffron Building Society, the regional mutual serving East Anglia, swapped their pens and passbooks machines for paintbrushes to clean up the playground of Katherine Semar Infant School in Saffron Walden.

The Building Society staff washed the faded fences and before repainting the woodwork, leaving the play area looking colourful, fresh and clean.

Jane Gilmour, Head Teacher at Katherine Semar said:

"We are very grateful to Saffron Building Society for sending a team of staff over to us.

The fences have long needed attention, but it would have been a lot of work for one person. The team from Saffron BS has managed it all in one day!

The work has made such a difference to the playground. Now that the children are playing outside more often, I'm delighted that their surroundings are well looked after."



INSECT TRAIL: Saffron Building Society's branch manager, Kelly Smith with the ladybird bugs H198P4510

Hidden bugs give kids a chance to save

A WILLY Wunka-style contest is being launched in Breatwood to give kids the chance to win up to £1,000.

But instead of searching for elusive golden tickets inside Wunka chocolate bars, children should keep their eyes peeled for special ladybirds hidden across the borough.

More than 100 ladybirds containing £1 have been planted by staff of Saffron Building Society. If eagle-eyed hunters use the

money to open a Saffron account, the building society will magic it into £5.

A special ladybird containing a purple ticket worth £1,000 will also be hidden as will four yellow tickets worth £100.

Saffron's chief executive Andy Golding said: "With so much uncertainty about the economy it's important to get children interested in saving at an early age.

"This will help to make saving money fun, rather than

something for mum and dad.

"We've also launched a special microsite, creating an online ladybird community to encourage children and their families to connect with other people."

The competition is only open to children aged under 11 years old and anyone who finds a ladybird who is above this age is asked to return it to the Breatwood branch for re-hiding.

For further information, visit www.saffronladybird.co.uk

Saffron Building Society

Mutual ✓

Long Established ✓

Reliable and fair ✓

Rewarding ✓

Community based ✓

Charitable ✓

Saffron Building Society: we tick all the boxes



**Saffron
Building
Society**



Recycled

Supporting responsible
use of forest resources

Guaranteed Chlorine free paper

Savings | Mortgages | Investments | Insurance | Since 1849

www.saffronbs.co.uk