

From strength to strength...

Welcome to the latest edition of Members Direct. I am pleased to report that your Society is in very good health having seen record inflows of savings and investments in the early part of this year.

The uncertainty in the money markets has seen savers and investors move back in large numbers to the security of the traditional building society. During the first six months of the year, your Society recorded its highest ever growth rate. You will however be pleased to hear that we have maintained our cautious approach for both mortgages and investments. So even though our mortgage book has increased by 11% during the first half of the year it has been matched by an increase in customer deposits.

Our focus continues to be on improving and strengthening the Society and with

this in mind our new agency office in Stopsley, Luton opened in June 2008 serving the greater Luton area. Along with the existing branch network, Stopsley, Luton will provide a full range of services including our childrens' savings accounts and mortgages, both of which have once again picked up national awards.

There have also been some key legislative changes and in this edition we examine the subjects of lost or dormant accounts and tax free savings.

Your Society has a new Chairman, Michael Willis, who succeeds Roger Smith. Michael will continue Roger's hard work to develop the Society for the benefit of all members.

So I would like to take this opportunity to welcome our newest members and those

who join us from the new agency office in Stopsley. I look forward to providing the same high level of personal service all our members have appreciated over the years.

Yours sincerely



Paul Marsden
DIRECTOR & CHIEF EXECUTIVE



Strong set of financial results



On the financial side, your Society's Summary Financial Statement for year ending 31st December 2007 was published recently and highlighted the strength of the Society's balance sheet and assets. These included the following year-on-year increases:

- Total assets increasing by over 8% to £158.2 million
- Gross lending exceeding targets rising to £42 million, a 12.7% increase
- Shareholder investments grew by £10.8 million to £132.7 million, an 8.9% increase
- Share and deposit balances grew by 7.9% to £146m

To provide the security that members require, we have not only increased our liquidity but ensured that at the year end your Society did not hold any wholesale money market funds.

Banks & Building Societies – A Fundamental Difference

Since the last edition of Members Direct, the financial world has rarely been off the front pages. The analysis of the credit crunch has revealed significant differences in the way that banks and building societies operate.

Banks are companies (normally listed on the stock market) and are therefore owned by, and run for the benefit of their shareholders. The principle job of the Board of Directors is to deliver dividends to their shareholders. Building societies, by contrast, are "mutual" and have at their heart the interests of their members.

In the 1990's when many building societies rushed to become banks, they were freed to fund more of their loans by borrowing on the wholesale money markets. Northern Rock was an ex-building society who, as a bank, borrowed up to 74% of its requirements on the volatile wholesale money market. When this supply of funds dried up its business model failed. By contrast, building societies cannot, by law, borrow more than 50% and across the sector the current average is around 30%.

At HBS we have never had more than 5% of our funds from the wholesale markets.

So, combined with a cap on fund raising from the more volatile end of the credit market, self funding and the absence of external shareholders requiring dividends, one could argue that traditional societies have potentially the best structure to serve security conscious business and private customers in both good and bad times.

No doubt the lessons are being learnt by the banks and the wholesale money market model will adapt. In the meantime, our policy of careful lending and matching mortgages with savings deposited provides the peace of mind our members have the right to expect.



Time to blow the dust off your old current and savings accounts



In mid 2009 a new Government scheme is planned that seeks to identify money in "dormant" or "lost" accounts and make this available to benefit many good causes, national organisations and charities. Building Societies, however, tend to have strong links with the local community and local charities and the new act will enable us to use an alternative scheme to support good causes locally. The plan for 2008 has been for financial organisations to focus on these lost or dormant accounts to identify those accounts that are genuinely lost rather than merely dormant.

A typical 'lost' account is quite easy to define as it tends to have post returned 'addressee unknown', whereas 'dormant' accounts are a bit of a grey area, and often the account holder knows perfectly well where their money is but has not touched it for many years. The act therefore proposes

that accounts do not become 'lost' or 'dormant' until after a period of inactivity of more than 15 years. Special allowance has been made for deposits with fixed term maturities such as child trust funds, where the 15 year rule starts at the end of the term.

Funds are protected

So, I can hear you asking, what happens if, in a few years time, I discover one of these lost or dormant accounts? The good news is that you will be entitled to the funds, with interest, and this will be paid back to you by the "Central Reclaim Fund".

If you do have any accounts which have not been touched for over 15 years, please write to us or make a transaction to record activity in the account. You may wish to dust-off any accounts with other financial institutions and if you have any old accounts check the status by logging on to a new website www.mylostaccount.org.uk or by contacting the institution concerned.

Busy providing mortgages

By Richard Mason HEAD OF LENDING

Whilst the headlines suggest that mortgages generally are getting harder to find I am pleased to report that the financial strength of your Society means that we continue to lend to help buyers purchase properties. In fact the office has never been busier with applications - in the first six months of the year our mortgage book grew by 11%. In addition to the standard mortgage we are able to consider:

- Commercial Mortgages
- Demolition and New House Rebuilds
- Barn Conversions
- Timber Properties
- Land Development
- Agricultural Restrictions

As always, we look at all the circumstances surrounding an application and will always give careful consideration to well thought out proposals. **Your home may be repossessed if you do not keep up repayments on your mortgage.**

Youth focus for HBS charity work



For the last three years the HBS Charitable Trust has concentrated support around four key groups - children, the elderly, health and the local community.

In 2008 we are giving priority to funding local community activities with a youth involvement. This has resulted in support for four projects including structural improvements to scout

and guide huts in each of the three HBS branch locations. In addition we have donated funds for the redevelopment of a local school playground.

If you would like any further information on our involvement with charities or local trusts, please do not hesitate to contact your local branch.

New Luton office open for business



The development of your Society continues with the opening of our new agency office in Luton. Conveniently located on Hitchin Road at DWR Sales & Lettings it is ideally placed to serve the greater Luton area. As your Director and Chief Executive, Paul Marsden commented: "We have always tried to maintain a presence within the Luton area and until the retirement in 2006 of the owner of Burgess Gifford Estate Agents, operated an agency office in Sundon Park. We were delighted when DWR approached us with the proposition of operating an agency office from within their premises, especially as they demonstrate the same

values and principles that we believe in. They have provided the community with a savings, investment and mortgage service for over 30 years and now with the assistance of HBS will continue to do so".

Angie Morris, sole proprietor of DWR Sales & Lettings added: "We are proud to offer the full range of HBS savings, investments and mortgages and to continue providing a local and friendly service to our clients - both old and new".

**The new agency office is at:
DWR Sales & Lettings,
599 Hitchin Road,
Luton, LU2 7UW.**

The more you save - the more you earn

The Escalator is our second most popular account. With over 5000 members it continues to grow in its popularity. Offering tiered rates of interest and instant access to your savings - open with just £100 and by saving regularly you will quickly increase the return on your savings.

- Instant access
- Tiered rate of interest
- Variable rate interest paid half yearly



Thank You!

One sign of a healthy building society is a high level of participation by its membership in the Annual General Meeting (AGM). Voting in HBS's recent spring 2008 AGM, at 23.52%, was up on last year's impressive level and shows HBS to have one of the highest voting rates in the UK building society movement. This high level of member engagement comes at a time of record deposits received by the Society against the credit crunch backdrop. We donated £1 to the Alzheimer's Society for every member who voted. This is the charity chosen by HBS staff this year, following donations to the NSPCC in 2007.

What Mortgage "Best National Building Society" Award

By Richard Mason HEAD OF LENDING



Your Society won a 'highly commended' award in the 'What Mortgage' "Best National Building Society" awards. The award compares building societies nationwide and is based on the Standard Variable Rate (SVR). Our success, once again, underlines our drive to provide value for money mortgages and this is demonstrated by us having one of the lowest SVRs in the country.

18 Club "commended" by Moneyfacts

By Phil Bannister HEAD OF INVESTMENTS

Following on from the success of 2007, your 18 Club savings account was 'commended' in the 2008 "Best Children's Account Provider" category in Moneyfacts magazine. With over 100 children's accounts on the market this a major achievement in a highly competitive marketplace. The account, which is popular with grandparents and parents, attracts high interest rates and provides a helping hand when the account holder reaches their 18th birthday. If you are thinking about investing on behalf of a child please contact our Investment Department on 01582 463132 or visit the new website, www.harpendenbs.co.uk for more details.



Tax free savings have been simplified

In an effort to simplify tax free savings, the Government has made significant changes to TOISAs, PEPs and ISAs.

Since April 6th 2008, two much simpler ISA products, namely a "Cash ISA" and a "Stocks and Shares ISA" have been launched. The maximum you can invest each year has also been raised from £7,000 to £7,200 for the tax year 2008/09. Existing ISAs, TOISAs and PEPs will have been automatically converted to the relevant new ISAs.

Stocks and Shares ISA

Using your full ISA allowance you can invest up to £7,200 in a Stocks and Shares ISA but please bear in mind that this erodes your Cash ISA allowance.

Cash ISA

If you wish to earn a tax free return on your cash you can invest up to the upper limit of £3,600 in a Cash ISA.

Investing in both

So, if you wish to invest in both a Cash ISA and Stocks and Shares ISA you can do so up to the £7,200 limit. Here are some potential examples:

- £3,600 to a cash ISA (maximum) and £3,600 to a Stocks and Shares ISA
- £2,000 to a cash ISA and £5,200 to a Stocks and Shares ISA
- £nil to a cash ISA and £7,200 to a Stocks and Shares ISA

Wider choice of providers and improved rates

Under the old regime, a Maxi ISA with cash and stocks and shares components had to be with the same provider. Now, the two parts can be separated and invested with different providers, allowing you the flexibility to choose the provider that works best for your investments.

Your Society has an excellent track record providing very competitive TESSA ISA interest rates with consistent appearances in published "best buy" tables. Our "Simply ISA" and "TESSA ISA" have been converted to the new "Cash ISA" which now matches the previous higher TESSA ISA rate, and the 28 day notice period previously applicable to the TESSA ISA is no longer required.



Time Deposit Accounts - for businesses and private individuals

If you are investing over £50,000 then a Time Deposit Account will earn you a premium fixed rate of interest.

Time deposit accounts are available for fixed periods of between one month and a year - tailored to suit your needs. At the end of the period, funds are repaid or alternatively a fresh term and interest rate are renegotiated. Crucially, interest is paid or compounded on the maturity date with no deduction of tax. This enables you to make a return of gross interest received and settle any liability direct with your Tax Inspector.

Your new Chairman supported by two new Board members



New Chairman Michael Willis was appointed to the post from Vice Chairman in May 2008, succeeding Roger Smith, who retires from the Board in December 2008.

Roger has been a Director of HBS since 1981 and Chairman since 1999. Since he joined, HBS has seen its assets rise from around £8m to approaching £180m today.

Your new Chairman Michael Willis joined the HBS Board in 1993 and was appointed Vice Chairman in 2000. On his appointment as your Chairman, Michael said: "HBS is in an excellent position, with a strong balance sheet, growing membership levels, record investment and at a time when the building society sector as a whole is receiving record sums from savers and investors. Our challenge will be to ensure we continue to develop the Society for the benefit of all our members".

Two new non-executive Board members have been appointed to strengthen and develop your Board in the key areas of corporate finance and marketing.



Hugh Titcomb is currently Group Chief Executive of specialist private banking group Ansbacher, based in the City of London and brings with him extensive knowledge and experience gained in a range of UK and international financial institutions.



Kate Wilson has in-depth strategy, marketing and business development experience across a wide range of businesses.

Both live in Harpenden and are keen to promote the local traditions and presence of HBS.

New website completes marketing update



You will have noticed the redesign of the last edition of Members Direct and this was the first part of a major marketing facelift with a new corporate look to be seen on all the Society's posters, literature and advertising. As your Director and Chief Executive, Paul Marsden commented: "I have received very positive comments from members and staff. The final part of the jigsaw is the new website which has been updated to reflect the new look. It is well worth a visit at www.harpendenbs.co.uk".



HARPENDEN BUILDING SOCIETY

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A MEMBER OF THE BUILDING SOCIETIES ASSOCIATION

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