



SUMMARY FINANCIAL STATEMENT for the year ended 31st December 2007

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 2008.

Approved by the Board of Directors on 26th February 2008 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 2007

- Total assets now exceed £844 million, and continue to increase in line with planned growth
- New mortgages amount to £165.4 million, an increase of over £15 million on the previous year and a new record for advances
- Mortgage balances outstanding increase by 5.6% to £594.6 million
- Net receipts for the year from savers amount to £46.6 million
- Share balances at the year end total £785.8 million
- Profit after tax for the year end increases to £3.2 million
- Careful management of variable costs have led to the management expenses to mean assets ratio reducing slightly to 1.26%, not withstanding substantial and important branch development

SUMMARY DIRECTORS' REPORT continued

KEY PERFORMANCE INDICATORS FOR THE GROUP five year table

	2007	2006	2005	2004	2003
	£m	£m	£m	£m	£m
Total assets					
Balances	844.1	793.9	751.5	701.0	656.5
% increase	6.3%	5.6%	7.2%	6.8%	5.8%
Liquid assets	£m	£m	£m	£m	£m
Balances	240.4	221.4	199.9	175.4	139.2
% of share and deposit liabilities	30.6%	30.0%	28.6%	26.9%	22.8%
Mortgages	£m	£m	£m	£m	£m
Amount advanced	165.4	150.1	138.9	108.9	140.9
Balances	594.6	563.2	542.3	516.5	508.2
% increase	5.6%	3.9%	5.0%	1.6%	10.1%
Savings and investments	£m	£m	£m	£m	£m
Net receipts	46.6	39.9	48.1	40.9	32.6
Balances	785.8	739.2	699.3	651.2	610.3
Profits and Capital	£m	£m	£m	£m	£m
Net interest receivable	14.7	13.4	12.8	12.7	11.8
Other income	1.2	0.8	0.8	0.6	0.7
Profit before tax	4.8	3.5	3.9	4.4	4.2
Profit after tax	3.2	2.4	2.7	3.0	2.9
Increase in general reserve	4.7	2.8	1.9	2.6	2.9
General reserve	52.3	47.6	44.8	42.9	43.3
Performance ratios	%	%	%	%	%
Management expenses to mean assets	1.26	1.27	1.24	1.23	1.24
Return on mean total assets	0.40	0.31	0.37	0.45	0.45
Return on mean total reserves	6.46	5.18	6.11	7.05	6.90
Gross capital	6.66	6.44	6.40	6.59	7.09
Free capital	5.69	5.35	5.28	5.40	5.82

SUMMARY DIRECTORS' REPORT continued

REVIEW OF EVENTS

Mortgages

After a relatively slow start to the year, new mortgage business increased steadily from spring onwards, owing to a range of highly competitive mortgage products. By the year-end we were able to report gross lending of £165.4 million, an increase of over £15 million on the previous year and a new Society record for advances.

During 2007 we continued our policy of offering value for money to our members through our very competitive variable rate mortgage products. This achievement was recognised once again, by consumer magazine 'What Mortgage' in the 2007 'Best Lender of the Year Awards'. We won 'Best Regional Building Society' in recognition of providing customers with long-term value.

Predictions for 2008 suggest a challenging year ahead. However, we will continue to focus on offering competitive mortgage products to meet the needs of our local market and offer good value to our members.

Savings and investments

The Society's strategy for attracting receipts continues to be focused on our branch network where we always strive to offer fair and competitive products. This strategy proved its value in the autumn of 2007 when the Society was at a considerable advantage in not having to rely on funds from a restricted wholesale money market.

Our structured deposit savings product, launched in 2006 in partnership with Credit Suisse, is now firmly established as a popular product with our customers. In addition, we launched a simple but competitive Cash Child Trust Fund in January 2007, which has also proven popular.

Branches

2007 was a busy year for our branches. During the summer we refurbished our Ely branch, at 41 High Street, providing customers with a new, bright, spacious banking hall and more comfortable surroundings. We thank our customers and our staff for their patience during the building programme and have been delighted with the positive comments received from customers since the completion of the refurbishment.

To coincide with the opening of the John Lewis store in Cambridge's new shopping centre, Grand Arcade, we carried out a refurbishment of our flagship city centre branch located at 32 St Andrews Street. It was particularly appropriate that we should be updating these premises on its 40th anniversary, our longest serving branch.

Community

Over the years, the Society has developed its support for the local community in which it operates. Our staff continue to give their time freely to local causes and have established longstanding relationships with many fundraising groups. In 2007 staff donated 2,564 hours of their own time to support 227 local fundraising events and charities.

A highlight for 2007 was the Society's sixth annual fundraising day 'Tour de Branch', supported by over 142 members of staff and their families. The event involved sponsored walks and cycle rides across various routes between the Society's branches and raised £6,000 for three local charities.

During the year, the Society continued its membership of The Outward Bound Trust Company's Bursary Scheme, which it joined in 2005. With our financial support, the Trust has been able to deliver life changing learning to groups of young people based in the Cambridge area.

During the year, the Society made charitable donations of £22,861. No contributions were made for political purposes.

Staff

The directors are delighted that the Society has retained its Investors in People standard following an external review. The assessor highlighted that a particular strength of the Society is the level of awareness of corporate, team and individual objectives across the business. The assessor reported that staff "feel valued and respected within the organisation and believe their contribution to the success of Cambridge Building Society is recognised by the executive team, managers and their peers".

The directors wish to record their 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.

SUMMARY DIRECTORS' REMUNERATION REPORT continued

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 the following factors - 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	2007				2006			
	Salary/ fee	Benefits	Increase in accrued pension	Total	Salary/ fee	Benefits	Increase in accrued pension	Total
	£	£	£	£	£	£	£	£
Non-executive directors								
I P O'Reilly (appointed Chairman 24/04/06)	33,315	-	-	33,315	26,937	-	-	26,937
R J Wolverson (Vice-Chairman)	22,015	-	-	22,015	21,375	-	-	21,375
G Coteman	16,600	-	-	16,600	16,120	-	-	16,120
B Harrison (Chairman - retired 24/04/06)	-	-	-	-	10,467	-	-	10,467
J N C Hood	16,600	-	-	16,600	16,120	-	-	16,120
J Pilcher (appointed 25/07/06)	16,600	-	-	16,600	8,060	-	-	8,060
E Powell	16,600	-	-	16,600	16,120	-	-	16,120
J Spence (appointed 25/07/06)	16,600	-	-	16,600	8,060	-	-	8,060
J M Womack (retired 26/09/06)	-	-	-	-	12,090	-	-	12,090
	138,330	-	-	138,330	135,349	-	-	135,349
Executive directors								
S J Mitcham (Chief Executive - appointed 23/04/07)**	111,190	11,953	9,948	133,091	18,707	2,053	225	20,985
C R Verrill (Secretary)*	78,385	11,949	1,130	91,464	74,160	11,085	1,302	86,547
R H Jackson (Chief Executive - retired 23/04/07)	44,204	3,525	397	48,126	128,750	9,774	2,297	140,821
	233,779	27,427	11,475	272,681	221,617	22,912	3,824	248,353
Total directors' remuneration	372,109	27,427	11,475	411,011	356,966	22,912	3,824	383,702

**S J Mitcham held the position of Chief Executive Designate from 26th September 2006 to 22nd April 2007, the remuneration disclosed reflects the payment made for this and the Chief Executive position.

*In 2007 a bonus of £2,000 was paid to C R Verrill and is included with the Salary/fee (2006: Nil). No other bonuses were paid to the directors in 2007.



GROUP RESULTS FOR THE YEAR

	2007	2006
	£000	£000
Net interest receivable	14,677	13,413
Other income and (charges)	525	(86)
Administrative expenses	(10,312)	(9,784)
Provisions	(107)	-
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Profit for the year before taxation	4,783	3,543
Taxation	(1,556)	(1,151)
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Profit for the year	3,227	2,392

FINANCIAL POSITION AT END OF YEAR

	2007	2006
	£000	£000
Assets		
Liquid assets	240,441	221,403
Mortgages	594,632	563,238
Fixed and other assets	8,664	8,969
Prepayments and accrued income	398	244
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	844,135	793,854
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Liabilities		
Shares	771,587	724,066
Borrowings	14,188	15,158
Other liabilities	2,971	2,619
Accruals and deferred income	1,238	969
Net pension liability	1,813	3,420
Reserves	52,338	47,622
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	844,135	793,854

SUMMARY OF KEY FINANCIAL RATIOS

	2007	2006
	%	%
Gross capital as a percentage of shares and borrowings	6.66	6.44
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Liquid assets as a percentage of shares and borrowings	30.60	29.95
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Profit for the year as a percentage of mean total assets	0.40	0.31
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Management expenses as a percentage of mean total assets	1.26	1.27
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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.
5. 'Free capital' represents gross capital and general provision for bad and doubtful debts, less fixed 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 2007 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
26th February 2008