



Ecology
Building Society

Annual Review 2011

Building a **greener** society

Notice of Annual General Meeting

Notice is given that the thirty-first Annual General Meeting of the members of Ecology Building Society will be held on Saturday 28 April 2012 at The Rivergreen Centre, Aykley Heads, Durham DH1 5TS at 10.30 am for the following purposes:

1. To receive the Auditor's Report
2. To receive the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31 December 2011
3. To pass an Ordinary Resolution to appoint KPMG Audit Plc as auditors until the conclusion of the next Annual General Meeting
4. To pass an Ordinary Resolution to approve the Directors' Remuneration Report for the year ended 31 December 2011
5. To consider and, if thought fit, to pass the following resolution as a Special Resolution [see explanatory note 1]:

That the Rules of the Society be amended in the manner specified in the document produced to the meeting and initialled by the Chair for the purposes of identification

6. To elect/re-elect the following as Directors of the Society:
 - i. DAVID BLACK [see explanatory note 2]
 - ii. ADAM MATTHEW DUDLEY CLARK [see explanatory note 3]
 - iii. MARK ROBERT JONES [see explanatory note 4]
7. To transact any other business permitted by the Rules of the Society

By Order of the Board

Pam Waring

Secretary

2 March 2012

Notes on voting

1. These notes form part of the Notice of Meeting.
2. There are three ways you can vote.
 - (i) You can attend the Meeting in person
 - (ii) If you cannot come to the Meeting, you can complete the Proxy Voting Form which appoints someone else (who is known as your proxy) to attend the Meeting and vote on your behalf. You may instruct your proxy how to vote at the Meeting when you complete the Proxy Voting Form.
 - (iii) You can vote online by using the secure facilities at www.votebyinternet.com/ecology12 where you will need to use the security codes enclosed with this notice. Full instructions on use will be provided on screen.
3. Your proxy does not have to be a member of the Society. He or she cannot vote for you on a show of hands but can vote on a written ballot (known as a poll). Your proxy may not speak at the Meeting but he or she can demand (or join in demanding) a poll.
4. The Proxy Voting Form contains details of who is entitled to vote. You should check Voting Conditions in Section 4 on the back of the Proxy Voting Form.
5. To be valid, your completed form must be received by The Scrutineers no later than 5.00pm on 25 April 2012. Please use the envelope provided (no stamp required).
6. If you appoint a proxy other than the Chair of the Meeting, please ensure that your proxy brings with him, or her, some form of identification to the Meeting.
7. If you prefer to attend the Meeting and vote in person, you should still read the Voting Conditions in Section 4 on the back of the Proxy Voting Form to check your eligibility to vote.

Explanatory notes

1. The Board is proposing a number of changes to the Society's Rules at this year's AGM. The Society has not carried out a full review of the Rules since 1998. It is now doing so following the publication by the Building Societies Association (BSA) of a new edition of its Model Rules (on which the Society's Rules are based). This has been produced by the BSA to reflect changes in building society law and practice since the publication of the previous edition of the Model Rules in 1997. The proposed alterations to the Society's Rules reflect very closely the wording of the BSA Model Rules. The Financial Services Authority has been consulted on the new BSA Model Rules and has indicated that it would regard its use by societies as helpful. A summary of the principal proposed changes is set out in the document headed Proposed alterations to Rules. A copy of the document setting out the proposed amendments, a copy of the existing Rules showing the proposed changes and a copy of the Rules including all the proposed changes are available on the Society's website www.ecology.co.uk, or may be obtained by a member on request to the Secretary, Ecology Building Society, 7 Belton Road, Silsden, Keighley, West Yorkshire BD20 0EE.

The Board believes that these alterations will benefit the Society and its members and recommends that members vote FOR the alterations.

2. David Black retires by rotation under Rule 26(2) and, being eligible, offers himself for re-election.
3. Adam Matthew Dudley Clark was appointed a Director on 12 December 2011 under Rule 25(4) and, being eligible, offers himself for election.
4. Mark Robert Jones retires by rotation under Rule 26(2) and, being eligible, offers himself for re-election. Due to increasing work commitments arising out of his new business Mark is seeking re-appointment for one year only.

Travel Instructions

The Rivergreen Centre is located to the north of Durham city centre, in County Durham. The Centre is easily accessible by train, coach and car from most parts of the UK.

By Rail

There are regular train services from London, Birmingham, Edinburgh and other mainline stations to Durham. The Rivergreen Centre is a 1.3 mile walk from the station along paved roads.

For information on train times, contact National Rail Enquiries on 08457 484950 or visit www.nationalrail.co.uk.

The Centre can also be accessed by bus, although if you are able to walk you may find the journey just as quick. Durham bus station is a 5 minute walk from the rail station. Regular buses stop within a 10 minute walk of the Rivergreen Centre. To plan a bus journey, visit www.travelinenortheast.info.

Taxis are available from the front of the station.

By Coach

Direct coaches to Durham are available from Leeds, Manchester, Liverpool and London. For more information, contact National Express on 08717 818178 or visit www.nationalexpress.com.

By Car

For visitors using satellite navigation, the postcode for the Rivergreen Centre is DH1 5TS.

From the A1 M (North) take the A690 towards Durham and after crossing the river turn right onto the A691 (Framwelgate Peth). At the next roundabout take the third exit onto the B6532, then at the next roundabout take the fourth exit. Continue through one roundabout and the Rivergreen Centre will be on your left. There is ample parking at the site.

From the A1 M (South) take the A177 towards Durham, cross the river, and at the roundabout take the second exit onto Hallgarth Street. Continue to the end of the street, crossing the river again, and at the roundabout take the second exit onto the A690. Follow the directions above from the A690.

If you are travelling by car, we would encourage you to car share wherever possible. You can find other people travelling on your route at www.liftshare.com.

Directors' statements



David Black

David Black

There have been a few changes in the directors recently. In particular two highly valued and experienced directors (Pam Parkinson and Janet Slade) have stood down in 2011 and 2012 respectively. I feel that it would be disruptive to stand down this year, as the Society needs to retain historical knowledge and experience in order to cope with the increasing challenges facing the mutual sector.

I would ask members to support me in that aim, although I do intend to stand down in 2013 when I hope the Society can take action to address the current gender imbalance.



Adam Clark

Adam Clark

I have been a Chartered Architect for 25 years and am a founding Director of a Yorkshire based Architectural Practice working all over the UK and Ireland. I was appointed to the Board as a Non-Executive Director at the end of 2011.

Specialising in sustainable buildings and environmental design, I am keen to expand the Society's knowledge of the developments in environmental construction techniques that are being made, so that we can provide informed lending to our members.

I am very much looking forward to helping to further develop the Society's understanding of new movements in both the physical and moral approaches to climate change, to build on its expertise in delivering innovative, ethical products and services.

In my short time as a Non-Executive Director I have thoroughly enjoyed working with colleagues to take on the challenges presented to us, and I would welcome members' support in allowing me to take an active role on the Board into the future.

Mark Jones

I am a borrowing member of the Society and have been a Non-Executive Director since 2007. My mortgage has allowed me to renovate and improve an old stone built smallholding where we keep rare breed animals. Although I am a Fellow of the Chartered Institute of Water and Environmental Management and a Chartered Engineer, due to the recession and redundancy I have had to reinvent myself and have retrained as an electrician.

Within the Society, my duties include Chair of the Remuneration Committee, member of the Board Lending Committee, and Trustee of the Ecology Building Society Charitable Foundation.

With the ever increasing burden of financial services legislation and restrictions on sourcing capital placed upon the Society by the actions of other financial institutions, the duties of the Board have become more onerous. Despite this my aim is to keep the environment in the forefront of the Society's agenda for as long as I can maintain a useful contribution to the Society and the Board of Directors.

From the Chair



It gives me great pleasure to present the Society's Annual Review in this its 30th anniversary year, in which notably the Society has broken through the £100 million of assets barrier.

To achieve this growth in assets against a backdrop of the bank base rate remaining at 0.5% is very encouraging. Despite this low rate environment, we have nevertheless continued to give value to all our savers through the minimum return of not less than 1%. On the other hand, it has been a difficult year for some borrowers, despite the low interest rates. Some of our borrowers have not been immune from redundancy or diminished self-employed income.

Measures which the Society can take to assist borrowers in difficult circumstances are contained in the Chief Executive's review.

I am delighted that in the recruitment of Adam Clark as a new non-executive director we have filled the space left by Pam Parkinson as an architect on the Board of your Society. Adam and his firm have a strong reputation in the field of green building and I am certain he will make a positive contribution to our discussions on the ecological quality of our mortgage book. The Chief Executive's review discusses the strengthening of the staff team that has also been undertaken in 2011. The Board welcomes the continued recruitment of very high calibre personnel to the Society which will provide a firm foundation for its further development.

The Society needs to generate profits to provide capital to underpin further growth in lending, and thereby fulfil the aims of the Society. Our net profit was 24% higher than in 2010 and so remained a strong performance area. Profit has been dragged down since 2007 because of the Society's contribution to the Financial Services Compensation Scheme levy, which has been used to protect savers in those banks that had an imprudent financial model. It is likely that profits will continue to be depressed for some time to come until the crisis resolves. The Society is therefore reviewing its options regarding capital to see whether it can create a financial instrument in which members might wish to participate that satisfies the more stringent requirements for Mutual Society capital required by the European banking authorities. The purpose of such capital would be to permit the Society to do more green lending as a Mutual Society, including expanding our programme of community-based locally owned housing assets and affordable green homes.

It has been interesting to note the heightened prominence of the concept of mutuality as a component of the Big Society. The coalition Government has even appointed a Professor from the London School of Economics to promote mutuals in the Cabinet Office. Historically, both financial services mutuals and non-financial services mutuals have been the responsibility of HM Treasury. More and more commentators on the mutual sector are suggesting that it is time for mutuals to be considered as a mainstream way of doing business and therefore the responsibility of the Department of Business, Innovation and Skills rather than as an afterthought within HM Treasury. I hope this commentary is listened to by the Government so that the mutual sector is strengthened and encouraged to grow.

I wish to thank our members for their continued support and engagement with the Society evidenced through increased saving, borrowing and member contributions to our forward development by, amongst other things, comment on our lending policies and willingness to review our new website and also our other publications. We look forward to welcoming you to our 31st Annual General Meeting in April.

A handwritten signature in dark ink that reads "Malcolm Lynch".

Malcolm Lynch
Chair
2 March 2012

Chief Executive's review



Overview

A building society is only as good as its people, and so this year I would first of all like to draw members' attention to the improvements in and extension of the Ecology Team in 2011.

George Haslem arrived at the beginning of the year as Chief Operating Officer, with a focus on the efficient functioning of the operational side of the Society, including all aspects of the Society which members need to engage with. George has tremendous experience in the building society world to bring to bear in his role with us. **Anna Laycock** joined us from a social enterprise in Bradford as our Communications and Research Manager, and in 2011 led our initial venture into social media and the development of our new website. Anna has a masters degree in Global Ethics and previous roles have included spells at Divine Chocolate and Oxfam. We saw the retirement of much-loved George Wambold as Technology Manager, and the arrival of his very able successor **Richard Saville**, who amongst other initiatives has rebuilt our server farm and begun rewriting our internally-developed computer applications on a more modern software platform. Our new Finance Administrator is **Andrea Chatham**, who has hit the ground running and is working towards completing her accounting technician qualification. During the year the mortgage and savings teams were also strengthened by the recruitment of **Fiona Julian**, **Matthew Feeney** and **Andrew Wyatt**, who all have made good progress.

Some of this recruitment was due to a desire to increase our communications capabilities and to bolster service levels, but inevitably some is due to heightened compliance and regulation requirements. All of this adds up to a short term increase in cost but we will quickly see the benefits over the next couple of years. What it does demonstrate is the confidence your Board has in the future prospects of the Society, such that the Society is an organisation recruiting staff against a background of rising unemployment.

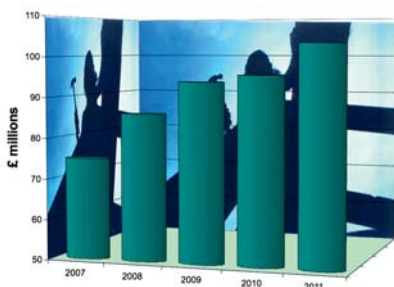
This confidence arises partly from a tangible increase in engagement with environmental concerns, paradoxically due to heightened concern about public policy in a number of areas fuelled by the financial crisis, but also from the solid financial performance that we have experienced during 2011, in particular:

- Growth significantly up on the planned low level experienced in 2010
- Record gross lending
- Inflows of savings double the expected levels
- Strong profitability.

I comment on all of these areas in more detail below, along with the key performance indicators that the Board uses to measure the Society's financial progress, the service we provide to our members and our impact on the environment and community. Each of the sections below contains comment in **green** to indicate specific responses to environmental responsibility and good corporate governance.

Asset growth

Overall growth in assets was much higher at 8.1% than the 1.8% experienced in 2010. The Society believes in restricting the level of uncommitted funds held by the Society, at the expense of overall growth, as we do not feel it sits well with the mission of the Society to take in excessive funds that cannot be deployed with projects that meet our lending criteria. To do so would distort the market for ethical deposits, and reduce the social and environmental dividend obtained by our members. The strong lending performance during 2011 enabled the Society to take on board a much higher level of deposits from members without the liquidity ratio becoming too high.



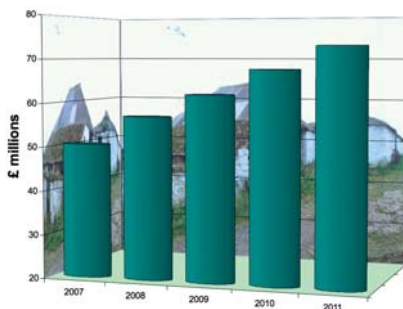
Mortgage lending

Mortgage asset growth dropped slightly from the previous year, amounting to 7.6% (2010: 9.3%). Gross lending for the year was the highest on record at £18.3m (2010: £14.5m), with net lending of £8.9m (2010: £10.0m). We had expected to improve on our net lending figure of 2010, so this was the one area where we did not meet our expectations. This was due to an increased level of redemptions, which had been much lower than usual in the previous two years. The increase in redemptions seems to have been driven by a belief that base rates would rise during the year, which as the Executive expected, proved not to be the case.

An increase in gross lending tends to be viewed as more important by Society management as it represents new lending and therefore more properties undergoing environmental transformation. Consequently, it is therefore a stronger indicator that the Society is fulfilling its primary purpose in promoting an environmentally informed lending programme. The increase in mortgage assets shows that the lending proposition of the Society continues to serve the needs of our borrowing community.

Total provisions against possible mortgage losses increased to £659,000 (2010: £577,000). The Society cannot expect to be immune from the effects of the downturn, but nevertheless arrears remained below the industry average. The Board has taken the view that although the priority of management is to minimise the incidence of loss, it is appropriate to account for the probability of such losses occurring.

The Society will wherever possible exercise forbearance when borrowers are experiencing difficulty relating to the prevailing economic conditions. Where the risk to the borrower is not unduly increased, and gives the borrower breathing space to sort out their financial affairs, the Society will consider payment holidays, changes to payment schedules, interest-only arrangements and amendments to the term of the mortgage. Current mortgage loss provisions include some accounts where forbearance is being exercised, and where there is a possibility of a loss being incurred.

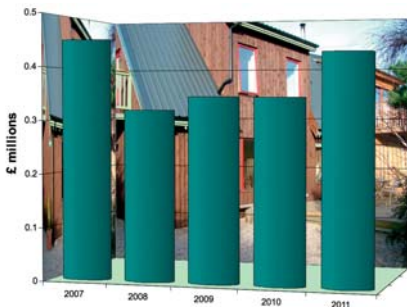


Profit and capital

The Society aims to generate sufficient profit from its activities to ensure that it has enough capital to underpin its future lending programme and other business assets. *Since it has no equity shareholders, it does not need to generate excess profits to make dividend payments.*

Profit after tax

Net profit (surplus) for the year was 24% higher at £425,000 (2010: £343,000). This remains a strong performance despite an increase in administration costs and the FSCS levy. Net profit adds directly to the capital of the Society, and it is important to increase capital resources in line with increased demand for the services of the Society, thereby protecting members' funds from the effect of any future potential losses. Increased capital also increases our ability to lend in absolute terms and to consider lending on larger projects.

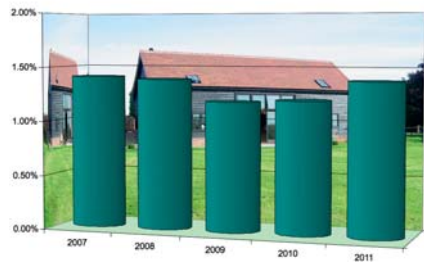


Members need to be aware that the profit levels are currently depressed by the ongoing need to contribute to the resolution arrangements for a number of failed financial institutions including the Bradford and Bingley, which will be the case for some years to come. In fact, we understand that the Treasury wishes to see the amount we pay substantially **increased** in the near future, and we are currently awaiting the outcome of the Treasury's deliberations.

Management expenses ratio

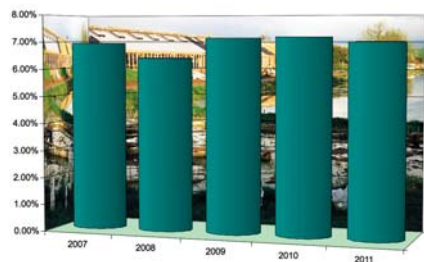
The management expenses ratio increased significantly to 1.39% (2010: 1.21%). The main cause of this was the increase in resource and associated remuneration costs as mentioned in the introduction. Overall administration costs therefore grew by 21.85% in comparison to 7.68% in 2010.

This rise followed a further slight increase in 2009, however it is anticipated that the increase in costs during 2012 will be much lower, as the Society is unlikely to recruit so extensively.



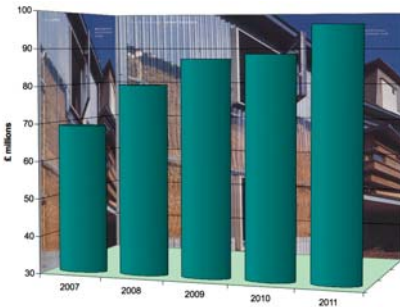
Gross Capital Ratio

Changes in the solvency regime mean that for the present time, the Gross Capital Ratio provides a more comparable measure than the Solvency Ratio. The Gross Capital Ratio reduced slightly in 2011 to 7.03% (2010: 7.20%), due to the addition of fixed assets which represented necessary investment in the operational facilities of the Society.



Savings

Savings balances increased by 8.45% (2010: 1.59%), growing from £88.65m in 2010 to £96.14m by the end of 2011. This inflow was double that expected for the year, showing the continued strong interest in the lending programme of the Society. *Throughout the year, the Society continued its longstanding commitment to never pay less than 1.00% interest to savers.*



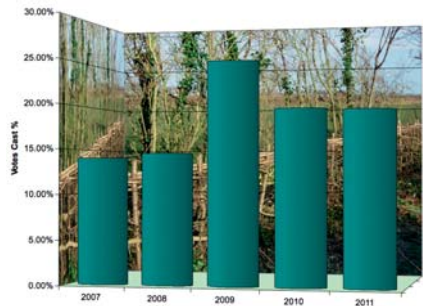
Increased lending meant that the proportion of liquid funds in the Society's assets increased only slightly to 30.03%, from 29.64% in 2010.

The Society has always believed that holding more liquidity than is required for prudential reasons does not fit with the ethical deposit-taking model as it distorts interest rates in the market and means that a higher proportion of your deposit is not deployed to support social and environmental lending projects.

Finally, it necessarily remained the case that in 2011 counterparties (banks and other building societies) were selected primarily for their financial safety rather than as a result of our established policy of examining their environmental and ethical track record – which we continue to monitor and record.

Member relations

2011 was an unusual year for the Society in terms of member events, as we had a more conventional AGM back at the Head Office, before heading off to the Centre for Alternative Technology in June for our special 30th anniversary members' conference, attended by over 150 people. Members in attendance enjoyed a varied programme of tours, seminars, training sessions and a celebratory dinner and music on the Saturday evening. Much more information about the Conference is given in the special issue of the Newsletter produced after the conference, which is still available. Perhaps as a result of splitting the event, the proportion of members voting was slightly down from 19.30% in 2010 to 19.17%, and surprisingly the proportion of votes cast electronically reduced from 34.09% in 2010 to 31.65% in 2011. This year for the first time a short poll accompanied the electronic voting facility, and we intend to continue making use of this method of gathering members' opinions.



Our place in the community

The Society's commitment to change extends beyond the immediate impact of our mortgage lending. As a mutual, we look for the widest application of mutual governance in economy and society, an expanded democratic space and by extension the support and growth of sustainable, cohesive communities with the potential to exercise control over their own wealth and wellbeing. This is the basis of our giving of both time and money.

During 2011, this was reflected in our support of a wide variety of organisations and initiatives that contribute to sustainability at a local, national or international level, either directly through the Society or via our associated charitable foundation. These included:

- *New Economics Foundation programme at the Hay Festival 2011*
- *Future Finance forum of the World Future Council*
- *Roundhay Live Community Festival - Leeds*
- *Making our Money Work for a Better World - Belfast.*

The Ecology Building Society Charitable Foundation made grants to Balsall Heath is our Planet (West Midlands) and Monkton Wyld Court, a sustainable living education initiative based in Dorset.

In addition we are members of a number of organisations such as UK Social Investors Forum, Sustainable Building Association (AECB), Schumacher Society, Woodland Trust, Development Trusts Association, Northern Ireland Environment Link, Scottish Ecological Design Association and the Energy Efficiency Partnership for Homes. In 2011 we became full members of the Institute for Social Banking based in Bochum, Germany and began a programme of sending colleagues on the Summer School training courses that the Institute runs, thereby deepening our ties with other ethical financial institutions across the globe.

In 2011 we gifted time to a number of organisations including the International Association of Investors in the Social Economy (INAISE), Passivhaus Trust and HALE Project.

Our Earthsaver Bonds continued to generate donations for Practical Action, the leading international development charity, and the Centre for Alternative Technology. We maintain shareholdings in the Ethical Property Company, the Phone Co-op and Ecos Trust, and where possible we place funds with other Social Economy financial institutions such as Charity Bank.

The three main internal developments regarding our Environment Policy in 2011 were that:

- *We conducted staff training on environmental awareness, including a visit to Hockerton Housing Project*
- *We replaced paper towels with the latest hand dryer technology*
- *We also obtained planning permission for our new solar water heating system at the HQ building.*

Our main commitments for 2012 are to:

- *Improve procurement procedures*
- *Conduct further staff training on carbon management*
- *Review the performance of the HQ building in terms of energy efficiency and air-tightness, conducting any remedial work identified.*

We intend to further develop our programme of engagement in 2012, not least with volunteering activity in the communities local to our head office location.

Future development of the Society

Having recruited widely in 2011, we will be able to reap the benefits in 2012. A key part of our work will be promoting and elaborating on our four core values – sustainable lending, ethical savings, affordable housing and mutualism. We believe these values are core to a more sustainable economy and society, in which our financial system is democratic, transparent and socially useful, and everybody has access to a decent, low impact home in a resilient, cohesive community.

We expect to make good progress in increasing our profile, on the back of the sound principles on which we base our business activity. Many key public debates at the present time reflect the long-held views of the Society and its members, and we will be focussed on being part of that on-going conversation.

We will continue to improve our mortgage facilities and our services to members generally within the context of social and environmental lending. And we will continue to play our part in green and wider communities locally, nationally and increasingly, internationally.

On the financial front, another year of growth is expected – with the caveat that failure to solve the present Eurozone crisis will have wide ramifications. However, the Society is well placed to weather any turbulence. During the course of the year, a lot of focus will be on developing our capital plans and we will inform members of these when they take a more final shape.

Finally, we will do our utmost to justify the continued confidence of our members in the mission of the Society, without which we would not be able to make our continued impact on the environmental challenges that face us.



Paul Ellis
Chief Executive
2 March 2012

Summary financial statement

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 from the head office after 16 March 2012.

Summary directors' report

The business review for 2011 is discussed in the Chief Executive's review on page 6.

Summary Financial Statement for the year ended 31 December 2011

Results for the year	2011	2010
	£000	£000
Net interest receivable	2,057	1,982
Other income and charges	38	35
Administration expenses	(1,388)	(1,146)
Provisions	(94)	(407)
Provisions for FSCS Levy	(54)	(19)
Profit for the year before taxation	559	445
Taxation on profit on ordinary activities	(134)	(102)
Profit for the year	425	343
Financial position at end of year	2011	2010
Assets		
Liquid assets	28,869	26,277
Mortgages	72,982	67,843
Fixed and other assets	1,601	1,567
Total assets	103,452	95,687
Liabilities		
Shares	90,175	83,335
Borrowings	5,968	5,313
Other liabilities	549	456
Subordinated liabilities	1,246	1,494
Reserves	5,514	5,089
Total liabilities	103,452	95,687

Summary of key financial ratios

	2011	2010
	%	%
Gross capital as a percentage of shares and borrowings	7.03	7.20
Liquid assets as a percentage of shares and borrowings	30.03	29.64
Profit for the year as a percentage of mean total assets	0.43	0.36
Management expenses as a percentage of mean total assets	1.39	1.21

Gross capital represents the general reserves and subordinated liabilities as shown in the balance sheet.

Liquid assets are taken from the items so named in the balance sheet.

The **profit after taxation** is the profit for the year as shown in the income and expenditure account.

Management expenses are the administrative expenses plus depreciation and amortisation for the year as shown in the income and expenditure account.

Mean total assets are the average of the 2011 and 2010 total assets.

Approved by the Board of Directors on 2 March 2012 and signed on its behalf by

M.J. Lynch Chair, P.C. Ellis Director and Chief Executive, P. Waring Director and Secretary.

Independent auditor's statement to the members and depositors of Ecology Building Society

We have examined the summary financial statement of Ecology Building Society for the year ended 31 December 2011 set out on pages 12 to 13.

This auditor's 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 auditor

The directors are responsible for preparing the summary financial statement within the Annual Review 2011 in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Annual Review 2011 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 Annual Review 2011 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 2008/3 *The auditor's statement on the summary financial statement in the United Kingdom* issued by the Auditing Practices Board. Our report on the society's full annual accounts describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report.

Opinion on summary financial statement

In our opinion the summary financial statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of Ecology Building Society for the year ended 31 December 2011 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Jonathan Holt

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

St James Square, Manchester, M2 6DS

2 March 2012

Summary directors' remuneration report

In 2011 recruitment at senior manager level led to the pay scale of the Executive being revised. Whilst the Executive have been happy to accept lower than the market rate the Board decided that this was no longer appropriate.

	2011 Fees £000's	2010 Fees £000's
Malcolm Lynch	13	8
Tony Taylor	10	9
Janet Slade	10	8
David Black	10	7
Pamela Parkinson (Jan-Apr 2011)	3	9
Mark Jones	10	9
Steven Round	8	1
Adam Clark (Appointed December 2011)	1	-
Totals	65	51

	Salary £000's	Profit Related Pay £000's	Taxable Benefits £000's	Contributions to Pension Scheme £000's	Total £000's
2011					
Paul Ellis (Chief Executive)	70	2	2	6	80
Pam Waring (Finance Director)	62	1	1	5	69
Totals	132	3	3	11	149

	Salary £000's	Profit Related Pay £000's	Taxable Benefits £000's	Contributions to Pension Scheme £000's	Total £000's
2010					
Paul Ellis (Chief Executive)	60	3	3	5	71
Pam Waring (Finance Director)	46	2	1	4	53
Totals	106	5	4	9	124

The pension cost represents the contributions made by the Society during the year to the directors' individual personal pension plans. A contribution of 8% of gross salary is paid in respect of PC Ellis and P Waring.

Remuneration policy

The Society has a long established policy that no basic salary will exceed a maximum of five times the lowest full grade available.

The Society makes contributions to a group personal pension for each member of staff. A death in service scheme is operated which pays a lump sum of four times basic salary. A profit related pay scheme is also in place. These arrangements apply equally to all qualifying staff, with no enhanced arrangements for senior management.

Savings interest rates during 2011

	AER/Gross pa %
1.1.11	
Ordinary Share	1.00
Ordinary Deposit	1.00
Eco-Instant and Corporate Deposit	
£1 - £499	1.00
£500 - £4,999	1.00
£5,000 - £9,999	1.00
£10,000 and over	1.00
Charity Deposit	1.00
Earth saver Bond Issue 2, Issue 3 and Issue 4	
£500 - £4,999	2.00
£5,000 - £9,999	2.00
£10,000 and over	2.25
Eco-60 Share	
£500 - £2,499	1.00
£2,500 - £4,999	1.00
£5,000 - £9,999	1.00
£10,000 - £24,999	1.50
£25,000 and over	1.80
Earthwise Cash ISA	2.00
Foundation Supporters	2.00
Foundations Share	1.00
Foundations Cash ISA	2.00
Foundations Deposit	1.00

Interest is paid or credited after deduction of income tax at the appropriate rate. All interest rates are quoted gross. AER stands for Annual Equivalent Rate and provides a means of comparing interest rates by showing what the rate would be if interest were paid and added once a year.

Mortgage interest rates during 2011

Basic Variable Mortgage Rate

1.1.11
4.90%

Bank of England Base rate during 2011

1.1.11
0.50%

Please contact the office for current interest rates or visit our website www.ecology.co.uk.

2011 : Our year in numbers

£18 million

lent across 126 sustainable properties and projects

85%

to residential properties (including owner-occupied, buy-to-let and shared ownership properties)

15%

to developments for community gain (including charities, housing cooperatives and community businesses)

"Viva EBS! You are one of a kind."

Our strongest area of lending was the South West, with our lowest lending levels in Northern Ireland

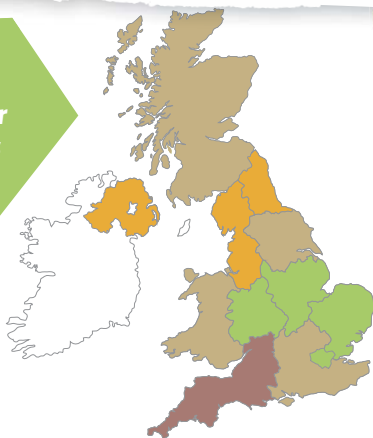
SPREAD OF LENDING

Below 5%

5% to 9%

10% to 14%

15% or more



We supported

70 new build projects

15 conversions

23 renovations

"Thanks Ecology – you were the only organisation who could make our non-conventional building renovation possible."

"A huge thank you, then now and forever, to EBS, for their foresight, help and support through the years."

The total amount lent out at 31 December 2011 was

£73.6 million

57 projects were timber framed

42 were made of brick or stone

2 were built with straw bales

162 people attended our Anniversary Conference at the Centre for Alternative Technology, Machynlleth

100%

enjoyed the Conference and

92%

learnt something that will help them live more sustainably

"Keep doing what feels right. Keep being different!"

Ecology Building Society, 7 Belton Road, Silsden, Keighley, West Yorkshire BD20 0EE.

T 0845 674 5566 F 01535 650780 E info@ecology.co.uk W www.ecology.co.uk

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