

**COPY FOR YOUR
INFORMATION**

Dear ,

Interest Rate Changes Effective from 1st December 2008

Following the recent announcement by the Bank of England that its Bank Base Rate (BBR) has been reduced by 1.50%, we have reviewed our Mortgages and Savings interest rates to ensure that, as a mutual society, we continue to treat all our members as fairly as we possibly can.

Information for Borrowers

All borrowers with Bank Base Rate tracker type mortgages will receive the full 1.50% reduction with effect from 1st December 2008, in accordance with terms and conditions on their mortgage accounts.

All other borrowers will benefit from a reduction of 0.90% in their interest rate as a consequence of our **Standard Variable Rate (SVR)** being reduced to **5.24%**, also (in the majority of cases) with effect from 1st December 2008. Whilst we have been unable to pass on the full 1.50% BBR reduction, we would like to remind our borrowers that the reduction is relative to the base from which it is deducted; as the Holmesdale Building Society's SVR was one of the lowest in the UK, our new SVR remains highly competitive and, more importantly, it is not subject to any arrangement fees for new mortgages which are now becoming commonplace in the financial services industry. We are confident that our new SVR still represents a fair deal for our borrowers when compared on a like for like basis in the overall market.

Information for Savers

We remain conscious that many of our members rely on the income generated from their savings and that the substantial reduction in the BBR could have a significant impact on their income. Therefore, we are only reducing our savings rates by 0.90% with effect from 1st December 2008, instead of the full BBR reduction of 1.50%. So, although rates are falling, we are protecting our saving members by 0.60%. Coupled with the gain made at the previous rate change in November, this now means that **all** our savings rates are **effectively 0.75% higher** than they would have been had we applied the full reduction of the last two Bank of England interest rate changes. We are confident that our new savings rates are pitched at a competitive level, if compared on a like for like basis with other branch based accounts. And, of course, you will continue to receive a personal service which, I believe, is second to none. Indeed, you may decide that you wish to "top-up" your savings from other sources when you compare our rates.

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Finally, on behalf of your Board, I should like to inform our members that it has not been easy arriving at these decisions regarding our interest rates. We have had to weigh up, very carefully, the situation faced by both our savers and borrowers in such a turbulent financial market. We have gone to great lengths to be as fair as possible to members, some of whom have opposing priorities.

However, in such a fast moving market, we may have to make further changes, especially when the full burden of the Government levy on all UK banks and building societies in respect of the bail out of failed banking institutions becomes known... In the meantime, rest assured that we will do whatever we can to minimise the impact of such levies.

We remain a traditional, prudent building society where the member still comes first. With 153 years of service under our proverbial belt, you can be assured that our values remain the same today as they have always been; you can invest in the knowledge that your money will be safe and secure and looked after by staff who will give you the personal and individual attention you deserve.

Yours ,

K.C. Morgan

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KEVIN C. MORGAN
Chief Executive

kevin.morgan@holmesdale.org.uk