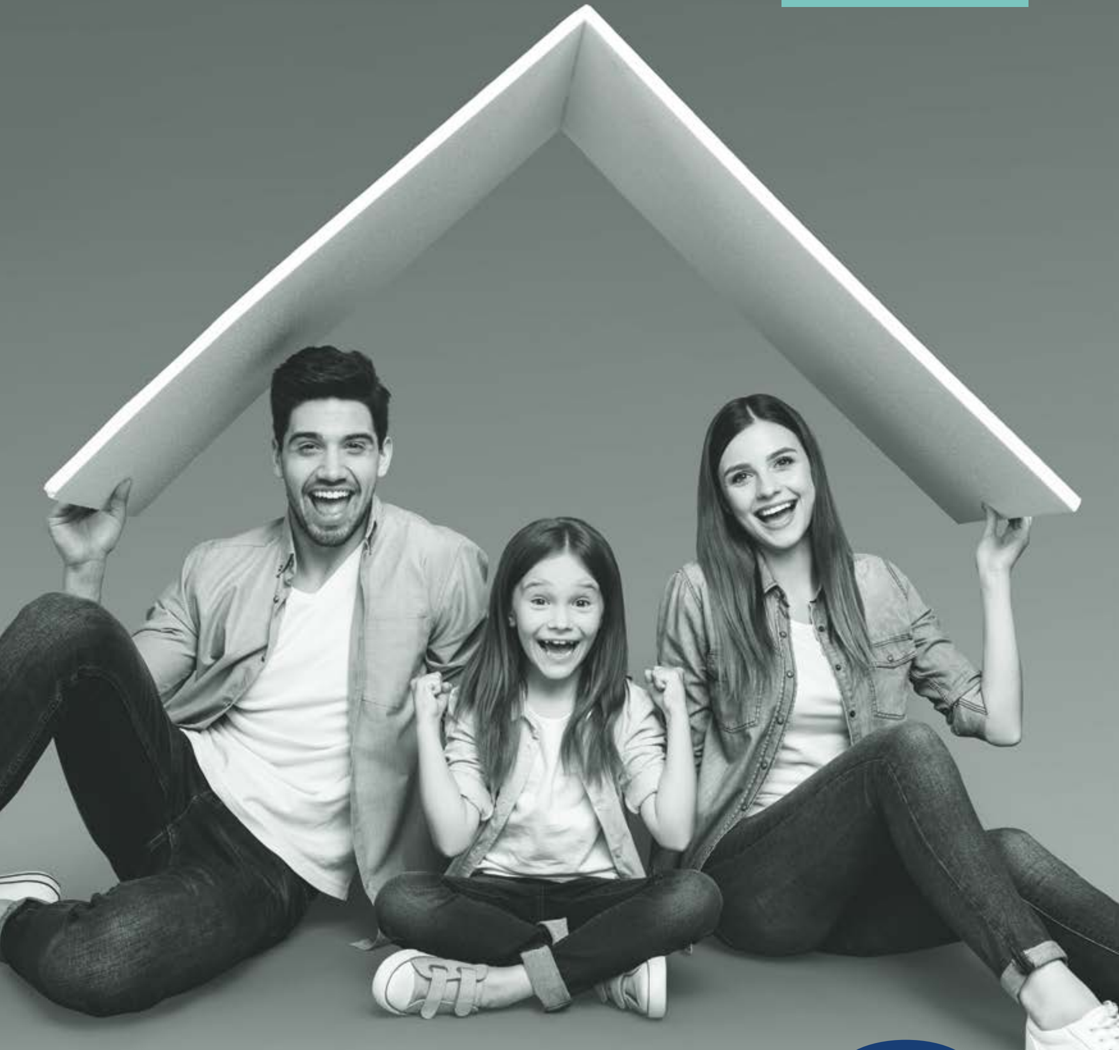
At the heart of family life

THE FAMILY BUILDING SOCIETY



MEMBERS' UPDATE 2020

Incorporating Notice of AGM, voting information and Summary Financial Statement

ncbs national counties building society

First choice

OUR AIM IS TO BE THE FIRST CHOICE FOR FAMILIES' MORTGAGES AND SAVINGS. WE BELIEVE THAT FAMILIES WHO WORK TOGETHER ACROSS THE GENERATIONS DESERVE SAVINGS AND MORTGAGE CHOICES THAT ARE BACKED BY EXCELLENT PERSONAL SERVICE AND INNOVATIVE PRODUCTS.

THAT'S WHY WE ARE PARTICULARLY PLEASED THAT SOME OF THE UK'S LEADING MORTGAGE AND SAVINGS PUBLICATIONS AND WEBSITES HAVE RECOGNISED OUR EFFORTS ACROSS 2020.

Below is a list of the many accolades we have collected throughout 2020.

MONEYFACTS AWARDS 2020

Moneyfacts awards are determined with thorough monitoring of the products in the market throughout the year to decide the winners.

In the 2020 awards we won **Best No Notice Account Provider** and were Highly Commended in the **Best Building Society Savings Provider** category.

WHAT MORTGAGE AWARDS 2020

These are highly coveted awards where lenders are nominated and voted for by the public. In 2020 our Family Mortgage was a winner in the **Best Guarantor/Assisted Mortgage Lender** category.

LEGAL & GENERAL MORTGAGE CLUB AWARDS 2020

Family Building Society was a finalist at the Legal & General Mortgage Club Awards 2020, in the **Best Lender for Later Life Lending** category.

PERSONAL FINANCE AWARDS 2020-2021

And finally, we're delighted to announce that we have been awarded the **Best First Time Buyer Mortgage Provider** from Personal Finance, for the third consecutive year, proving we help everyone from the first time borrower through to the last time borrower.

THIS YEAR'S ANNUAL GENERAL MEETING ('AGM') WILL BE HELD REMOTELY AT 2PM ON WEDNESDAY 28 APRIL 2021.

FULL DETAILS CAN BE FOUND IN YOUR VOTING PACKS.

A message from your Chairman

RODGER HUGHES

The formal notice of the meeting is on page 6 of this booklet and further information about the resolutions to be considered at the AGM can be found on page 7. In current circumstances members will be not able to attend the meeting in person so we have made special arrangements to enable members to attend remotely. All the information you need to vote on the resolutions is included in this booklet and in the personalised Appointment of a Proxy and Voting Form which accompanies it.

You can vote online or by post. As online voting costs us less, we will again donate 25p to the Royal Marsden Cancer Charity for each online vote.

DIRECTORS

In accordance with the Corporate Governance Code that recommends that all Board Directors seek re-election each year, you will see that Eight of the Board members are seeking re-election this year – Mark Bogard, Andrew Barnard, Christopher Croft, John Cole, Fiona Crisp, Patrick Muir, Simon Wainwright and myself. In addition, our new Non-Executive Director, Susan Sharrock Yates, is standing for election.

2020 WAS A TESTING YEAR FOR EVERYBODY BUT YOUR SOCIETY HAS COME THROUGH IT REMARKABLY WELL. THE SHIFT TO HOME-WORKING WAS HUGELY DISRUPTIVE BUT SERVICES TO MEMBERS HAVE BEEN MAINTAINED THROUGHOUT THANKS TO THE DEDICATION OF OUR PEOPLE.

BUSINESS REVIEW

Group total assets increased by 3% to £2,439 million and loan balances by 2% to £1,869 million. Statutory profit before tax for the year was £7.4 million and underlying profit before tax was £7.2 million. Reserves increased by £4.4 million to £116.5 million. The reduction in underlying profit from the previous year primarily reflects the reduction in net interest income. This is because of the squeeze on margins from low interest rates.

In common with other building societies we extended forbearance to mortgage holders under financial pressure as a result of the impact of Covid-19. The vast majority of them have now resumed repayments and the number of accounts in arrears by more than twelve months at 31 December is no higher than a year ago. Although unemployment is expected to rise in 2021, creating more personal financial issues, the low loan to value ratio of the Society's mortgage book means that our position is strong relative to others. Consequently the charge for impairment losses this year was only £0.2m.

As any saver knows only too well, interest rates are at historically very low levels. We cannot buck the market but have consistently offered above average rates to savers. In April 2020 we reduced our borrowers' rates following the Bank of England's cuts in March but waited a further two months before starting staggered reductions of our savings rates, which remained highly competitive. As a result our liquidity has run at higher rates than we would normally target. Our innovative Market Tracker and Windfall Bond products have again proved particularly popular.

Following John Howard's retirement from the Board at last year's AGM, Patrick Muir was elected as Vice Chairman. The Board was further strengthened by the appointment of Susan Sharrock Yates as a Non-executive Director, after a thorough process using an external recruitment agency. Susan, who was until recently the Aviva Group Treasurer, will stand for election by members at the forthcoming AGM.

Early in the year an independent external evaluation of the Board was undertaken by BP&E Global. I am pleased to report that the overall conclusions were very positive. That said we are not complacent and a number of suggestions to further enhance our effectiveness are being actioned.

The requirement to work from home as much as possible during lockdown has been challenging both logistically and personally for our staff. The investment in a new virtual desktop infrastructure system that I referred to in my statement last year has really paid off in facilitating secure remote working.

The offices and branch have been made Covid secure and much effort has gone into supporting the health and wellbeing of staff.

Overall the culture and resilience of the organisation has been tested and not found wanting.

While interest rates are expected to remain low for some time, there are some signs that the squeeze on margins may ease a little in 2021. A crash in house prices, which some had predicted, now looks very unlikely and as I write the consensus seems to be that they will remain broadly flat over 2021 as a whole, following the unexpected rise last year.

2020 was a time to focus on immediate issues so we held back from adding to existing initiatives. We intend to step back, take stock and produce a new corporate plan this summer.

Our purpose remains unchanged and we shall continue to seek to improve the efficiency and effectiveness of the Society in meeting the needs of Members. That means investing in systems, people and product development and deploying our capital for the best returns.

Mark and his team have built real momentum in recent years and once we come out of the Coronavirus tunnel we want to regain that impetus. The way in which the Society has coped with the challenges of 2020 gives me every confidence that we shall do so.

Rodger Hughes
Chairman

Notice of AGM

NOTICE IS HEREBY GIVEN THAT THE 2021 AGM OF NATIONAL COUNTIES BUILDING SOCIETY WILL BE HELD AT 2PM ON WEDNESDAY 28 APRIL 2021 AT EBBISHAM HOUSE, 30 CHURCH STREET, EPSOM KT17 4NL FOR THE FOLLOWING PURPOSES:

1. To receive the **Directors' Report, Annual Accounts, Annual Business Statement** and **Auditor's Report** for the year ended 31 December 2020.
2. To re-appoint **KPMG LLP** as auditor of the Society.
3. To approve the **Report on Remuneration**.
4. To consider and, if thought fit, pass the following as a Special Resolution:

   That the Rules (2021 Edition) laid before the Meeting shall be adopted in place of the existing Rules of the Society (2014 Edition) and shall take effect on such date as the Board shall determine.

   If you do not vote either for or against item 4 above or withhold your vote, your proxy will be free to vote or abstain from voting as he or she thinks fit.
5. To elect **Susan Sharrock Yates** as a Director of the Society.
6. To re-elect **Rodger Grant Hughes** as a Director of the Society.
7. To re-elect **Mark Alexander Bogard** as a Director of the Society.
8. To re-elect **Christopher Rendell Croft** as a Director of the Society.
9. To re-elect **Andrew David Barnard** as a Director of the Society.
10. To re-elect **Fiona Mary Crisp** as a Director of the Society.
11. To re-elect **Patrick Harry Muir** as a Director of the Society.
12. To re-elect **Simon Wainwright** as a Director of the Society.
13. To re-elect **John Cole** as a Director of the Society.

By order of the Board:
Christopher Rendell Croft, Secretary National Counties Building Society.

Date: 1 March 2021

NOTES

1. These Notes form part of the Notice of AGM above.
2. A member entitled to attend the event and vote at the AGM may appoint one proxy to attend and, on a poll, vote at the meeting instead of him/her. The proxy may be the Chairman of the meeting or anyone else who need not be a member of the Society. The member may direct the proxy how to vote at the meeting. Your proxy may vote for you at the meeting but only on a poll. Your proxy may not speak at the meeting, except to demand or join in demanding a poll.
3. Voting conditions are contained in the Society's Rule 36 and are summarised on the reverse of the enclosed Voting Form. A copy of the Rules is available upon request to the Society.
4. You cannot attend the meeting at the physical venue. Admission to the meeting will be permitted by using the login information provided to you in your voting pack.

EXPLANATORY NOTES ON RESOLUTIONS

AT THE SOCIETY'S AGM

We hope that as many of our members as possible can attend the Society's AGM remotely, but if you are unable to attend in person you are invited to participate in the business conducted using the enclosed personalised Appointment of a Proxy and Voting Form. The reverse of that document contains details in relation to voting eligibility and guidance in respect of online and postal voting.

An important element of the constitution of building societies is the reporting to members by the Auditor and Directors and these are covered by the first item on the meeting agenda. The Auditor's Report sets out what they have examined and the view they have formed regarding the information disclosed by Directors. The Directors' Report, Annual Accounts and Annual Business Statement provide a great deal of information concerning the financial position of the Society and the Group. A summary of the full Report and Accounts, the Summary Financial Statement, forms part of this document. Members wishing to see the full version of the Report and Accounts may do so on request to the Society or via our websites (ncbs.co.uk and familybuildingsociety.co.uk) from 30 March 2021 onwards. **Members are invited to vote in respect of the Directors' Report, Annual Accounts and Annual Business Statement, and the Board recommends that you vote "FOR" their formal receipt.**

Item 2 on the agenda is a resolution to re-appoint KPMG LLP as auditor of the Society. KPMG were first appointed to the Society's audit in 2005.

Independence of the audit is maintained through periodic rotation of the staff and manager as well as the partner responsible. **A competitive tender was held in 2016 prior to KPMG's reappointment that year and your Board recommends that you vote "FOR" their re-appointment.**

Item 3 on the agenda is a resolution to approve the Report on Remuneration. The background to this lies in the UK Corporate Governance Code. Although this Code applies to listed companies, the Board believes that the Society should, where relevant, have regard to its principles and provisions. An advisory vote on the Report on Remuneration is part of the Code and the Society has decided to include this on the agenda for its AGM. **The Report follows these explanatory notes and you are invited to vote "FOR" its approval.**

Item 4 of the agenda covers our proposal to amend the Society's rules. Since 1961, the BSA has produced the Model Rules for Building Societies for use or adaptation by societies. The latest version of the Model Rules is the Seventh Edition and was published on 25 January 2021. We are proposing to update our Society's Rules in line with the Model Rules as they have been created in light of some of the changes that have occurred as a result of the Covid 19 pandemic.

We are proposing to update the rules:

- to allow members' meetings to be held electronically and/or in more than one physical location;
- to clarify the procedures for adjourned meetings;
- to clarify the quorum requirements for meetings;
- to improve the requirements regarding giving notice of meetings in the event of disruption to postal services; and
- to reflect the requirements of The Mental Health (Discrimination) Act 2013.

There are also some re-numbering and minor typographical changes to make to the rules.

If you would like to see the proposed new rules in full please visit our website at ***https://familybuildingsociety.co.uk/rules***

Your Board recommends that you vote "FOR" the new rules.

Items 5 to 13 on the agenda cover the re-election of previously elected Directors and the election of the newly appointed Non-executive Director. Brief personal details of each Director are provided on pages 14 to 16 of this booklet. All of the Directors standing for election and re-election bring different but complementary skills and experience to the Board, ensuring that its overall composition is appropriate for the range of activities undertaken by the Society. **Your Board recommends that you vote "FOR" these Directors of the Society.**

Should you have any queries about the business to be conducted at the AGM, please do not hesitate to contact the Society's Customer Service Team on our dedicated number for AGM enquiries – 03300 244619.

PATRICK MUIR

Report on Remuneration

THIS REPORT ILLUSTRATES HOW THE SOCIETY HAS REGARD TO THE PRINCIPLES SET OUT IN THE UK CORPORATE GOVERNANCE CODE 2018 RELATING TO REMUNERATION

The Society has adopted a Remuneration Policy, which describes how the Society complies with the relevant sections of both the Prudential Regulation Authority's and the Financial Conduct Authority's Remuneration Code. This Policy is reviewed periodically by the Remuneration Committee. It was reviewed by the Committee in 2020. The Policy Statement is published on the Society's website. The remuneration details of individual Directors are set out on pages 11 and 12.

REMUNERATION POLICIES

CODE PRINCIPLE P:

REMUNERATION POLICIES AND PRACTICES SHOULD BE DESIGNED TO SUPPORT STRATEGY AND PROMOTE LONG-TERM SUSTAINABLE SUCCESS. EXECUTIVE REMUNERATION SHOULD BE ALIGNED TO COMPANY PURPOSE AND VALUES, AND BE CLEARLY LINKED TO THE SUCCESSFUL DELIVERY OF THE COMPANY'S LONG-TERM STRATEGY.

SOCIETY'S APPROACH

The Board has established a Remuneration Committee, which comprises three Non-executive Directors, Patrick Muir, Rodger Hughes and Simon Wainwright and is chaired by Patrick Muir. All of the Non-executive Directors are considered to be independent. Patrick Muir has been Chairman of the Remuneration Committee since 2016. The Remuneration Committee is responsible for setting the remuneration of the Executive Directors. The Committee also sets the additional payments for the Chairman of the Board, the Chairmen of the Group Audit, Remuneration and Board Risk Committees and the Senior Independent Director, with Committee members not taking part in discussions concerning their own remuneration. The basic Non-executive Director fee is set by the Executive Directors. Minutes of the Committee's meetings are distributed to all Board members, and the Chairman of the Committee reports at the Board meeting following a Committee meeting.

The Remuneration Committee is also responsible for oversight of the remuneration and reward structure for the Society as a whole. The Committee's Terms of Reference are published on the Society's website.

The Board believes that all employees should be fairly rewarded for their efforts. The aim of the Society's Remuneration Policy is therefore to achieve a fair level of financial reward for the Society's staff whilst avoiding incentives to take inappropriate levels of risk. Against this background the objectives of the Remuneration Policy include the following:

- ***To attract and retain staff with the appropriate skills, attitude and motivation.***
- ***To reward staff fairly, paying due regard to the statutory duties of equality and non-discrimination.***
- ***To benchmark salaries and benefits against prevailing industry/sector/role norms.***
- ***To take account of prevailing economic and employment trends.***
- ***To prevent inappropriate risk-taking with the potential to damage the interests of the Society's stakeholders and the viability of the business.***
- ***To ensure that remuneration is aligned with the Society's strategy, purpose and values and is linked to successful delivery of that strategy.***

In line with the Board's approach, the Society's remuneration policy provides for the reward of Executive Directors through salaries and other benefits. The current overall package includes performance related pay which is linked both to individual performance and to delivery of the Society's strategy, further details of which are set out below.

PROCEDURES FOR DEVELOPING REMUNERATION POLICY

CODE PRINCIPLE Q:

A FORMAL AND TRANSPARENT PROCEDURE FOR DEVELOPING POLICY ON EXECUTIVE REMUNERATION AND DETERMINING DIRECTOR AND SENIOR MANAGEMENT REMUNERATION SHOULD BE ESTABLISHED. NO DIRECTOR SHOULD BE INVOLVED IN DECIDING THEIR OWN REMUNERATION OUTCOME.

SOCIETY'S APPROACH

The Remuneration Committee in determining policy for Executive Director remuneration and remuneration of senior management undertakes a review of the overall remuneration and incentive packages for the workforce of the Society as a whole. In addition it takes into account salaries and benefits in the sector and the nature of the commitments and responsibilities associated with the role. As with staff generally, whose salaries are subject to annual reviews, basic salaries payable to Executive Directors are reviewed periodically with reference to jobs carrying similar responsibilities in comparable financial organisations, market conditions generally and local employment competition in view of the Society's geographical position. In 2020 in the light of the coronavirus pandemic, the decision was made in April that no annual pay rises would be awarded either to Directors or staff. The only exceptions were in a few cases adjustments to allow for anomalies arising from market conditions and promotions. Those cases did not include any Executive Director.

In the light of the exceptional performance of all staff over the period of pandemic, the Board decided in November to award a flat 1.5% payrise to all Executive Directors and staff with effect from the 1st December 2020.

The previous Medium Term Incentive plan for Executive Directors expired in 2020 and it was decided by RemCo in March that in the circumstances it was not practical to implement a new 3 year plan based upon specified criteria given the uncertain outlook. Instead it was decided to make a performance assessment at the end of the year. An MTIP amount has been awarded for 2020 based upon the Society's performance over the year as measured by five Key Performance Indicators: Customer satisfaction, Capital growth, Maintaining profit, Loan growth and Culture. The sums awarded have been accrued in the year end accounts and payments will be split equally and paid out in two annual payments in 2021 and 2022. Executive Directors are eligible to receive other taxable benefits including a car or car allowance and healthcare provision for themselves and their immediate family, standard professional body subscriptions and travelling and subsistence expenses are also met.

In the light of the overall performance of the Society's staff in extremely difficult circumstances the Remuneration Committee decided that performance pay awards on a similar basis to last year should be awarded to staff and directors. These awards are assessed on the basis of individual performance and payable in cash. Details of the awards to Executive Directors are set out on page 11.

No Executive Director has any involvement in determining their own pay.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive Directors do not receive any benefits other than their fees and travelling and training expenses for which they may be reimbursed. The level of fees payable to Non-executive Directors is assessed using benchmarks from a group of comparable financial organisations. In recognition of the increased responsibility associated with the roles, additional fees are paid to the Chair of the Board Sub-Committees and the Senior Independent Director. Non-executive Directors' fees were increased by 1.5% from 1st December 2020 in line with increases awarded to Society staff. Details of the awards to Executive Directors are set out below.

No Non-executive Director has any involvement in determining their own pay.

DIRECTORS' EMOLUMENTS

Emoluments of the Directors of the Society totalling £1,313,000 (2019: £1,276,000) are detailed as follows:

a) Executive Directors	**2020**					
	Salary £'000	**Performance bonus £'000**	**Medium-term incentive plan £'000**	**Benefits £'000**	**Pension £'000**	**Total £'000**
Mark Bogard	**266**	**66**	**39**	**21**	**60**	**452**
Andrew Barnard	**186**	**46**	**22**	**13**	**42**	**309**
Chris Croft	**178**	**45**	**16**	**19**	**40**	**298**
	630	**157**	**77**	**53**	**142**	**1,059**

The remaining payments under the medium term incentive plan covering performance over the three years ending 31 December 2019 will be paid in March 2021. A one year medium term incentive plan payment was agreed by the Remuneration Committee for the year ending 31 December 2020 and the amounts accrued by Director are shown in the table above. These will be paid in two equal amounts in 2021 and 2022.

Mark Bogard and Chris Croft are no longer active members of the Group's Pension Scheme and Andrew Barnard has never been a member of the Scheme. Their pension emoluments in 2020 represent monthly cash payments in lieu of contributions to the Scheme.

	2019					
	Salary £'000	Performance bonus £'000	Medium-term incentive plan £'000	Benefits £'000	Pension £'000	Total £'000
Mark Bogard	263	66	38	21	59	447
Andrew Barnard	184	37	21	13	41	296
Chris Croft	176	44	15	19	40	294
	623	147	74	53	140	1,037

b) Non-executive Directors

	2020
	Fee £'000
Rodger Hughes	**61**
John Howard	**14**
John Cole	**43**
Fiona Crisp	**37**
Simon Wainwright	**43**
Patrick Muir	**43**
Susan Sharrock Yates	**13**
	254

	2019
	Fee £'000
Rodger Hughes	60
John Howard	43
John Cole	9
Fiona Crisp	43
Simon Wainwright	43
Patrick Muir	41
	239

During the year, a company for which Patrick Muir is a Director, was paid £31,500 (2019: £16,200) for his services as a Director to Smart Money People Limited, a subsidiary company.

The fees due to John Howard for 2020 are from 1 January 2020 to his date of resignation on 28 April 2020.

The fees due to Susan Sharrock Yates for 2020 are from her date of appointment on 20 August 2020 to 31 December 2020.

Directors' loans and related party transactions

A register is maintained at the Head Office of the Society, in accordance with the requirements of Section 68 of the Building Societies Act 1986, which shows details of all loans, transactions and arrangements with Directors and connected persons. The register will be available for inspection at the Society's Head Office during the period of fifteen days up to and including the date of the Annual General Meeting.

There were no outstanding loans with Directors at 31 December 2020 or 31 December 2019.

INDEPENDENT JUDGEMENT

CODE PRINCIPAL R:

DIRECTORS SHOULD EXERCISE INDEPENDENT JUDGEMENT AND DISCRETION WHEN AUTHORISING REMUNERATION OUTCOMES, TAKING ACCOUNT OF COMPANY AND INDIVIDUAL PERFORMANCE, AND WIDER CIRCUMSTANCES.

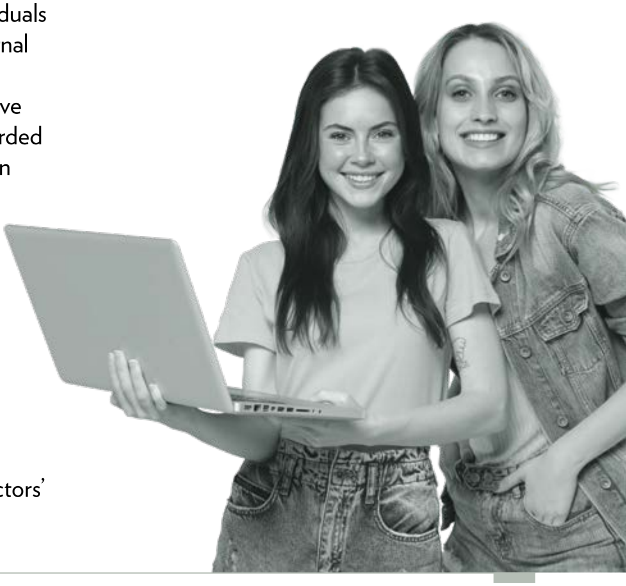
SOCIETY'S APPROACH

In relation to Executive pay all members of the Remuneration Committee are independent Non-executive directors. They rely on both performance assessment and independently verifiable information about the Society's performance and market information to make determinations of remuneration policy and outcomes. The Committee may consult external advisors on pay and rewards but has not done so during 2020 as the basis of Executive Director pay has not changed.

The operation of remuneration policy within the work force as a whole is based upon criteria set out by the Board or the Remuneration Committee. Annual pay reviews for individuals within the work force are based upon internal performance assessments and annual appraisals but are reviewed by the Executive Directors. Performance related pay is awarded from a pool allocated by the Remuneration Committee based upon the performance of the Society and allocated to individual staff members in accordance with a defined scheme. The initial allocations are made by the management of the Society and the operation and application of the scheme is independently reviewed by the Executive Directors.

It is the view of the Committee that Directors' remuneration for the year has been in accordance with the Society's stated Remuneration Policy. It is also the Committee's view that the Society's policy and practice has taken account of the principles of the UK Corporate Governance Code and, on behalf of the Committee, I recommend that you endorse this report.

Patrick Muir
Chairman, Remuneration Committee
25 February 2021



Directors seeking election/re-election

IN ACCORDANCE WITH THE SOCIETY'S RULES, THE DIRECTORS BELOW ARE REQUIRED TO RESIGN AT THIS AGM AND SEEK ELECTION/RE-ELECTION BY MEMBERS.

SUSAN SHARROCK YATES *BA, FCA, FCT*

Susan joined the Board as a Non-Executive Director in August 2020. Susan is a Chartered Accountant and a Member of the Association of Corporate Treasurers. She qualified with Ernst & Young before working in investment banking, gaining valuable markets and trading experience. She then moved into corporate treasury, where her first position was as treasurer for CIBC Mortgages. Susan subsequently held senior corporate treasury positions in a range of companies, including Diageo and Rentokil, and until the end of 2019 was Group Treasurer for Aviva. More recently, she has been a Trustee of the Friends Life Pension scheme and a Non-Executive Director of Friends Life Holdings.

RODGER GRANT HUGHES *MA, FCA*

Rodger was appointed Non-executive Director and Chairman of the Group Audit Committee on 1 July 2013 and is a longstanding member of the Society. Rodger was elected Chairman of the Society's Board in April 2015. Rodger is a Chartered Accountant who was a partner at PricewaterhouseCoopers for 25 years including 7 years as Head of Assurance and 5 years as Managing Partner. Rodger has years of experience providing professional services to building societies including 15 years as both the PW Industry Leader for Building Societies and as auditor and adviser to the Building Societies Association. Rodger has previously served in non-executive roles on the Boards of Simmons & Simmons LLP, Chime Communications plc, Companies House and Friends Provident Group plc.

MARK ALEXANDER BOGARD *MA*

Mark joined the Board in 2012 as Chief Executive. He has over 20 years' experience in financial services focused on helping people make the most of their money. He ran Barclays' retail funds business and then built up Moneyextra, an aggregator website focused on mortgages and savings that was sold to Bristol & West Plc. Upon its acquisition the business was merged with Chase de Vere and Willis National, two leading IFAs, and Mark was appointed as Managing Director. From 2004 until 2012, Mark was UK Chief Executive of IFG Group plc, responsible for James Hay, the leading SIPP provider, and Saunderson House, an hourly rate financial advisory business. He has an MA from Cambridge University and completed his articles with Slaughter and May before joining Schroders to work in corporate finance. In January 2013 he was appointed as a Non-executive director of Alexander Hall, the leading mortgage broker, whose board meetings he now chairs, which helps him to understand the perspective of the Society's principal channel for distributing mortgages. In May 2019, he was elected as Deputy Chairman of the Building Societies Association. Mark is also a Director of Good Effect Ltd.

CHRISTOPHER RENDELL CROFT *LLB*

Christopher joined the board in 2014 as Secretary and Director. He is a solicitor who has more than 30 years' experience in the financial services sector both as a practising solicitor and in executive roles. Amongst his previous roles he was corporate affairs director and group secretary of a FTSE listed financial services group, a director in an investment bank and a partner in several well-known city law firms. Chris is the Society's Secretary, is a member of the Society's Executive Committee, acts as general counsel to the Board and in addition is responsible for the Society's legal and compliance functions and for all support and administration services.

ANDREW DAVID BARNARD *BA, ACMA, CGMA*

Andrew was appointed Finance Director in April 2018 and Director of Counties Home Loans Management Ltd, a wholly owned subsidiary of National Counties Building Society in November 2018. He is an accountant with 25 years commercial experience, the last 10 years having been spent in senior finance roles in financial services. In his previous role he was Group Financial Planning & Analysis Director for Lloyds Banking Group. From 2008 to 2015 he undertook a number of roles for RBS including Finance Director of Lombard North Central plc, Finance Director of RBS Invoice Finance, Non-executive Director of Motability Operations Group plc and Head of FP&A for RBS's Commercial & Private Banking Division. Prior to 2008 he spent 11 years working for Unilever PLC, in the UK & Europe, and four years based in Reigate with Pfizer, the world's largest pharmaceutical company.

JOHN GRANVILLE COLE *FCA*

John joined the Board in October 2019 as a Non-Executive Director and Chair of the Audit Committee. John is a qualified accountant and was a partner at Ernst and Young for 30 years. A large part of his career was spent focused on the financial services sector. Among other things, he was previously a member of its governance committees at both a global and European level, was a member of the audit committee, had responsibility for the partnership's controls surrounding financial crime and data protection, and managed aspects of quality and risk. Other directorships include being Non-Executive Director of London South Bank University and Age UK London.

FIONA MARY CRISP *MSC, DIC, FCT*

Fiona joined the Board as a Non-executive Director in March 2015. She is a member of the Staff Forum.

Fiona is an independent consultant providing treasury, corporate finance and risk management consultancy to corporate and financial institutions.

Fiona has worked with companies across a range of sectors, including: The Pensions Regulator – to head the 40-strong Corporate Risk Management practice; France Telecom, who merged all their international mobile businesses into Orange – reviewing the FX risks of the combined mobile business; and Henderson Global Investors – establishing a treasury function for the newly floated business. Fiona has recently provided treasury consultancy support to Howden, the international technology & engineering business and to CDC Group, the UK's key Development Finance Institution. She is a past President and Fellow of the Association of Corporate Treasurers and a member of the Association of MBAs.

PATRICK HARRY MUIR

Patrick was appointed to the Board as a Non-executive Director in March 2015. Patrick has over 20 years' marketing and brand experience, having held leadership roles for Egg, Citi, Goldfish, Morgan Stanley and Lombard Direct. As a strategic marketing specialist, he now offers clients access to this experience across a range of sectors, including the development of digital and mobile strategies. Through his consulting firm, he works with various organisations in developing marketing strategy and proposition development as well as general business development. His clients range from small entrepreneurial businesses seeking to expand their customer acquisition and customer marketing, through to large organisations redefining their strategy or brand.

Patrick was voted by Marketing Week as one of the three most influential marketers in financial services. Patrick is a Director of Swan Marketing Services Ltd, Sherpa Management Services Ltd and Chairman of Smart Money People Ltd. Patrick also served as a Board Director of Mastercard Member Services for three years.

SIMON WAINWRIGHT *BSC, MBA, FCIB*

Simon was appointed to the Board as a Non-executive Director in March 2015. Simon is currently Managing Director of the Reinsurance Group of America (RGA – Europe, Middle East and Africa) a life and health insurer. He has 35 years' experience with Nationwide, Lloyds and latterly HSBC, where he held roles including: CEO, HSBC Insurance; CEO HSBC Ireland; and COO Commercial and Corporate Banking.

Simon holds a BSc degree in banking practice and management from the Institute of Financial Services, School of Finance (formerly the Chartered Institute of Banking), a Diploma in Management Studies from Oxford Business School, an MBA from Henley Business School, and is a Fellow of the Chartered Institute of Bankers (FCIB).

Summary Financial Statement

For the year ended 31 December 2020

THIS FINANCIAL STATEMENT IS A SUMMARY OF INFORMATION IN THE AUDITED ANNUAL ACCOUNTS, DIRECTORS' REPORT AND ANNUAL BUSINESS STATEMENT, ALL OF WHICH WILL BE AVAILABLE TO MEMBERS AND DEPOSITORS FREE OF CHARGE ON DEMAND FROM EVERY OFFICE OF NATIONAL COUNTIES BUILDING SOCIETY FROM 6 APRIL 2021.

KEY PERFORMANCE INDICATORS	2020	2019
Group profit after tax to mean assets ratio	**0.26%**	0.10%
Society net interest margin	**0.99%**	1.17%
Society cost/income ratio	**73.1%**	63.0%
Common Equity Tier 1 capital ratio	**15.9%**	15.8%
Movement in Group loan balances*	**+1.2%**	+6.7%
Group residential mortgages in arrears by more than three months as a percentage of all Group residential mortgage accounts	**0.52%**	0.31%
Number of complaints upheld in the year as a percentage of average number of Society members	**0.22%**	0.18%
Percentage of members reporting good or better service in the annual customer survey	**92.5%**	93.4%

*Excludes fair value adjustments

Summary Directors' Report

STATUTORY GROUP PROFIT BEFORE TAX

£7.4m

2019: £2.9m

*UNDERLYING GROUP PROFIT BEFORE TAX

£7.2m

2019: £10.0m

RESERVES

£116.5m

2019: £112.1m

TOTAL ASSETS

£2,439m

2019: £2,379m

*See page 19 for the definition of underlying group profit before tax

ECONOMIC ENVIRONMENT

The extraordinary events of 2020 have been an exceptional test of the Society's model. Last year we wrote that in anticipating the potential impacts of Brexit in 2020 we believed that the Society's prudent lending at relatively low Loan to Values, strong liquidity, robust balance sheet and capital meant that the Society would survive and thrive in the years ahead. Little did we know what lay ahead when those words were written. Nevertheless, all those things have proved to be real strengths through a period of immense uncertainty.

During the course of 2020 the Bank of England reduced its base rate of interest to 0.10%, recommenced large scale asset purchases and once again made available term funding at low rates. Throughout the period your Society was able to stay open to continue to take deposits and we had to follow the market and reduce our rates.

While we were never in a position where we could not continue to serve both our deposit and mortgage customers both at Branch and online the effective closure of the housing market to new business during the first lockdown combined with the rates at which mortgage pricing and then savings rates fell inevitably held back our income in the first half of the year. Conversely the Stamp Duty holiday introduced in the middle of the year served to stimulate the housing market and we completed the year with a very healthy pipeline of attractive margin business. As the crisis broke no-one would have predicted the levels of housing market activity and price growth that we saw in the second half of the year.

Now, more than ever we think there is sensible lending to be done at sensible margins. In order to succeed regardless of the outcome however, the Society will continue to offer very high levels of service and establish new innovative products and services for our Members.

FINANCIAL PERFORMANCE

Given the context, the Group and Society both had an encouraging trading year. Group underlying profit levels remained healthy at £7.2 million, down from £10 million in

2019, reflecting an 11% decrease in net interest income due to the differential between the drop in mortgage rates and savings rates as the crisis unfolded. The Group's statutory result before tax for the year ended 31 December 2020 was a profit of £7.4 million compared with a profit of £2.9 million in 2019. Net interest income declined by £2.9 million however the improvement in profitability was driven by a £7.9 million improvement in the derivative valuation and hedging adjustments booked under FRS 102. An increase in administrative costs of £1.1 million offset some of this. In the Society, there was a profit before tax of £4.1 million compared with a profit before tax in 2019 of £3.2 million.

STATUTORY PROFIT BEFORE TAX

	GROUP		
	2020	2019	Change
	£m	£m	£m
Net interest income	**24.5**	27.4	(2.9)
Other income	**1.1**	0.2	0.9
Net gain/(losses) from financial instruments	**0.2**	(7.7)	7.9
Management expenses	**(18.2)**	(17.1)	(1.1)
Impairment losses and provisions	**(0.2)**	0.1	(0.3)
Profit before tax	**7.4**	2.9	4.5

The statutory figures included in the Annual Accounts are prepared under FRS 102 and include the impact of fair valuing derivatives which include the No Negative Equity Guarantee (NNEG) liability and ineffectiveness when accounting for the hedges the Society takes out to economically protect itself from movements in interest and other market rates. These create profit volatility, for example from movements in market interest rates and assumptions. The Board take the view that it would be misleading to include these items in the underlying profit calculation as they are affected by dynamics outside the control of the Society and largely related to a portfolio of assets (Lifetime Mortgages) that are a closed book in run down. These items do not therefore reflect on the underlying trading of the Society or Group.

In 2019 the Board re-assessed the amount of income that should be recognised in relation to Effective Interest Rate (EIR) accounting. Having introduced EIR accounting in 2015 the Board believes that there is now sufficient data to change our accounting estimates to assess the impact of Early Redemption Charges (ERCs) and the income that will be earnt on these in future on mortgages already written. The 2019 statutory result therefore included £626,000 of ERC income related to mortgage loans that completed in 2018 and prior years and so this amount has therefore been excluded from Underlying Profit. In 2020 the EIR was unaffected by this change.

The Board believes it is appropriate to remove the effect of these adjustments when looking at the underlying performance of the Society and Group. The Group's underlying profit can therefore be summarised as follows:

UNDERLYING PROFIT BEFORE TAX

	GROUP		
	2020	2019	Change
	£m	£m	£m
Profit before tax per statutory accounts	**7.4**	2.9	4.5
Add back net (gain)/losses from financial instruments	**(0.2)**	7.7	(7.9)
Add back EIR adjustment	**-**	(0.6)	0.6
Underlying profit before tax	**7.2**	10.0	(2.8)

LIFETIME MORTGAGES AND NO NEGATIVE EQUITY GUARANTEE

Before 2011 the Society originated and CHLM acquired a portfolio of Lifetime Mortgages (LMs). The Group has not acquired or written any new LMs since then.

A Lifetime Mortgage is one where a loan is taken out against the value of a property but where the interest charged is not paid during the life of the loan. Instead, the interest is added to the loan balance and, at the end of the term (which typically comes on the move into residential care of the borrower or their death), the loan balance (including the rolled up interest) is deducted from the sale proceeds of the house.

To protect the borrower from the possibility that the loan balance is greater than the property value at the end of the loan the LMs included what is referred to as a No Negative Equity Guarantee (NNEG). This was a promise that the borrower wouldn't be charged for any excess of the loan value over the property value. The inclusion of a NNEG promise in a LM is a normal feature of a LM written to the Safe Home Income Plan standards of the Council of Mortgage Lenders.

This promise has a value and we need to show the users of the accounts what that promise is worth. IAS39 requires us to use Fair Value Accounting to do this. The standard requires us to value the NNEG by reference to what an independent buyer and seller would value the NNEG at.

Since the Group originally acquired the LMs these mortgages, now sometimes referred to as Equity Release Mortgages (ERMs), are mainly written by insurance companies and residual books of LMs are also held by a number of Building Societies. Therefore, we have to understand how these other market participants would price our NNEG when we try and work out what it is worth. However, there is no observable market in the sale of NNEG liabilities so we need to model and understand the component parts that make up a NNEG valuation.

Two key determinants of the value of the NNEG are assumed House Price Inflation (HPI) and HPI Volatility. Volatility refers to the probability that any one house price will be above or below the average HPI assumption at any one moment in time. A higher volatility assumption means that there is a greater risk that the house price will be higher or lower than the average assumed. This risk has a cost so that a higher volatility assumption leads to a higher value for the NNEG.

In our 2017 results the Directors took the view that the volatility assumption that we would use to value our NNEG was 5%. This gave rise to an NNEG value of £5.6 million.

Since then the Prudential Regulation Authority (PRA) of the Bank of England issued guidance (CP13/18, Dec'18) to Insurers, who are actively writing ERMs under the regulation of Solvency II, that the preferred volatility assumption for them is 13% and that this should be implemented from the 31 December 2018.

In evaluating the volatility assumption that the Group should use the Directors decided that it would be appropriate to assume a value of 13% for the 2018 accounts. It was the Directors' opinion that this reflected the 'market price' of volatility given the way that the regulation of insurers had evolved. In 2019, noting that the Bank of England guidance remained unchanged, the Directors left the volatility assumption at 13%.

In making that judgement the Directors made clear that they continued to take note of the paper published by the Actuarial Research Centre of the Institute of Actuaries ('UK Equity Release Mortgages: a review of the No Negative Equity Guarantee') on the 19 February 2019 that identified a more probable value for volatility in the range of 3-6% and volatility in a stress scenario in the range of 10-13%. During 2020 the Directors have evaluated data for the UK housing market that bears out this perspective. In addition, other Building Societies have published their own assumptions in their respective Reports & Accounts. These have shown that HPI volatility has been valued in the range of 8-10% and therefore, the Directors concluded that a reduction of the HPI volatility assumption for the Group from 13% to 10% would be appropriate this year. The Directors also note that the allowance made within the calculations for Dilapidations (the cost of making good a property before it can be sold at a fair market value) is substantial at 1% and is also supported by the work that the Group undertakes to maintain contact with its borrowers and assess the condition of properties during the life of a LM loan. This factor is supportive of a lower volatility assumption.

The Directors have also considered the underlying rate of assumed HPI that should be taken into account over the remaining life of the LMs. It is important to note that this assumption relates to HPI over the very long term. Nevertheless, the Directors note that most forecasts for HPI over the near term have reduced and, taking account of this, and the long term prospects for GDP growth, CPI inflation and the structural housing shortage that persists in the UK, the Directors have reduced the long term HPI assumption to 3.75% from 4.25% used in the 2019 accounts.

Of the £8.9 million reduction in the NNEG liability in 2020, £10.1 million relates to the change in the HPI volatility assumption and £4.1 million is related to movements in the discount curve and prepayments. The change in the HPI assumption increased the NNEG liability by £5.3 million.

The value of the NNEG is £10.8 million in the Society and £19.3 million in the Group (2019: £17.3 million and £28.3 million) and the Group credit for 2020 was £8.9 million (2019: charge of £4.3 million).

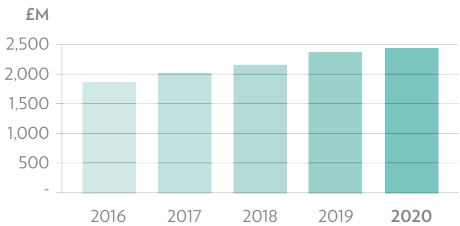
ASSETS AND LIABILITIES

The Group total assets at 31 December 2020 were £2,439 million (2019: £2,379 million).

Total loans and advances to customers at the year-end were £1,869 million (2019: £1,829 million). At 31 December 2020, a total provision of £1.2 million, comprising £0.7 million individual impairment and £0.5 million collective (2019: £1.1 million, comprising £0.7 million individual impairment and £0.4 million collective), was made in the Annual Accounts for possible credit losses.

Liquid assets amounted to £549 million at the year-end (2019: £533 million), representing 26% (2019: 25%) of total shares and borrowings and 23% (2019: 22%) of total assets of the Group.

GROUP TOTAL ASSETS



Savers' share balances totalled £1,766 million at 31 December 2020 (2019: £1,704 million) and deposits by credit institutions and other customers amounted to £383 million at the year-end (2019: £397 million), representing 18% (2019: 19%), of total shares and borrowings.

The Group's capital position is represented by general reserves and the Available for Sale (AFS) reserve. Group gross capital at 31 December 2020 amounted to £116.5 million, an increase from 2019's £112.1 million. Gross capital represented 4.8% (2019: 4.7%) of Group total assets at the year-end, or 5.4% (2019: 5.3%) of total shares and borrowings. Group free capital (i.e. capital plus collective impairment provisions, less tangible and intangible fixed assets) amounted to £109 million at the end of the year (2019: £105 million), equivalent to 5.1% (2019: 5.0%) of total shares and borrowings. A key indicator of the Group's capital strength is its Common Equity Tier 1 capital ratio. At 31 December 2020 this ratio stood at 15.9%, (2019: 15.8%).

RETAIL SAVINGS

First and foremost, we want to be a safe and attractive home for your savings.

The Chairman, in his report, noted that the Society has maintained its tradition for paying some of the highest rates in the market. Except for the prize based Windfall Bond, after making changes following the Bank of England's March cuts our lowest rates were at least three times bank base. However, we simply cannot buck the market. If we are even a little out of kilter with what others are paying, we would get engulfed in funds; funds which we simply would not be able to lend out sensibly as mortgages.

We grew our member savings balances to £1,766 million, our highest level ever. In 2020, we opened more than 22,000 new savings accounts. It is unfortunately not possible for us to pay our Members the market leading rate the whole time and we do not want to compete just on price. Our Windfall Bond product offers savers bank base rate plus the chance of winning prizes of up to £50,000. It has proved so attractive that we unfortunately have to temporarily suspend it to new customers at times and we now have a queue of people wishing to take up bonds in due course. I was speaking recently to the lady who rings up our winners to tell them that they have won and, in these difficult times, they are rare moments of joy. Our Market Tracker product tracks the top 20 accounts, so saving you the bother of endlessly changing accounts. The success of these accounts is a testament to the Society's ability to offer something different and relevant.

MORTGAGES

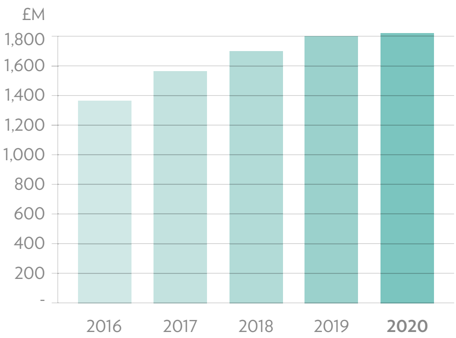
We grew our mortgage book by 2% in 2020. This was lower than in previous years. The housing market was shut for four months and we have been cautious.

We had a continuing good level of mortgage applications at more than £400 million. We completed on £203 million of new mortgage business and went into 2021 with a good pipeline of business. Some of this may get disrupted by the end of the Stamp Duty holiday due at the end of March. Net new mortgage lending was £24 million. Total loans and advances ended the year at £1,869 million, a new record. This continues our trend of growth, helping people get a home, which was the founding purpose of building societies.

In response to the pandemic, and its impact on their individual economic circumstances, mortgage customers have been able to ask for a mortgage holiday of up to 6 months. This deferred the monthly payments due until after this period. This option has continued into 2021. We had just over a thousand such requests and we dealt with each Member as an individual. We put a significant effort into this for Members and continue to do so. A few Members, about 50, chose in the end not to take up the option; just over 930 Members have been able to resume repayments, which leaves about 50 Members still on a mortgage holiday. As a result of the pandemic, we currently have about 19 Members potentially facing longer term difficulty with their mortgage payments.

We have remained cautious on the Loan to Value that we will lend at, so that we are more protected than many other firms from any fall in the housing market if, for any reason, our

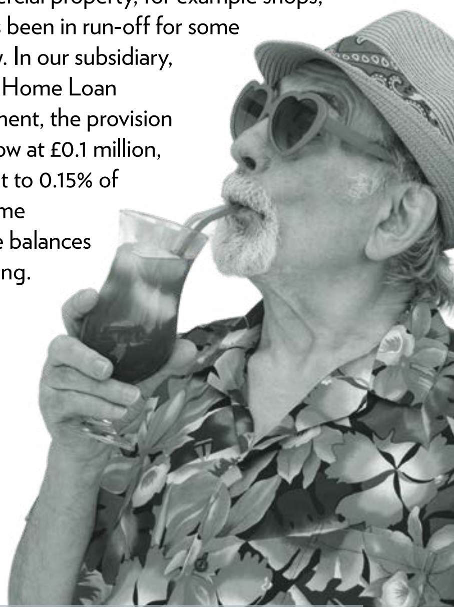
GROUP RESIDENTIAL MORTGAGES



borrowing Members cannot keep up with their repayments. We cut the maximum rate to which we would lend in the summer to 60%, given the economic uncertainty and the fact that valuers could not visit properties but had to carry out desktop valuations for us. We have since returned to a maximum loan to value for Owner Occupiers of 75% and 65% for Buy-to-Let. Overall our average loan to value on new business last year was less than 50%, which is a comfort both to the borrowers and the Society – we do not want to see borrowers overstretched or facing negative equity.

The Society's prudent lending risk appetite is implemented through the individual assessment of loan applications by experienced underwriters and the success of the approach is demonstrated by the incidence of arrears remaining low. Whilst we observe responsible lending principles, so that borrowers should find their mortgages affordable, genuine difficulties can arise in relation to maintaining mortgage payments in adverse economic conditions or changes in personal circumstances. We offer overstretched borrowers a range of options in accordance with our arrears policy and procedures which are compliant with regulatory guidance, best practice and the principles of Treating Customers Fairly (TCF). Reaching the best outcome for the customer is, though, dependent on borrowers making early contact with us and openly discussing their circumstances. It is pleasing to report that only two residential properties mortgaged to the Group had to be repossessed during 2020. We have only 90 accounts in arrears, only 10 of those by greater than 12 months. A number of these arrears cases are extant whilst the borrower's estate is wound up. In the final analysis, most problems in banking are caused by lending money to people who are unable to repay it. This is why credit quality is so fundamental to the Society's security and its long-term future.

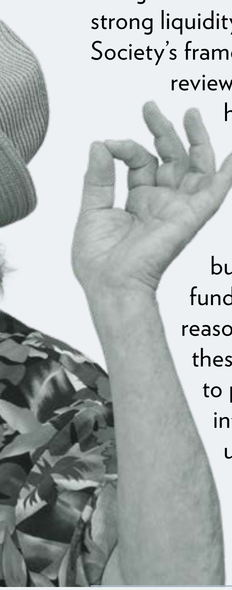
Our review of the arrears situation at the end of 2020 took the total of our provisions to £1.1 million in the Society, equivalent to 0.07% of non-lifetime mortgage balances outstanding. £0.2 million of this related to our small portfolio of commercial property, for example shops, which has been in run-off for some years now. In our subsidiary, Counties Home Loan Management, the provision remains low at £0.1 million, equivalent to 0.15% of non-lifetime mortgage balances outstanding.



TREASURY OPERATIONS

The Society's overall funding last year remained strong, despite changes in wholesale market dynamics as a result of the pandemic. We nevertheless remained active in the wholesale money market and were still able to take advantage of the relatively low interest rates on offer when compared with retail deposit rates. This activity is subject to careful management, with targets set for the mix of funding in terms of both source and duration and other limits set to ensure a prudential approach. It is pleasing that the Society is able to raise wholesale funding of varying maturities, including some longer term funding, on attractive terms. The Society also takes advantage of funding schemes provided by the Bank of England.

Although the Society has not experienced any difficulties in raising funds throughout the different and unusual market conditions that have prevailed across recent years, we recognise the importance of maintaining a strong liquidity position at all times. The Society's framework is subject to ongoing review. Central to this regime is the holding of a portfolio of high quality, readily realisable liquid assets, mainly UK Gilts and cash at the Bank of England, in order to provide a buffer in the event of any major funding issues arising for any reason. Alongside the holding of these assets, there is a requirement to prove their value at regular intervals, either through sale or use as collateral in sale and repurchase (repo) transactions.



CUSTOMER SERVICES

It was a significant logistical exercise to sustain our service to Members throughout lockdown. We reduced our hours in our branch and on the phone but, throughout, we have been here for our Members, both savers and borrowers.

Our guiding principle remains to provide consistently attractive, innovative and dependable products supported by convenient and personal service. We want to be modern, but with traditional values. Our online accounts are backed up by experienced and well-trained people on the telephone, all in our Epsom office. We continue gradually and carefully upgrading and updating our systems and improving our operational resilience – overall the way we do things internally needs to become less paper based and more digital going forward.

The Society's cost income ratio rose to 73% in 2020. This was largely due to a reduction in our net income due to the pandemic.

Our goal is always to answer the telephone quickly – we all hate hanging on – but inevitably in 2020 it did sometimes take us longer to answer than we would normally hope for. On those occasions where we cannot answer, we call people back promptly. We know that there is always more to do and we are already working on upgrading our website and telephony system in 2021. We have also increased the efficiency with which we are able to make mortgage offers, which we know is important to brokers and home buyers keen on getting their hands on their dream home.

Consistent with the principles of TCF, we take care in the design of our products to ensure they will meet the needs of the customers for whom they are designed and we assess the impact of any new products on existing account holders. We do not reserve any of our products for new customers only and we notify our savers and borrowers of the products available to them upon expiry of special terms, such as fixed or discounted rates. We believe that we do well in retaining mortgage customers at the end of their product terms. Our websites are updated promptly and provide full details of our product range. In addition, there are a number of mailings undertaken each year which we use to keep customers advised generally of product and service developments.

Feedback from customers is much appreciated, with positive comments reinforcing our actions, whilst any instances of unsatisfactory service cause us to investigate and determine improvements for the future. It is rare that complaints from our Members are referred to the Financial Ombudsman Service, with just 4 cases arising in 2020, all of which are outstanding.

PERSONNEL

For society to continue to function properly, it needs a functioning financial system. People need money. As such the Society's staff were designated as key workers.

Across the Society, the people who explain what we have to offer to intermediaries, answer calls, give customers advice, open and close accounts, underwrite the loans and process the business, manage the money, create innovative new products and produce our marketing materials, make sure our systems and IT operate and are resilient, manage our risks, look after our staff, keep what we do legal and compliant, prepare the accounts and make sure that the office functions, have all had a uniquely challenging year.

We put a huge effort in quickly and efficiently getting to a position where all staff could work from home. Working from home and home schooling have been tough for many. It has also been tough for those living on their own. We have had to retain a residual presence in the office and we have kept our branch open throughout. We thank those staff who have served by coming in. And also those who have worked from home or, as someone said to me recently, "actually, I think I'm now living in my office". We have done everything that we can to support people and we have had very, very low levels of staff absence during the pandemic, in marked contrast to some organisations. This goes to a collegiate attitude and the strong desire and commitment of staff to serve.

Our staff should be proud of what they have done in 2020.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Society has always recognised its community, marketplace, employer and environmental responsibilities. We met these responsibilities, almost instinctively, as a by-product of our mutual, customer owned status and business ethos, but they are also enshrined in a Board-approved CSR Policy Statement that encompasses all facets and provides a steer for the ongoing development of this important issue which is driven by a staff-led Committee.

Our activities in the community include support for selected charities, schools, clubs and voluntary organisations based locally to the Society's head office.

THE FUTURE

This too shall pass.

We have learnt, more than ever, over the last twelve months that predicting the future is somewhere between tough and impossible. So we must simply remain live, and above all resilient, to dealing with the world and the uncertainties that we all face and which, in significant part, continue to prescribe the Society's relationship with you, our Members. Above all, we shall remain observant, realistic, forward looking, prudent and vigilant. As we grow, we need to keep pace with developing technologies, ever mindful of how our Members want to deal with us.

2020 has been a chastening, humbling year, with many difficulties and sorrows. We will help those Members having a tough time as best we can. But we continue to face the future with optimism. We are investing in that future. If we offer customers what they want – innovative, good value products, that meet their needs sensibly, delivered efficiently but with old-fashioned customer service, we will continue to prosper.

SUMMARY FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	GROUP	
Group results for the year	**2020 £'000**	2019 £'000
Net interest income	**24,520**	27,440
Other income and charges	**1,052**	214
Net gains/(losses) from financial instruments	**237**	(7,721)
Administrative expenses	**(18,176)**	(17,079)
Provisions for impairment losses	**(211)**	55
Provisions for liabilities	**(5)**	40
Profit for the year before tax	**7,417**	2,949
Tax charge	**(1,090)**	(641)
Profit for the year	**6,327**	2,308

Financial position at the end of the year		
Assets		
Liquid assets	**549,237**	532,722
Mortgages	**1,868,649**	1,829,324
Derivative financial instruments	**355**	1,304
Fixed and other assets	**20,878**	16,047
Total assets	**2,439,119**	2,379,397

Liabilities		
Shares	**1,765,621**	1,703,507
Borrowings	**382,547**	397,469
Derivative financial instruments	**166,291**	162,086
Other liabilities	**3,268**	2,549
Retirement benefit obligations	**4,846**	1,694
Reserves	**116,546**	112,092
Total liabilities	**2,439,119**	2,379,397

SUMMARY OF KEY FINANCIAL RATIOS

	GROUP	
	2020	2019
As a percentage of shares and borrowings	**%**	%
Gross capital	**5.43**	5.34
Liquid assets	**25.57**	25.36

As a percentage of mean total assets		%
Profit for the year	**0.26**	0.10
Management expenses	**0.75**	0.75

The notes on page 30 form part of this Summary Financial Statement.

The Summary Financial Statement was approved by the Board of Directors on 25 February 2021 and signed on its behalf by:

Rodger Hughes
Chairman

Mark Bogard
Chief Executive

Andrew Barnard
Finance Director

NOTES TO THE SUMMARY STATEMENT

THE INFORMATION SHOWN HAS BEEN TAKEN FROM THE GROUP STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020.

Gross capital consists of general reserves and provides the cushion which underlines the Group's financial strength. The ***gross capital ratio*** measures the relationship between capital and the Group's liability to investors and depositors.

Liquid assets are funds readily available to meet general business activities. The ***liquid assets ratio*** measures the relationship between such funds and the Group's liability to investors and depositors.

The Group aims to make a reasonable level of profit in order to maintain its capital strength and allow for future growth. The ***profit for the year ratio*** measures the proportion that the Group's profit after taxation bears to the average of its total assets during the year.

Expenses need to be controlled so that the Group operates as efficiently as possible while providing the service that members require. The ***management expenses ratio*** measures the proportion that the Group's administrative expenses for the year bears to the average of its total assets during the year.

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS AND DEPOSITORS OF NATIONAL COUNTIES BUILDING SOCIETY

OPINION

We have examined the Summary Financial Statement of National Counties Building Society ('the Society') for the year ended 31 December 2020 set out on pages 17 to 30.

On the basis of the work performed, as described below, in our opinion the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2020 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

BASIS FOR OPINION

Our examination of the Summary Financial Statement consisted primarily of:

- Agreeing the amounts and disclosures included in the Summary Financial Statement to the corresponding items within the full Annual Accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2020, including consideration of whether, in our opinion, the information in the Summary Financial Statement has been summarised in a manner which is not consistent with the full Annual Accounts, the Annual Business Statement and Directors' Report of the Society for that year;

- Checking that the format and content of the Summary Financial Statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full Annual Accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2020.

We also read the other information contained in the Members' Update and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement.

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.

DIRECTOR'S RESPONSIBILITIES

The directors are responsible for preparing the Summary Financial Statement within the Members' Update, in accordance with applicable United Kingdom law.

AUDITOR'S RESPONSIBILITIES

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement within the Members' Update 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.

THE PURPOSE OF OUR WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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.

Richard Faulkner
(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

25 February 2021

BOARD OF DIRECTORS

Chairman
Rodger Hughes MA, FCA

Vice Chairman
Patrick Muir

Directors
Mark Bogard MA*
Christopher Croft LLB*
Andrew Barnard BA, ACMA, CGMA*
John Cole FCA
Fiona Crisp MSc, DIC, FCT
Susan Sharrock Yates BA, FCA, FCT
Simon Wainwright BSc, MBA, FCIB

* Executive Directors

EXECUTIVE TEAM

Chief Executive
Mark Bogard MA

Company Secretary
Christopher Croft LLB

Finance Director
Andrew Barnard BA, ACMA, CGMA

Functional Directors

Chief Operating Officer:	Stephen Drury
Business Change:	Michael Feather
Business Development:	Keith Barber DMS, ACIB, DipPFS
Commercial Development:	Chris Agathangelou
Compliance and Legal Services:	Kathryn Mendoza LLB
Finance:	Malcolm Clays BSocSc, ACA
Finance Development:	David Horsman LLM, FCCA
HR and Training:	Vicki Webb BSc, MCIPD
Lending:	Andrew Deeley MCICM
Marketing:	Alistair Nimmo
Risk:	Wendy Fry BA, ACA, AMCT
Treasury:	Nick Hodges BSc, AMCT, ACMA

ncbs
national counties
building society

Principal Office
Ebbisham House
30 Church Street
Epsom, Surrey
KT17 4NL
ncbs.co.uk

THE FAMILY BUILDING SOCIETY

Principal Office
Ebbisham House
30 Church Street
Epsom, Surrey
KT17 4NL
familybuildingsociety.co.uk

G/003/0221/MKTG