

THE
FAMILY
BUILDING
SOCIETY



MEMBERS' UPDATE 2021

Incorporating Notice of AGM, voting information
and Summary Financial Statement

ncbs
national
counties
building society

The 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 2021.

Below is a list of the many accolades we have collected throughout 2021.

SAVINGS ACCOLADES

MONEYFACTS AWARDS 2021

Moneyfacts Awards which is held in high esteem by Banks and Building Societies awarded us **Best No Notice Account Provider** and we were Highly Commended in the **Best Building Society Savings Provider** category.

SAVINGS CHAMPION AWARDS 2021/2022

Savings Champion Awards acknowledge excellence in a wide range of savings products. We were delighted to be recognised as finalists in the category for the Best Junior Cash ISA provider.

MORTGAGE ACCOLADES

WHAT MORTGAGE AWARDS 2021

Nominated and voted for by the public our Family Mortgage was awarded winner in the **Best Guarantor/Assisted Mortgage Lender** category and we were Highly Commended in the **Best Offset Mortgage Lender** category.

PERSONAL FINANCE AWARDS 2021

Finally, we were delighted to be announced the winner for the **Best First Time Buyer Mortgage Provider** from Personal Finance, again as voted for by the public.



Best No Notice Account Provider



Best Junior Cash ISA Provider



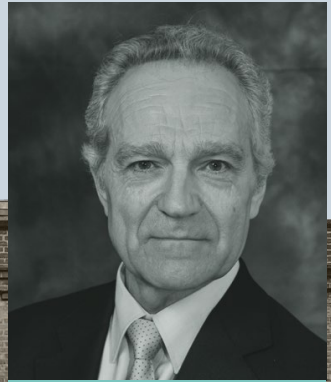
Best Guarantor/Assisted Mortgage Lender



Best First Time Buyer Mortgage Provider

This year's Annual General Meeting (AGM) will be held at 2pm on Wednesday 27 April 2022 at The Queen's Stand, Epsom Downs Racecourse, Epsom Downs, Surrey KT18 5LQ.

A message from your Chairman



Rodger Hughes

2021 WAS A YEAR OF CONSOLIDATION FOR YOUR SOCIETY AFTER A DOUBLING IN SIZE OVER THE PREVIOUS 6 YEARS. THE FINANCIAL RESULTS FOR THE YEAR WERE EXCELLENT AND AS A RESULT RESERVES HAVE INCREASED BY 15% TO £134M. THIS WILL FACILITATE THE RESUMPTION OF CONTROLLED GROWTH GOING FORWARD.

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 6. 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, Patrick Muir, Simon Wainwright, Susan Sharrock Yates and myself. Fiona Crisp is retiring from the Board at the AGM.

BUSINESS REVIEW

Group total assets reduced by 4% to £2,338m due to a reduction in cash balances compared with the exceptionally high level of liquidity at the end of 2020. We increased our loan balances, excluding fair value adjustments, by 3% compared with the prior year. Statutory profit before tax for the year increased to £22.5m and underlying profit before tax was £15.3m. The increase in underlying profit primarily reflects lower interest payable, despite the Society continuing to pay some of the highest rates in the market.

Given our size we have to follow the market and, as a saver myself I am only too conscious that not only do nominal interest rates remain at historically low levels but rising inflation has led to significantly negative real rates.

Economists are predicting that interest rates will rise and inflation abate over the next couple of years and I hope they are right.

After 7 years on the Board Fiona Crisp has decided to retire at the forthcoming AGM. She has made a particular contribution, first as

chair of the Risk Committee and latterly as the non-executive director with primary responsibility for staff liaison. We shall be sorry to lose her and wish her well for the future.

Once again Covid-19 created a challenging environment for our staff in 2021. And once again they rose to the challenge. The excellent results set out in this Annual Report are a testament to their dedication and efficiency.

Recently the Society has been a victim of its own success. Growth in the loan book ran ahead of profit growth so the previously high capital ratios gradually reduced. Reported capital was also reduced by the required accounting for financial derivative instruments relating to our legacy book of lifetime mortgages, which has created volatility in statutory profits.

In 2021 we consciously set out to consolidate the Society's position while generating more capital. The focus was therefore on continuing to maintain a high level of customer service through the pandemic and improving efficiency by upgrading systems. Having successfully achieved this, our new corporate plan is based on the resumption of controlled growth in the loan book over the next few years while systems upgrades continue.

Notwithstanding the improved capital position, the Board is still considering the feasibility of raising external capital to provide an additional cushion against either fair valuation accounting volatility or faster growth than expected.

The Society's conservative approach to lending is reflected in the low average loan to value ratio of 40% and the mortgage book has proved resilient throughout the Covid-19 crisis.

Provisions required for mortgage losses are low. We do not believe that any changes to our risk appetite are necessary to secure further growth.

Our lead regulator, the Prudential Regulation Authority, has been pursuing operational resilience as one of its key priorities and as required we have identified and mapped the important business services, set impact tolerances for each and initiated a programme of scenario testing. Reporting to the Board on IT risks and performance, including cyber security, has been and will continue to be enhanced as the IT strategy that supports the corporate plan is executed.

We look forward to again meeting Members in person at this year's AGM. It is just not the same online. If you are unable to attend but have a question for the meeting, please submit it to the Board Secretary in advance so that it can be considered.

Rodger Hughes
Chairman



Notice of AGM

NOTICE IS HEREBY GIVEN THAT THE 2022 AGM OF NATIONAL COUNTIES BUILDING SOCIETY WILL BE HELD AT 2PM ON WEDNESDAY 27 APRIL 2022 AT THE QUEEN'S STAND, EPSOM DOWNS RACECOURSE, EPSOM DOWNS, SURREY KT18 5LQ 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 2021.
- 2** To re-appoint **KPMG LLP** as auditor of the Society.
- 3** To approve the **Report on Remuneration**.
- 4** To re-elect **Susan Sharrock Yates** as a Director of the Society.
- 5** To re-elect **Rodger Grant Hughes** as a Director of the Society.
- 6** To re-elect **Mark Alexander Bogard** as a Director of the Society.
- 7** To re-elect **Christopher Rendell Croft** as a Director of the Society.
- 8** To re-elect **Andrew David Barnard** as a Director of the Society.
- 9** To re-elect **Patrick Harry Muir** as a Director of the Society.
- 10** To re-elect **Simon Wainwright** as a Director of the Society.
- 11** To re-elect **John Granville Cole** as a Director of the Society.

By order of the Board:

Christopher Rendell Croft, Secretary National Counties Building Society.

Date: 3 March 2022

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 38 and are summarised on the reverse of the enclosed Voting Form. A copy of the Rules is available upon request to the Society.
- 4.** Admission to the meeting will be permitted on production of the member's passbook, other evidence of membership issued by the Society or, in the case of appointed proxies, an appropriate form of identification.

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, 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 29 March 2022 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.**

Items 4 to 11 on the agenda cover the re-election of previously elected Directors. Brief personal details of each Director are provided on pages 14 to 16 of this booklet. All of the Directors standing for 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.

Report on Remuneration



Patrick Muir

**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. As noted in last year's report, the decision was made in the light of the coronavirus pandemic, to defer the pay review in April 2020 and a further decision was made in November 2020 to award a flat 1.5% pay rise to all Executive Directors and staff with effect from the 1st December 2020. In April 2021, taking account of all the circumstances and the continuing pandemic, a further flat 1.5% pay rise was awarded to all Executive Directors and staff with effect from the 1st May 2021.

The previous Medium Term Incentive plan (MTIP) for Executive Directors expired in 2020 and it was decided by RemCo in 2020 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. Given the continuing uncertainty, the Remuneration Committee has adopted a similar approach this year. An MTIP amount has been awarded for 2021 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 2022 and 2023. 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 continuing exceptional 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 all Executive Directors and staff. These awards are assessed on the basis of individual performance and payable in cash. Details of 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 May 2021 in line with increases awarded to Society staff. This increase was recommended by the Executive Directors in accordance with the Society's Remuneration Policy as noted below.

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

DIRECTORS' EMOLUMENTS

Emoluments of the Directors of the Society totalling £1,357,000 (2020: £1,313,000) are detailed as follows:

a) Executive Directors	2021					
	Salary £'000	Performance bonus £'000	Medium-term incentive plan £'000	Benefits £'000	Pension £'000	Total £'000
Mark Bogard	272	68	47	21	61	469
Andrew Barnard	190	48	26	14	43	321
Chris Croft	182	37	19	20	41	299
	644	153	92	55	145	1,089

A one year medium term incentive plan payment was agreed by the Remuneration Committee for the year ending 31 December 2021 and the amounts accrued by Director will be paid in two equal amounts in 2022 and 2023.

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 2021 represent monthly cash payments in lieu of contributions to the Scheme.

	2020					
	Salary	Performance bonus	Medium-term incentive plan	Benefits	Pension	Total
	£'000	£'000	£'000	£'000	£'000	£'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

b) Non-executive Directors

	2021
	Fee
	£'000
Rodger Hughes	61
Patrick Muir	45
John Cole	44
Fiona Crisp	37
Simon Wainwright	44
Susan Sharrock Yates	37
	268

	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

During the year, a company for which Patrick Muir is a Director, was paid £28,800 (2020: £31,500) for his services as a Director to Smart Money People Limited, a subsidiary company.

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 2021 or 31 December 2020.

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 2021 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
3 March 2022



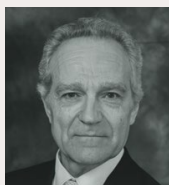
Directors seeking re-election

IN ACCORDANCE WITH THE SOCIETY'S RULES, THE DIRECTORS BELOW ARE REQUIRED TO RESIGN AT THIS AGM AND SEEK 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 30 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 2021 he was elected Chairman of the Building Societies Association, the body representing all 43 building societies, as well as 6 credit unions. 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 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 30 years commercial experience, the last 15 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.



PATRICK HARRY MUIR

Patrick was appointed to the board as a Non-Executive Director in March 2015. He has over 25 years Marketing and Brand experience having held leadership positions at Egg, Citi, Morgan Stanley and Lombard Direct. Patrick was previously voted as one of the three most influential marketers in financial services by Marketing Week.

Through his consulting firm, he now works with a variety of organisations in developing marketing and business growth strategy.

Patrick is a Director of Swan Marketing Services and Chairman of Smart Money People and has served on boards and committees of a number of other organisations.

**SIMON WAINWRIGHT** *BSC, MBA, FCIB & CHARTERED DIRECTOR IoD*

Simon was appointed to the Board as a Non-Executive Director in March 2015. Simon is currently Executive Vice President, Head of Europe, Middle East & Africa for Reinsurance Group of America. He has 35 years' experience with Nationwide Building Society, Lloyds Banking Group and latterly HSBC, where he held roles including: CEO, HSBC Insurance; CEO HSBC Bank 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, is a Fellow of the Chartered Institute of Bankers (FCIB) and is a Chartered Director, Institute of Directors.

**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.

Summary Financial Statement

For the year ended 31 December 2021

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 29 MARCH 2022.

Key Performance Indicators

1. GROUP PROFIT

Group profit after tax to mean assets ratio

2021	2020
0.78%	0.26%

2. NET INTEREST

Society net interest margin

2021	2020
1.38%	0.99%

3. COST/INCOME

Society cost/income ratio

2021	2020
57.9%	73.1%

4. COMMON EQUITY

Common Equity Tier 1 capital ratio

2021	2020
17.9%	15.9%

5. LOAN MOVEMENT

Movement in Group loan balances*

2021	2020
+2.9%	+1.2%

6. MORTGAGE ARREARS

Group residential mortgages in arrears by more than three months as a percentage of all Group residential mortgage accounts

2021	2020
0.38%	0.52%

7. COMPLAINTS

Number of complaints upheld in the year as a percentage of average number of Society members

2021	2020
0.14%	0.22%

8. SERVICE

Percentage of members reporting good or better service in the annual customer survey

2021	2020
92.2%	92.5%

*Excludes fair value adjustments

Summary Directors' Report



STATUTORY GROUP PROFIT BEFORE TAX

£22.5m

2020: £7.4m



UNDERLYING GROUP PROFIT BEFORE TAX*

£15.3m

2020: £7.2m



RESERVES

£133.7m

2020: £116.5m



TOTAL ASSETS

£2,338m

2020: £2,439m

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

2021 WAS THE SECOND, AND HOPEFULLY FINAL, YEAR DOMINATED BY COVID. FOR MANY IT WAS ANOTHER TOUGH YEAR. FOR YOUR SOCIETY, IT WAS A STRONG YEAR AND SHOULD LAY THE FOUNDATIONS FOR FURTHER MEASURED GROWTH, SO THAT WE CAN HELP MORE MEMBERS MAKE THE MOST OF THEIR MONEY OR BUY A HOME.

ECONOMIC ENVIRONMENT

The extraordinary events of the past two years have been an exceptional test of the Society's model. We have long 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, and all those things have proved to be real strengths through a period of immense uncertainty.

During the course of 2021 the Bank of England maintained its base rate of interest at 0.10% until the very close of the year, continued large scale asset purchases and made available term funding at low rates. We cannot buck the market and this inevitably meant we were constrained in our deposit pricing.

A full year of exceptionally cheap term funding suppressing the pricing of deposits and a resurgent housing market inevitably combined to considerably improve our margin through the year. While this has driven a more than satisfactory profit outcome for the Society in 2021 we have observed the prospects for Inflation and the impact of a rising interest rate environment carefully and suspect that we are entering a new economic cycle, the effects of which remain uncertain.

We continue to 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. We think this is the best protection for our Members against whatever a changing economic environment may bring.

FINANCIAL PERFORMANCE

The Group and Society both had an excellent trading year. The Group's statutory result before tax for the year ended 31 December 2021 was a profit of £22.5 million compared with a profit of £7.4 million in 2020. The improvement in profitability was driven by a £9.2m increase in net interest income due to the differential between mortgage rates and the full year of lower savings rates and a £7.0 million improvement in the derivative valuation and hedging adjustments booked under FRS 102. An increase in administrative costs of £1.9 million offset some of this. Group underlying profit levels reached £15.3 million, up from £7.2 million in 2020. In the Society, there was a profit before tax of £19.3 million compared with a profit before tax in 2020 of £4.1 million.

STATUTORY PROFIT BEFORE TAX

	GROUP		
	2021 £m	2020 £m	Change £m
Net interest income	33.7	24.5	9.2
Other income	1.1	1.1	-
Net gains from financial instruments	7.2	0.2	7.0
Management expenses	(20.1)	(18.2)	(1.9)
Impairment losses and provisions	0.6	(0.2)	0.8
Profit before tax	22.5	7.4	15.1

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 are 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.

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		
	2021 £m	2020 £m	Change £m
Profit before tax per statutory accounts	22.5	7.4	15.1
Add back net gains from financial instruments	(7.2)	(0.2)	(7.0)
Underlying profit before tax	15.3	7.2	8.1

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 making a judgement on the volatility assumption, the Directors 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 19 February 2019 that identified a probable value for volatility in the range of 3-6% and volatility in a stress scenario in the range of 10-13%. In each year, the Directors evaluated data for the UK housing market that continues to bear 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 HPI volatility assumption for the Group of 10% would be appropriate. 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 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. The long term prospects for GDP growth, CPI inflation and the structural housing shortage that persists in the UK are therefore the main factors driving the HPI assumption. Given these factors, the Directors have concluded that a long term HPI assumption of 3.75% would be the most appropriate to use for the Society's lifetime mortgage book.

During this year we refreshed our analysis, and as a result of this review, the assumptions relating to the NNEG liability have remained unchanged at the 2021 year end.

Although the main NNEG liability assumptions therefore remain unchanged in 2021, the NNEG liability reduced by £5.8 million. £0.5 million of the reduction relates to movements in the discount curve and prepayments and £5.3 million relates to the effect of the actual rate of HPI in the year being in excess of the assumed long term rate.

The value of the NNEG is £7.5 million in the Society (2020: £10.8 million) and £13.5 million in the Group (2020: £19.3 million) and the Group credit for 2021 was £5.8 million (2020: credit of £8.9 million).



ASSETS AND LIABILITIES

The Group total assets at 31 December 2021 were £2,338 million (2020: £2,439 million).

Total loans and advances to customers at the year-end were £1,866 million (2020: £1,869 million). At 31 December 2021, a total provision of £0.6 million, comprising £0.4 million individual impairment and £0.2 million collective (2020: £1.2 million, comprising £0.7 million individual impairment and £0.5 million collective), was made in the Annual Accounts for possible credit losses.

Liquid assets amounted to £441 million at the year-end (2020: £549 million), representing 21% (2020: 26%) of total shares and borrowings and 19% (2020: 23%) of total assets of the Group.

Savers' share balances totalled £1,661 million at 31 December 2021 (2020: £1,766 million) and deposits by credit institutions and other customers amounted to £421 million at the year-end (2020: £383 million), representing 20% (2020: 18%), 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 2021 amounted to £133.7 million, an increase from 2020's £116.5 million. Gross capital represented 5.7% (2020: 4.8%) of Group total assets at the year-end, or 6.4% (2020: 5.4%) of total shares and borrowings. Group free capital (i.e. capital plus collective impairment provisions, less tangible and intangible fixed assets) amounted to £126 million at the end of the year (2020: £109 million), equivalent to 6.0% (2020: 5.1%) 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 2021 this ratio stood at 17.9% (2020: 15.9%).

GROUP TOTAL ASSETS (£million)



RETAIL SAVINGS

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

The Society has maintained its tradition for paying some of the highest rates in the market, even though we understand that these remain low by historic standards. 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 to generate the funds we need to pay depositors their interest.

So 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 and we believe, offers a better chance of winning than Premium Bonds, plus the added benefit of paying bank base rate. 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 overall mortgage book by 3% in 2021. We hope to return to a higher level of growth in 2022 and beyond.

Competition in the mortgage market remains intense both on price and criteria. We cannot compete with the largest players on price and we do not want to decay the quality of our loan book by materially loosening our criteria. This means we have to better serve the independent mortgage brokers who introduce most of our business to us and design products to meet specific client needs, whilst maintaining our underwriting standards and margin, and meeting the significant regulatory constraints that govern the overall shape of our mortgage book. We have to be efficient, helpful, innovative, agile and smart.

We had a continuing level of mortgage applications at more than £350 million. We completed on £283 million of new mortgage business and went into 2021 with a reasonable pipeline of business. Net new mortgage lending was £48 million. Total loans and advances including fair value adjustments ended the year at £1,866 million.

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 borrowing Members cannot keep up with their repayments. Overall, our average loan to value on new business last year was around 50%, which is a comfort both to the borrowers and the Society – we do not want to see borrowers overstretched or facing negative equity, especially as interest rates start to rise.

GROUP RESIDENTIAL MORTGAGES (£million)



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 2 residential properties mortgaged to the Group had to be repossessed during 2021. We have only 70 accounts in arrears, only 13 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 simply by lending money to people who are unable to repay it. This is why credit quality is fundamental to the Society's security and its long-term future.

Our review of the arrears situation at the end of 2021 reduced our provisions in the Group to £0.6 million from £1.2 million.



TREASURY OPERATIONS

The Society's overall funding last year remained strong. Changes in wholesale market dynamics as a result of the pandemic palliated somewhat and we were able to be more active in the wholesale money market, taking advantage of the relatively lower 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

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. Our branch is available for those who wish to deal with us in person. We continue gradually and carefully upgrading and updating our systems and improving our operational resilience, for when, inevitably, something goes wrong. We place an especial and continuing emphasis on our Cyber Security and it is important for Members to play their part in this by remaining vigilant too at all times. The threat posed in this area is only increasing. Nevertheless, overall, the way we do things internally needs to become ever less paper based and more digital.

Our goal is always to answer the telephone quickly – we all hate hanging on. On those occasions where we cannot answer, we call people back promptly. We have 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 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 ("FOS"). In 2021, a total of 8 FOS decisions were received and none of our decisions on the original complaint were overturned.

PERSONNEL

Across the Society, the people who explain what we have to offer to mortgage brokers, answer calls, give customers advice, open and close accounts, underwrite the loans and process the business, manage the money, evolve our 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 another challenging year.

Following the latest ending of Covid related restrictions, our staff continue to work flexibly between the office and home. Many enjoy the additional flexibility it gives them, nevertheless fulfilling the obligations that their role carries.

We have continued to have low levels of staff absence during the pandemic, in 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 2021.

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.

A particular highlight was an event we sponsored for the local community held at the Houses of Parliament in early December. Those attending consisted largely of our local healthcare community, including many frontline NHS workers – doctors, midwives, paramedics. We were worried that attendance would be very low. In fact, it was close to 100% of those who had accepted the invitation. It was fascinating to hear their first-hand experiences of the pandemic. Universally they felt that we had now to move forward and "learn to live with" Covid. It was a good evening.

THE FUTURE

Founded on our result for 2021, we can look forward to growing faster again in a measured, sensible and cautious way, whilst also investing in staff and the future infrastructure of the Society to help us continue to serve our Members in the ways that you want us to.

We have learnt that predicting the future with any accuracy is impossible. So we must continue to remain vigilant, and above all resilient, to dealing with the uncertainties that we all face and which, in significant part, continue to prescribe the Society's relationship with you, our Members.

After the especial trials of the last two years, we still face the future with optimism. We are investing in that future and may seek further capital, if it is appropriate to do so. 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 2021

	GROUP	
	2021 £'000	2020 £'000
Group results for the year		
Net interest income	33,711	24,520
Other income and charges	1,082	1,052
Net gains from financial instruments	7,239	237
Administrative expenses	(20,102)	(18,176)
Provisions for impairment losses	619	(211)
Provisions for liabilities	-	(5)
Profit for the year before tax	22,549	7,417
Tax charge	(4,001)	(1,090)
Profit for the year	18,548	6,327
Financial position at the end of the year		
Assets		
Liquid assets	441,247	549,237
Mortgages	1,866,274	1,868,649
Derivative financial instruments	9,754	355
Fixed and other assets	20,360	20,878
Total assets	2,337,635	2,439,119
Liabilities		
Shares	1,661,255	1,765,621
Borrowings	420,991	382,547
Derivative financial instruments	108,195	166,291
Other liabilities	13,463	3,268
Retirement benefit obligations	-	4,846
Reserves	133,731	116,546
Total liabilities	2,337,635	2,439,119

SUMMARY OF KEY FINANCIAL RATIOS

	GROUP	
	2021 %	2020 %
As a percentage of shares and borrowings		
Gross capital	6.42	5.43
Liquid assets	21.19	25.57
As a percentage of mean total assets		
Profit for the year	0.78	0.26
Management expenses	0.84	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 3 March 2022 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 2021.

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 2021 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 2021 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 2021, 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 2021;
- 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

3 March 2022

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

Business Change:

Business Development:

Chief Information and

Technology Officer:

Commercial Development:

Compliance and Legal Services:

Finance:

Financial Planning and Analysis:

HR and Training:

Lending:

Marketing:

Risk:

Treasury:

Michael Feather

Keith Barber DMS, ACIB, DipPFS

Rebecca Hayes

Chris Agathangelou

Kathryn Mendoza LLB

Malcolm Clays BSocSc, ACA

David Horsman LL.M., FCCA

Vicki Webb BSc, MCIPD

Andrew Deeley MCICM

Alistair Nimmo

Wendy Fry BA, ACA, AMCT

(until 29 October 2021)

Laura Blake (interim)

Nick Hodges BSc, AMCT, ACMA



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Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Firm Reference Number 206080.
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