THE FAMILY BUILDING SOCIETY

MEMBERS' UPDATE 2019

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 2019.

At the ***Moneywise Mortgage Awards*** in May 2019 the Society was voted the 'Best Lender for Older Borrowers'. This is the second year in a row we have won this award.

In addition, and echoing our commitment to two very different groups of borrowers, we were delighted to win 'Best First Time Buyer Mortgage Provider' at the ***Personal Finance Awards***.

In July 2019, the UK's leading provider of savings account data, ***Moneyfacts*** awarded the Society 'Highly Commended' in the 'Best Building Society Savings Provider' and 'Best No Notice Account Provider' categories, and 'Commended' in the 'Mortgage Intermediaries Choice' category.

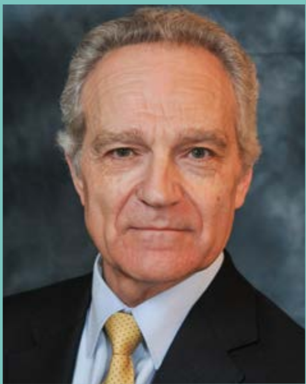
We were also pleased to have been recognised by ***Savings Champion***, one of the UK's leading independent experts on cash-based savings, who awarded the Society 'Highly Commended' in the 'Best Building Society' category.

At the ***What Mortgage Awards*** in July 2019 the Society was voted 'Highly Commended' in the 'Best Regional Building Society' category.

Finally, in October 2019, the mortgage trade magazine ***Mortgage Finance Gazette*** awarded the Society 'Highly Commended' in the 'Best Use of Technology for lenders' category.

A MESSAGE FROM YOUR CHAIRMAN

THIS YEAR'S ANNUAL GENERAL MEETING ('AGM') WILL BE HELD AT 2PM ON TUESDAY 28TH APRIL 2020 AT THE QUEEN'S STAND, EPSOM DOWNS RACECOURSE, EPSOM, DOWNS, SURREY KT17 5LQ.



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. 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 new Corporate Governance Code that recommends that all Board Directors seek re-election each year, you will see that Seven of the Board members are seeking re-election this year – Mark Bogard, Andrew Barnard, Christopher Croft, Fiona Crisp, Patrick Muir, Simon Wainwright and myself. In addition our new Non-executive Director, John Cole, is standing for election. John Howard is retiring from the Board at the AGM.

BUSINESS REVIEW

I am pleased to report another successful year's trading by your Society. Group total assets are now two-thirds higher than they were five years ago and underlying profit has again increased in a tough market. Our innovative range of mortgage and savings products continues to win awards.

Group total assets increased by 10% to £2,379m and loan balances were up by 7% to £1,829m. Underlying profit before tax was £10m and statutory profit before tax was £2.9m. The latter was arrived at after charging a further £4.3m for no negative equity guarantees (NNEG) on our legacy lifetime mortgage portfolio, following the large exceptional charge we were required to make last year (as I explained in my 2018 Report).

As a result, in addition to the Society's General Reserves, there is some £28.3m already set aside for these potential NNEG liabilities which may or may not be incurred over the next 30 years. While this level of prudence should be reassuring to Members it does mean that we have less capital available to support high rates of growth over the next five years. The Board is keen not to lose the excellent momentum which has been achieved in recent years and will be considering how best to ensure this continues at its annual strategy review.

The low interest rate environment appears here to stay for some while. The only comfort that I can give to savers is that while interest rates remain low (in both absolute and real terms) the Society has maintained its tradition of paying some of the highest rates in the market. In 2019 our weighted average rate paid was 1.48% compared with 1.07% for building societies as a whole and only 0.84% for banks according to the 'Savings Champion' website.

Good progress has been made in 2019 in the continuous process of uprating the Society's systems. When you call us our customer services team can view all your information on one screen through the new FBS Home system. The old Counties Home Loan Management subsidiary mortgage book has been migrated in-house from Capita. More generally, paper-based systems are gradually being digitised.

A strong theme from our regulator this year has been ensuring operational resilience. In response all the most important business services have been identified and impact tolerances set. Scenario testing will be undertaken this year to demonstrate our ability to stay within those tolerances. The aim is to ensure the minimum disruption to Members should an issue arise in the future.

The Vice-Chairman, John Howard, will be retiring at the 2020 AGM after 10 years on the Board. John has been a stalwart consumer champion over many years and given excellent service to the Society and its Members. Although rotation rules mean that he must step down from the Board he has agreed to continue to act as an advisor to the Retail Conduct Risk Committee so that we can continue to draw on his unique knowledge and experience in that area.

The Nominations Committee organised a process to appoint a new Non-Executive director using an external recruitment agency. Following that process, John Cole was appointed to the Board and will stand for election by Members at the AGM. John is a chartered accountant with financial services experience. He was previously the Risk Partner at EY and Chair of their Global Finance Committee. His CV is on page 15 of this Report.

The opportunity has been taken to refresh the chairmanship of Board committees with John Cole now chairing the Audit Committee and Simon Wainwright the Risk Committee. While all directors must have regard to stakeholder interests, Fiona Crisp has taken on a specific responsibility for ensuring that employee interests are properly considered (in addition to chairing the Pension Fund Trustees). Patrick Muir continues to chair the Remuneration Committee.

Investment in technology will continue. Our Chief Operating Officer, Steve Drury, and his team have a number of projects underway including a paperless end to end mortgage redemptions process and a virtual desktop infrastructure system. Work is also taking place looking at robotic process automation. The objective is to maintain the personalised service and innovative product range that we offer Members but to support it with ever improving technology. Later in the year we will also be launching a new and improved customer website with enhanced features and functionality. We are grateful to those Members who were able to help us in our research, their views and feedback were really important. We remain conscious of the need to get value for money from our IT investments.

I look forward to meeting those of you who can make it at our AGM. If you cannot please don't be shy in letting us have your views as to how we can make your Society even more successful going forward.

Rodger Hughes
Chairman

NOTICE OF AGM

NOTICE IS HEREBY GIVEN THAT THE 2020 AGM OF NATIONAL COUNTIES BUILDING SOCIETY WILL BE HELD AT THE QUEEN'S STAND, EPSOM DOWNS RACECOURSE, EPSOM DOWNS, SURREY KT18 5LQ ON TUESDAY 28 APRIL 2020 AT 2PM 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 2019.
2. To re-appoint **KPMG LLP** as **auditor of the Society**.
3. To approve the **Report on Remuneration**.
4. To elect **John Granville Cole** 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 **Fiona Mary Crisp** as a Director of the Society.
10. To re-elect **Patrick Harry Muir** as a Director of the Society.
11. To re-elect **Simon Wainwright** as a Director of the Society.

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

Date: 1 March 2020

NOTES

1. These Notes form part of the Notice of AGM above.

2. A member entitled to attend 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. 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 to see as many of our members as possible at 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 30 March 2020 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 two 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.**

The third item 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 four to eleven on the agenda cover the re-election of previously elected Directors and the election of the newly appointed Non-executive Director and Chairman of the Audit Committee. Brief personal details of each Director are provided on pages 15 to 18 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.

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 Regulatory 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 2019. The Policy Statement is published on the Society's website. The remuneration details of individual Directors are set out on pages 12 and 13.

REMUNERATON 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, John Howard and Rodger Hughes 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 now 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 part of the overall review Executive Directors' salaries were revised in 2017 to reflect market changes, inflation and the revised terms of the Medium Term Incentive Plan. Following that review base salaries of the Executive Directors rise only in line with the cost of living increases awarded to all staff during the term of the Medium Term Incentive Plan. The salaries of staff beneath the level of Executive Director were reviewed in April 2019 taking account of externally compiled data relating to pay awards across the economy and the prevailing employment dynamics. This resulted in a cost of living rise for most staff equating to 3% of salaries, plus in a number of cases, adjustments to allow for anomalies arising from market conditions and promotions. Executive Directors' basic pay was increased by 3% in line with staff generally. The salary uplift for relevant staff was brought into effect from 1 May 2019. The Executive Directors are also eligible to participate in an incentive scheme based upon both individual performance and that of the Society. The incentive scheme is subject to detailed rules which permit clawback of any award in the event of any unforeseen circumstances or any evidence of inappropriate conduct in full compliance with the Remuneration Rules set out by the Prudential Regulation Authority. Under the scheme, Executive Directors are eligible for an annual variable pay award based upon personal performance. This award is limited to a maximum of 25% of base pay. In addition, the Medium Term Incentive Plan is based upon the Society's performance over a three year period ending 31 December 2019. The amount of the award depends upon the Society's performance over the period as measured by five Key Performance Indicators: Customer satisfaction, Capital growth, Maintaining profit, Loan growth and Culture. The maximum possible bonus accruing under this scheme over three years is between 45% and 75% of base salary. Payments will be split equally and paid out in two annual payments in 2020 and 2021. This incentive plan is subject to normal restrictions so that the entitlement lapses if the Director leaves in the scheme period otherwise than through redundancy or other similar circumstances that make the Director a good leaver. The incentive plan is subject to an overriding discretion by the Remuneration Committee.

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.

As a result of changes in legislation relating to the treatment of pension benefits in prior years none of the Executive Directors are members of the Society's pension schemes. The Society has replaced their pension benefit with a taxable cash payment based on basic pay (excluding any performance related pay). Directors' overall pension benefits have reduced as a result. Pension payments are detailed in on page 12. The Society currently operates two pension schemes for the benefit of staff. One such scheme is closed to new members. The overall pension benefit paid to Executive Directors is less favourable than the benefit accruing to staff who are members the NCBS Pension and Life Assurance Scheme which is closed to new members but may be more favourable than staff who are members of the Society Group Personal Pension Plan. The long term strategy is to bring all pension benefits into line across the Society

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 Chairmen of Board Sub-Committees and the Senior Independent Director. Non-executive Directors' fees were increased by 3% 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 £1,276,000 (2018: £1,225,000) are detailed as follows:

a) Executive Directors	**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**

A medium term incentive plan ("Plan") for the Executive Directors was approved by the Remuneration Committee covering performance over three years from 1 January 2017. A third of the expected payment was accrued in each of the years 2017 and 2018 and the amount shown in the table above is the remaining accrual to bring the total amount accrued up to the amount expected to be paid. This will be paid in two equal amounts in 2020 and 2021.

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 2019 represent monthly cash payments in lieu of contributions to the Scheme.

	2018					
	Salary £'000	Performance bonus £'000	Medium-term incentive plan £'000	Benefits £'000	Pension £'000	Total £'000
Mark Bogard	255	64	33	16	57	425
Andrew Barnard	135	34	14	10	30	223
Chris Croft	171	43	13	16	38	281
Christopher Fry	56	–	–	5	13	74
	617	141	60	47	138	1,003

b) Non-executive Directors

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

	2018 Fee £'000
Rodger Hughes	58
John Howard	41
Fiona Crisp	42
Simon Wainwright	42
Patrick Muir	39
	222

Some of the fees due to Fiona Crisp have been paid directly to a charity on her behalf. The amount paid to the charity in 2019 was £4,137 (2018: £41,502).

During the year, a company for which Patrick Muir is a Director, was paid £16,200 (2018: £7,200) for his services as a Director to Smart Money People Limited, an associate company.

The fees due to John Cole for 2019 are from his date of appointment on 24 October 2019.

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 2019 or 31 December 2018.

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 upon 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 2019 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 members of 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
26 February 2020

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.

MR 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.

MR 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. From 2002 to 2006 he was Managing Partner and from 1995 to 2002 Head of the Assurance Practice. 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. In addition to being the Society's Chairman, he had, until 31 October 2019, membership of the Board of Simmons & Simmons LLP, the international law firm. Rodger has previously chaired the Audit Committee at Companies House and Chime Communications plc, and was a member of the Friends Provident Group plc Board prior to its takeover by Resolution.

MR 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. Mark is also a Director of Good Effect Ltd.

MR 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.

MR ANDREW DAVID BARNARD 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, the maker of Persil & Dove, in the UK & Europe, and four years based in Reigate with Pfizer, the world's largest pharmaceutical company.

MRS FIONA MARY CRISP MSc DIC FCT

Fiona joined the Board as a Non-executive Director in March 2015. Fiona is Chairman of the Trustees of the NCBS Pension Scheme. 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 was until recently the Director of International Treasury Risk Management for Huawei, a major Chinese private company in the ICT sector. She is a past President and Fellow of the Association of Corporate Treasurers and a member of the Association of MBAs.

MR 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.

MR SIMON WAINWRIGHT BSc MBA

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 – UK & Ireland) and is responsible for leading the management and growth of RGA's business and operations in the UK and Irish markets. He has 30 years' experience with four premium financial services organisations covering a broad range of business segments and markets. Simon has worked for HSBC Bank plc from 1997 – 2012 in roles including Chief Executive Officer for HSBC Insurance UK; Chief Executive Officer for HSBC Ireland; and COO, Commercial, Corporate & Structured Banking for HSBC Bank plc. 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, and an MBA from Henley Business School, University of Reading. Simon is a Fellow of the Chartered Institute of Bankers (FCIB).

SUMMARY FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2020.

KEY PERFORMANCE INDICATORS	2019	2018
Group profit/(loss) after tax to mean assets ratio	**0.10%**	(0.57%)
Society net interest margin	**1.17%**	1.10%
Society cost/income ratio	**63.0%**	67.8%
Common Equity Tier 1 capital ratio	**15.8%**	16.3%
Movement in Group loan balances*	**+6.7%**	+10.8%
Group residential mortgages in arrears by more than three months as a percentage of all Group residential mortgage accounts	**0.3%**	0.3%
Number of complaints upheld in the year as a percentage of average number of Society members	**0.18%**	0.12%
Percentage of members reporting good or better service in the annual customer survey	**93.4%**	91.8%

* Excludes fair value adjustments

SUMMARY DIRECTORS' REPORT

BUSINESS PERFORMANCE REVIEW

The Group and Society both had a very strong trading year. There was a significant improvement in Group underlying profit levels, up from £8.7 million in 2018 to £10 million, reflecting a 15% increase in net interest income from robust trading and healthy margins. The Group's statutory result before tax for the year ended 31 December 2019 was a profit of £2.9 million compared with a loss of £14.5 million in 2018. There was a significant improvement in net interest income of £3.6 million however the improvement in profitability was driven by a £15.6 million improvement in the derivative valuation and hedging adjustments booked under FRS 102 versus last year. An increase in administrative costs of £1.1 million offset some of this. In the Society, there was a profit before tax of £3.2 million compared with a loss before tax in 2018 of £8.8 million.

+15%

£10m
2018: £8.7m

UNDERLYING GROUP PROFIT BEFORE TAX

The underlying performance is a strong result, given a tough environment for our net margin across the year and because we have continued to invest in the infrastructure and staffing of the Society. We now have a four year programme of further investment to improve our operational efficiency and our ability to collect and use the data that we have on what we do, to optimise our product offering.

£2.9m
2018: (£14.5m)

STATUTORY GROUP PROFIT/(LOSS) BEFORE TAX

A reconciliation of the Group's underlying result to the statutory profit is shown below:

	GROUP		
	2019	2018	Change
	£m	£m	£m
Profit/(loss) before tax per statutory accounts	**2.9**	(14.5)	17.4
Add FRS 102 valuation and hedging adjustments	**7.7**	23.3	(15.6)
Add back FSCS charge	**0.0**	(0.1)	0.1
Less EIR income related to 2018 and prior years	**(0.6)**	0.0	(0.6)
Underlying profit before tax	**10.0**	8.7	1.3

The Group's statutory profit/(loss) is analysed below:

	GROUP		
	2019	2018	Change
	£m	£m	£m
Net interest income	**27.4**	23.8	3.6
Other income	**0.2**	0.6	(0.4)
Net losses from financial instruments	**(7.7)**	(23.3)	15.6
Management expenses	**(17.1)**	(16.0)	(1.1)
Impairment losses and provisions	**0.1**	0.4	(0.3)
Profit/(loss) before tax	**2.9**	(14.5)	17.4

LIFETIME MORTGAGES AND NO NEGATIVE EQUITY GUARANTEE

Before 2011 the Group originated and CHLM acquired a portfolio of Lifetime Mortgages (LM's). The Group has not acquired or written any new LM's 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 LM's 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 LM's these mortgages, now sometimes referred to as Equity Release Mortgages (ERM's), are mainly written by insurance companies. Therefore we have to understand how insurers would price our NNEG when we try and work out what it is worth.

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.

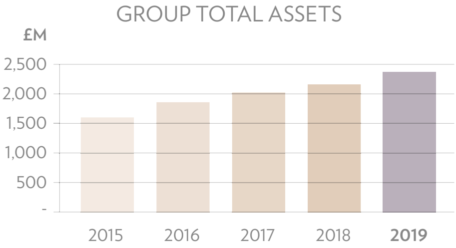
In our 2017 results the Directors took the view that the volatility assumption that we would use to value our NNEG was 5%. This gave rise to an NNEG value of £5.6 million.

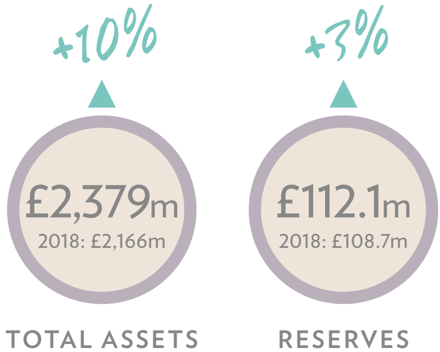
Since then the Prudential Regulatory Authority (PRA) of the Bank of England issued guidance (CP13/18, Dec'18) to Insurers who are actively writing ERM's that the preferred minimum volatility assumption is 13% and that this should be implemented from the 31 December 2018.

In evaluating the volatility assumption that the Group should now 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 reflects the 'market price' of volatility given the way that the regulation of insurers has evolved. Having considered the market price of volatility in 2019, and noting that the Bank of England guidance remains unchanged the Directors are of the opinion that the volatility assumption should remain at 13%. There is therefore no change in the value of the NNEG linked to the volatility assumption in the 2019 accounts. In making that judgement the Directors continue to take note of the paper published by 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 identifies a more probable value for volatility in the range of 3-6% and volatility in a stress scenario in the range of 10-13%. The Directors have also considered the underlying rate of assumed HPI that should be taken into account over the remaining life of the LM's. 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 4.25% from 4.5% used in the 2018 accounts.

Of the £4.3m increase in the NNEG liability in 2019, £2.6m relates to the change in the HPI assumption. Of the remaining £1.7m the primary driver relates to lower long term interest rates used in the valuation compared to the same point last year.

The value of the NNEG is £17.3 million in the Society and £28.3 million in the Group (2018: £14.0 million and £24.0 million) and the Group charge for 2019 was £4.3 million (2018: £18.7 million).





BALANCE SHEET

The Group's balance sheet was up at nearly £2.4 billion. We have grown quite significantly since launching the Family Building Society. Size for size's sake is not a sensible goal but scale is important to help us be able to meet the costs of IT, infrastructure, regulation and compliance and any negative accounting adjustments that we may suffer. Our Common Equity Tier 1 capital ratio was 15.8%. The higher the level of capital, the bigger the loss that can be sustained before the Society is unable to meet its liabilities.

Total loans and advances to customers at the year-end were £1,829 million (2018: £1,703 million). At 31 December 2019, a total provision of £1.1 million, comprising £0.7 million individual impairment and £0.4 million collective (2018: £1.2 million, comprising £0.8 million individual impairment and £0.4 million collective), was made in the Annual Accounts for possible credit losses.

Liquid assets amounted to £533 million at the year-end (2018: £443 million), representing 25% (2018: 23%) of total shares and borrowings and 22% (2018: 20%) of total assets of the Group.

Savers' share balances totalled £1,704 million at 31 December 2019 (2018: £1,471 million) and deposits by credit institutions and other customers amounted to £397 million at the year-end (2018: £434 million), representing 19% (2018: 23%), of total shares and borrowings.

The Group's capital position is one of the key indicators of its financial strength and security. It reflects its ability to absorb shocks both to the sector as a whole and any specific shocks to the Society without putting it at risk of failure. Group capital as at 31 December 2019 stood at £112.1 million up from £108.7 million in 2018 and consists of reserves built up from the accumulation of profit plus the balance on the Available for Sale reserve. The Society has not issued Permanent Interest Bearing Shares or subordinated debt to the market. The level of reserves is also impacted by credits or charges for potential net liabilities under its defined benefit pension schemes which for 2019 was a charge of £0.1 million net of tax (2018: charge of £0.7 million).

In assessing the Society's continued appetite to grow the Board is actively considering options to sensibly manage the Group's capital base. This may entail capital raising activity.

Our UK focus means that the most significant impacts from Brexit are likely to be seen from effects on the UK economy. The Society's prudent lending at low LTV's, strong liquidity position, robust balance sheet and capital strength mean that we believe that the Society is well placed to survive and thrive in the years ahead no matter how Brexit develops.

BUSINESS DEVELOPMENTS

The Family Building Society is about how we live today. We believe that families who work together across the generations, to make the most of their money, welcome having their specific needs met with innovative, value for money products backed by excellent, personal service. Our evolution from National Counties Building Society to the Family Building Society over the last six years or so is now nearly complete. It is important to note however that this Members' update is still for the legal entity National Counties Building Society (NCBS), "the Society", because the legal name of the Society has not been changed. The results are for the Society's business whether that has been conducted under the NCBS or FBS brand; it is just that the branding has now been re-focussed on FBS. The Board has considered asking Members to agree to change the Society's name to FBS but this would be a major project and no firm decision has yet been taken when to do this.

We are delighted to receive much positive press comment that often belies our size. We also seek to campaign on issues that we believe are relevant to our Members with politicians and regulators. At the heart of this is that we treat people as individuals. Young or old, we look at your individual circumstances; we want to know and understand you. The biggest providers, whatever their intentions, just can't. They are driven too much by the volumes that they must achieve to keep their large operations going.

We are pleased that we have continued to win awards for our products. We won Best Lender for Older Borrowers at the Moneywise Mortgage Awards and Best First Time Buyer Mortgage Provider at the Personal Finance Awards. We were really chuffed at these two awards at opposite ends of the age range because they demonstrate what the Family Building Society is all about.

Investment continues to be made in the Society's technology infrastructure, operating systems and software applications in order to meet regulatory requirements, provide Members with the products and services they expect and to protect the Society and its Members from the ever present cyber related risks.

We first achieved Cyber Essentials accreditation, a UK Government backed scheme, in July 2017 and have continued to improve our ability to protect, detect, respond and recover from any malicious attempt to breach our defences. In 2018, and again in 2019, we achieved the higher accreditation level of Cyber Essential Plus. We continually review and remediate any areas of vulnerability and will seek to renew our accreditation in 2020.

Operational Resilience remains a priority area of focus to ensure that the Society can continue to deliver its critical customer facing services in the event that disruption occurs. We have robust Business Continuity processes that are regularly tested to prove our ability to operate from our contingency site or to switch to our alternative Data Centre within the impact tolerances agreed with the Board.

The Society's IT Strategy is reviewed every two years to ensure that our technology investments continue to deliver a secure, resilient and scalable platform.

Our Family & Arden Homes joint venture, started late in 2018, returns the Society to the original roots of building societies providing homes. As a trial, the Board decided to allocate a small amount of capital to the granting of loans for the purchase of homes for the Society to then let out. To do this we entered into a partnership with a family who have long experience and have had great success in this area. A number of properties were reviewed across the year but we remained cautious on pricing given the background uncertainties. Though it is the intention that the properties are held for the long term, one property on which we received an offer was sold for an attractive return. As it was a tricky market in 2019, the appraised value of the properties already purchased showed a small decline in book value. We have yet to fully invest the initial amount of £10 million allocated, after which we will review the venture and decide whether or not to keep going.

The Society also holds a minority stake in a business that provides a website that allows people to review their experience of financial services products and providers. Like Trip Advisor but for financial services. We believe that this is a service that people will come to value over time, just as so many now check reviews before going somewhere like a hotel or restaurant. It performed in line with expectations in 2019.

SAVINGS

The Chairman, in his report, noted that the Society has maintained its tradition for paying some of the highest rates in the market. We had no deposit accounts in 2019 paying less than the Bank Base Rate. 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 are pleased to see that the Financial Conduct Authority is proposing to reform the easy access cash savings market by introducing new rules that will require firms to set a single easy access rate (SEAR). This is the rate that savers will revert to after any introductory rate ceases. This will allow customers to see what their rate will drop to if they do nothing at the end of any introductory term and do not move their money. We have not adopted this practice of having introductory or bonus rates but support this development which will help savers in general.

MORTGAGES

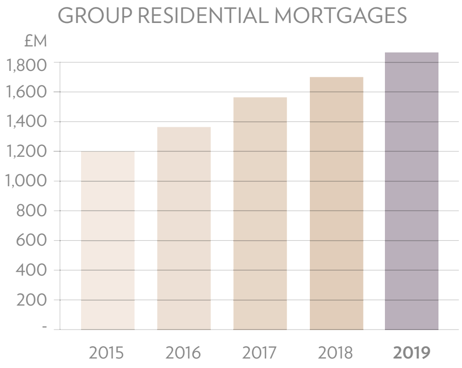
We grew our mortgage book by over 7% in 2019.

We had a continuing good level of mortgage applications at nearly £370 million. We did close to £280 million of new mortgage business. Net new mortgage lending was nearly £110 million. Total loans and advances ended the year at £1.8 billion, a new record. This continues our trend of growth, helping people get a home, which was the founding purpose of building societies.

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 three residential properties mortgaged to the Group had to be re-possessed during 2019. We have only eighty accounts in arrears, only ten of those by greater than 12 months. 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 2019 took the total of our provisions to £0.9 million in the Society, equivalent to 0.06% of total balances outstanding. £0.1 million of this related to our small portfolio of commercial property, for example shops, which, as we have not sought any new business in this area since 2013, is in run-off, together with what is left of our historic development loans. In our subsidiary, Counties Home Loan Management, the provision remains low at £0.2 million, equivalent to 0.52% of total balances outstanding.



TREASURY OPERATIONS

The Society's overall funding last year remained strong, despite some changes in wholesale market dynamics. We remained active in the wholesale money market and were pleased 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.

Although the Society has not experienced any difficulties in raising funds throughout the different 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. In the course of such liquidity management operations, the Society achieved some limited gains on the sale of gilts.

CUSTOMER SERVICES

Our guiding principle is 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.

Despite this investment in the future, we managed to reduce our Society cost income ratio by 5% to 63% in 2019. We continue to better manage the flow of calls that we receive from customers, potential customers and intermediaries. Our goal is always to answer the telephone quickly – we all hate hanging on. On those occasions where we cannot, we call people back promptly. We know that there is always more to do and we are already working on upgrading our website in 2020. We have also increased the pace at 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.

We continue to put a particular effort into understanding how best to deal with vulnerable customers, including additional staff training.

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 six cases arising in 2019 of which two were found in our favour, on two small uplifts were made in the compensation that we had already offered and two are outstanding.

PERSONNEL

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 another busy year.

And, almost without exception, they have dealt with it to a high standard, at pace.

I welcome this opportunity to acknowledge the commitment and industry of the Society's employees and to place on record my appreciation for all their efforts. The compliments that we receive almost without exception name an individual.

2020 will be busy too. The Society recognises that its continued success depends significantly on the commitment, enthusiasm and professionalism of all of its staff and these attributes must be maintained through development during their careers with the Society, with financial support provided for those pursuing relevant professional study.

The Society's ability to attract high quality people like these, at sensible rates of pay, is a key attribute for the Society to sustain its future.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Society has always recognised its community, marketplace, employer and environmental responsibilities.

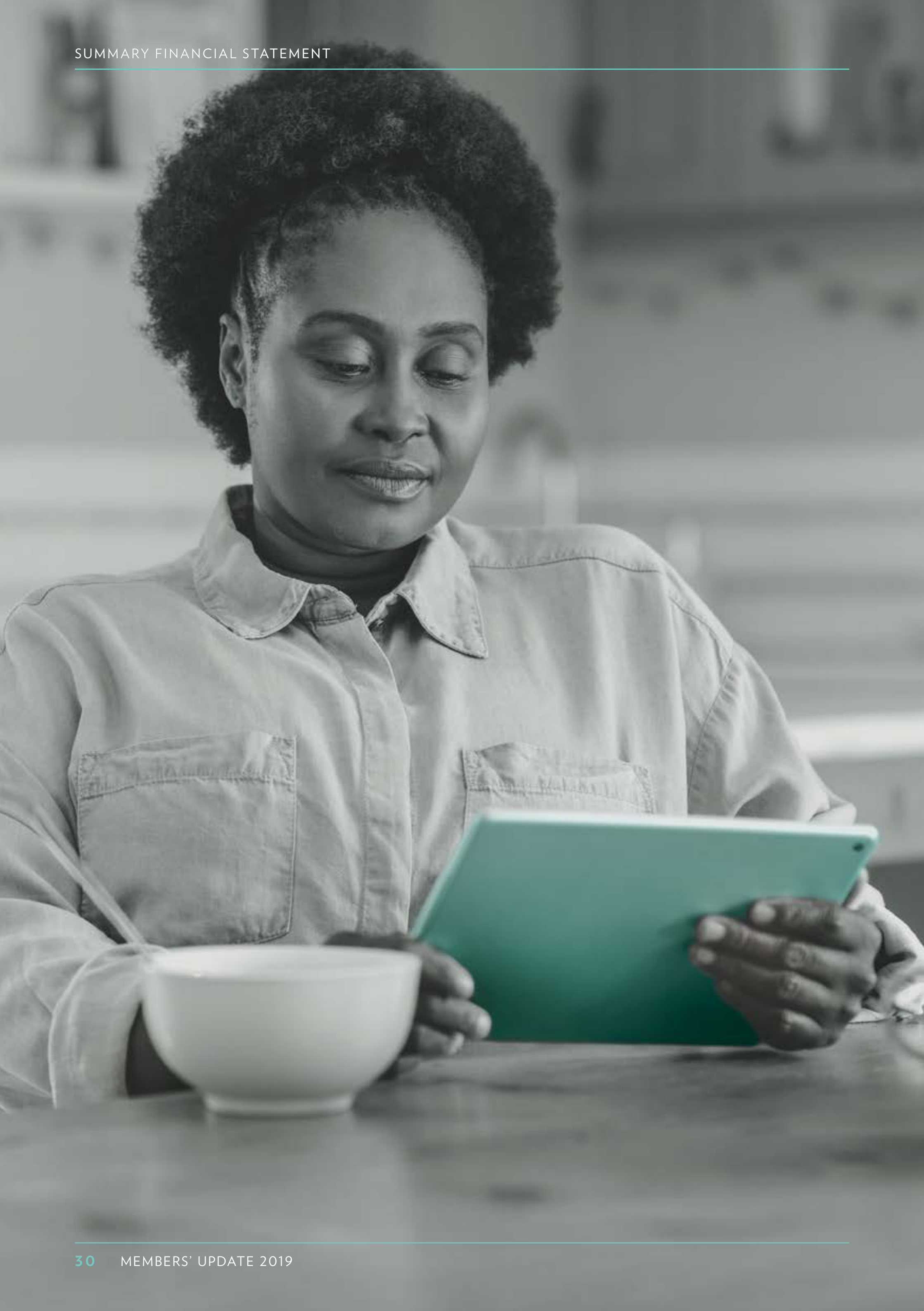
We met these responsibilities, almost instinctively, as a by-product of our mutual, customer owned status and business ethos, but they are also enshrined in a Board-approved CSR Policy Statement that encompasses all facets and provides a steer for the ongoing development of this important issue which 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, including our local food bank. During 2019 we were again pleased to participate in an Epsom-based business enterprise initiative, sponsoring the prize for the Best Business for Customer Service, a business competence we hold dear.

FUTURE DEVELOPMENTS

Our strategy must remain live to dealing with today's 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 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.

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 2019

	GROUP	
Group results for the year	**2019 £'000**	2018 £'000
Net interest income	**27,440**	23,823
Other income and charges	**214**	579
Net losses from financial instruments	**(7,721)**	(23,301)
Administrative expenses	**(17,079)**	(16,011)
Provisions for impairment losses	**55**	320
Provisions for liabilities	**40**	58
Profit/(loss) for the year before tax	**2,949**	(14,532)
Tax (charge)/credit	**(641)**	2,626
Profit/(loss) for the year	**2,308**	(11,906)

Financial position at the end of the year		
Assets		
Liquid assets	**532,722**	442,628
Mortgages	**1,829,324**	1,703,276
Derivative financial instruments	**1,304**	2,774
Fixed and other assets	**16,047**	17,799
Total assets	**2,379,397**	2,166,477
Liabilities		
Shares	**1,703,507**	1,470,814
Borrowings	**397,469**	433,813
Derivative financial instruments	**162,086**	148,332
Other liabilities	**2,549**	2,812
Retirement benefit obligations	**1,694**	2,053
Reserves	**112,092**	108,653
Total liabilities	**2,379,397**	2,166,477

SUMMARY OF KEY FINANCIAL RATIOS

	GROUP	
	2019	2018
As a percentage of shares and borrowings	**%**	%
Gross capital	**5.34**	5.70
Liquid assets	**25.36**	23.24
As a percentage of mean total assets		%
Profit/(loss) for the year	**0.10**	(0.57)
Management expenses	**0.75**	0.76

The notes on page 33 form part of this Summary Financial Statement.

The Summary Financial Statement was approved by the Board of Directors on 26 February 2020 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 2019.

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/(loss) for the year ratio*** measures the proportion that the Group's profit/(loss) 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 2019 set out on pages 19 to 33.

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 2019 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 2019, 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 2019.

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.

DIRECTORS 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

26 February 2020

BOARD OF DIRECTORS

Chairman
Rodger Hughes MA, FCA

Vice Chairman
John Howard BSc

Directors
Mark Bogard MA*
Christopher Croft LLB*
Andrew Barnard ACMA, CGMA*
John Cole FCA MCISI
Fiona Crisp MSc, FCT
Patrick Muir
Simon Wainwright BSc, MBA

* Executive Directors

EXECUTIVE TEAM

Chief Executive
Mark Bogard MA

Company Secretary
Christopher Croft LLB

Finance Director
Andrew Barnard 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

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