A building society for all seasons

THE FAMILY BUILDING SOCIETY

MEMBERS' UPDATE 2023

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 publications and websites have recognised our efforts across 2023.

Below is a list of the many accolades we have collected throughout 2023.

WHAT MORTGAGE AWARDS 2023

Nominated and voted for by the public, our Family Mortgage helped us to be selected as the winner in the **Best Guarantor / Family Support Mortgage Lender** category.

FT ADVISER SERVICE AWARDS 2023

These awards have always been considered the benchmark for service standards within the retail finance marketplace, so we're really pleased to have achieved a '**Four Star**' award.

PERSONAL FINANCE AWARDS 2023/2024

We were Highly Commended in the **Best Building Society Customer Service** and **Best First Time Buyer Mortgage Provider** category, as voted for by the public.

FINANCIAL REPORTER BROKER'S CHOICE AWARDS 2023

Voted for by the broker community, we were selected as finalists for **Best Building Society / Mutual and Best Later Life Lender** categories.

MONEY AGE AWARDS 2023

We were voted for and shortlisted as finalists by the public for the **Building Society of the Year** category.

CREDIT STRATEGY AWARDS 2023

We were voted by a judges panel as finalists in the **Mortgage Lender of the Year** category.

This year's Annual General Meeting (AGM) will be held at 2pm on Wednesday 24 April 2024 at the Society's Head Office, Ebbisham House, 30 Church Street, Epsom, KT17 4NL.

A message from your Chairman

Rodger Hughes

YOUR SOCIETY PERFORMED WELL IN 2023 DESPITE THE DIFFICULT HOUSING MARKET. THE LOAN PORTFOLIO AND UNDERLYING PROFIT FOR THE YEAR BOTH GREW SIGNIFICANTLY AND LOAN LOSSES WERE NEGLIGIBLE. RATES AVAILABLE TO SAVERS ENDED THE YEAR ABOVE INFLATION. WHILE 2024 WILL NOT BE EASY TO NEGOTIATE, GIVEN THE GEOPOLITICAL AND FINANCIAL BACKDROP, YOUR SOCIETY MOVES FORWARD IN A STRONG POSITION.

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 Member who votes online.

DIRECTORS

In accordance with the 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, John Cole, Patrick Muir, Peter Navin, Simon Wainwright and Susan Sharrock Yates. I will be retiring from the Board at the AGM.

BUSINESS REVIEW

Group total assets increased by 3% to £2,480 million (2022: increased by 3% to £2,402 million). Statutory profit before tax for the year was £17.0 million (2022: £32.3 million) and underlying profit before tax was £20.0 million (2022: £16.4 million). The difference primarily reflects the required accounting for financial instruments which creates volatility in our statutory results due to the short term valuation of long term assets and liabilities.

I am retiring from the Board at the AGM after 11 years, 9 of those as Chairman. In reflecting on your Society's progress over that period it is instructive to compare the 2013 and 2023 accounts. Our primary purpose is to provide home loans and the loan book has more than doubled in size. Average profits for one month in 2023 were the same as for the whole year in 2013. This reflects good asset and liability management, an attractive product range and operational efficiency gains.

All while maintaining the personal touch that differentiates the Society - manual underwriting and a real person answering the phone.

Early in my tenure management successfully disposed of a loss-making banking subsidiary. Since then, we have looked cautiously at other potential sources of income linked to our core purpose. Investments in Smart Money People and Family & Arden Homes have proved successful. The former in particular shows great future potential.

Overall, management have done an excellent job in strengthening your Society's position over the past decade.

I also note that the 2013 Annual Report comprised 44 pages in order to provide all the required disclosures. Our 2023 Annual Report runs to 120 pages. A stark reminder of the growth in the regulatory burden.

As a Member with many years experience working with building societies, I applied to join this Board because I thought the Society had a potential competitive advantage. It had a clear niche strategy, no branch network to support and a strong Chief Executive and Board. That is still the case, enhanced by the development of an innovative (and award-winning) product range for both mortgages and savings.

Drawing on that advantage, the plan is for continued controlled growth over the next few years, supported by further investment in technology and with an eye out for any further potential sources of income.

Succession plans have been formalised for the next few years with the aim of maintaining the strength of the Board, balancing continuity with the injection of new blood and maintaining a good spread of skills.

After careful consideration, the Board has decided that Simon Wainwright should succeed me as Chairman after the AGM, having reduced his other commitments from 1 January 2024. We are in the process of recruiting another Non-executive Director with a financial background. In each of the next two years we plan to seek a further Non-executive Director with different skills and experience to ensure they are in place before Patrick Muir and Simon Wainwright complete their periods of office.

While the cognitive diversity of the Board has been independently validated (and our backgrounds vary more than you might think at first view) we are conscious (and Members keep reminding me) that it is not very diverse in terms of gender or ethnicity. We continue to seek to address this, but the current recruitment process has again demonstrated the limited number of fully qualified female and minority ethnic candidates available to us. We could drop our standards or adopt a quota approach, but the Board believes strongly in meritocracy, non-discrimination and an obligation to recruit the best possible candidates.

Most organisations claim to have a great culture and the right values. But few I have experienced really live those values. They are usually written at Head Office and passed down, not driven by the values and behaviours of the people on the front line. Just one example - our average call queue time for December was 90 seconds, well within our 3 minute target. Compare that to the time it takes to get through to a human at one of the big banks or utilities.

Our people do a terrific job, treating Members as they would wish to be treated themselves, and the feedback we receive continually evidences this.

I would like to take this opportunity to thank them for making my time on the Board so rewarding and on behalf of Members generally for the excellent service they provide.

The Board never forgets that it is here to provide oversight on behalf of current and prospective Members of the Society.

To saving Members, I can assure you that it will do its best to continue to offer some of the most competitive rates in the market.

To borrowing Members, I hope you are enjoying the home we are helping to finance but if you do find yourself in financial difficulties please make contact at the earliest opportunity. We will make every effort to help you find a way through.

To all Members, please spread the word that this is a Society well worth joining.

I hope that as many of you as possible will attend the AGM and look forward to meeting you there. The Board welcomes feedback from Members and it is always properly considered.

Rodger Hughes
Chairman

Notice of AGM

NOTICE IS HEREBY GIVEN THAT THE 2024 AGM OF NATIONAL COUNTIES BUILDING SOCIETY WILL BE HELD AT 2PM ON WEDNESDAY 24 APRIL 2024 AT OUR HEAD OFFICE, EBBISHAM HOUSE, 30 CHURCH STREET, EPSOM, SURREY, KT17 4NL.

Ordinary Resolutions

1. To receive the **Directors' Report, Annual Accounts, Annual Business Statement** and **Auditor's Report** for the year ended 31 December 2023.
2. To re-appoint **KPMG LLP** as auditor of the Society.
3. To approve the **Report on Remuneration**.

Re-election of Directors

To consider, and if thought fit, re-elect as Directors the following candidates:

4. To re-elect **Peter Edward Navin** as a Director of the Society.
5. To re-elect **Susan Sharrock Yates** as a Director of the Society.
6. To re-elect **Mark Alexander Bogard** as a Director of the Society.
7. To re-elect **Andrew David Barnard** as a Director of the Society.
8. To re-elect **Patrick Harry Muir** as a Director of the Society.
9. To re-elect **Simon Wainwright** as a Director of the Society.
10. To re-elect **John Granville Cole** as a Director of the Society.

By order of the Board:
Kathryn Mendoza, Secretary, National Counties Building Society.

Date: 7 March 2024

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 page 2 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. Page 2 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 26 March 2024 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 and, following a competitive tender, were re-appointed in 2016. Independence of the audit is maintained through periodic rotation of the staff and manager as well as the partner responsible. **Your Board recommends that you vote "FOR" their re-appointment.**

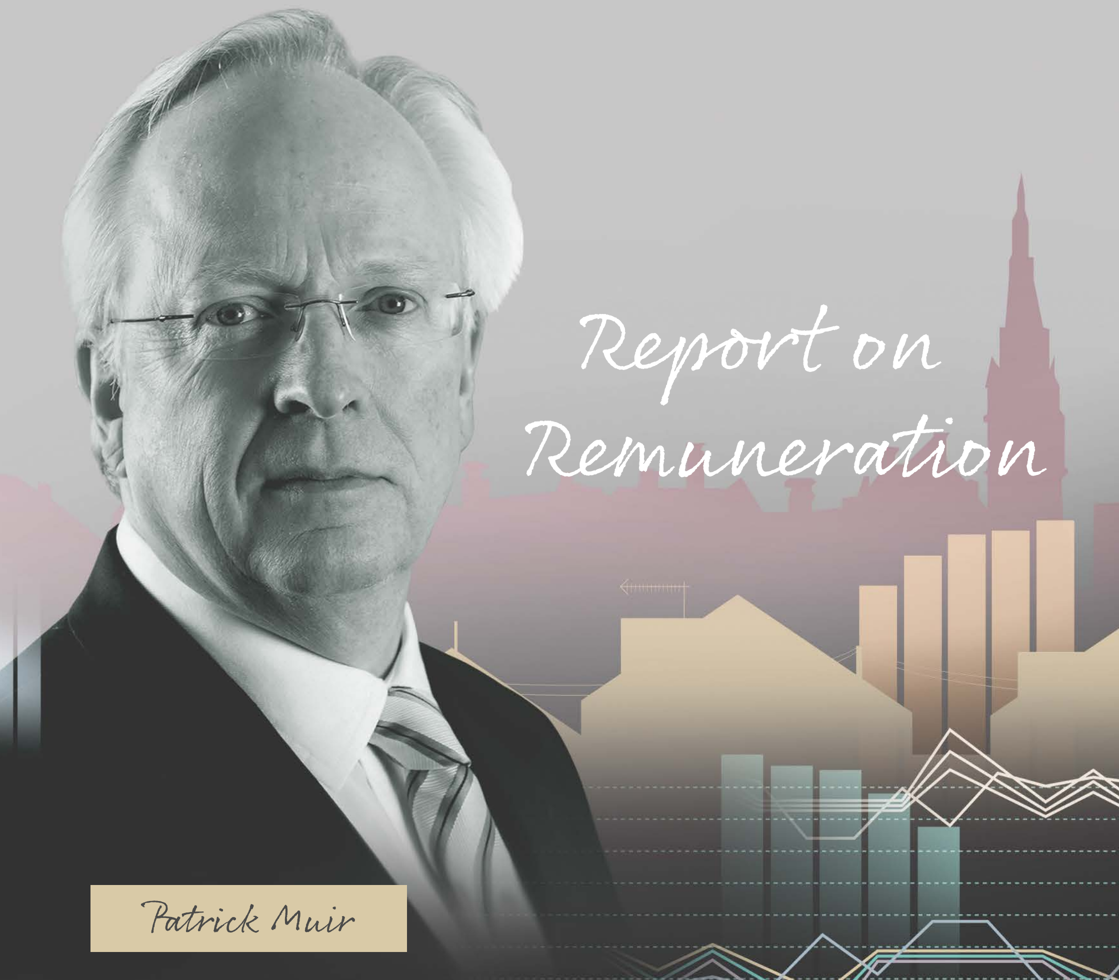
At the conclusion of the external audit of the year ended 31 December 2024, KPMG will no longer be eligible to be the statutory auditor of the Society having served for the maximum period of 20 years. As a consequence, the Audit Committee will be commencing a formal audit tender process during 2024 to find a new statutory auditor for the year ended 31 December 2025. A resolution for the approval of the new auditor's appointment will be put forward at the 2025 AGM.

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 10 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. 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 an established 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 or act against the principles of the Consumer Duty. Against this background the objectives of the Remuneration Policy include the following:

- ***To attract and retain staff with the appropriate skills, behaviour 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.***
- ***To ensure that remuneration supports the practices and behaviours which lead to good outcomes for Members in line with the Consumer Duty.***

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

In order to determine the policy for Executive Director remuneration and remuneration of senior management, the Remuneration Committee undertakes a review of the overall remuneration and incentive packages for the workforce of the Society as a whole. It takes into account salaries and benefits in the sector and the nature of the commitments and responsibilities associated with individual roles. Basic salaries payable to Executive Directors are reviewed periodically with reference to jobs carrying similar responsibilities in comparable financial organisations, market conditions generally and local employment competition in view of the Society's geographical position. In 2022, a benchmarking review was undertaken and it was decided that no significant adjustments were needed. The basic salaries of the Executive Directors were increased by 5% from 1 May 2023 in line with the award made to other staff in the Society.

The previous Medium Term Incentive Plan (MTIP) arrangement expired in 2021. A new 3-year MTIP scheme was put in place in 2022 which will end in 2024. The scheme is based on Key Performance Indicators (KPIs) which are aligned to the achievement of the corporate plan. A sum will be accrued each year based on performance in that year, and the resulting bonus will be paid in two instalments, 50% in 2025 and 50% in 2026.

Executive Directors are eligible to receive other taxable benefits including a car or car allowance and healthcare provision for themselves and their immediate family, and standard professional body subscriptions. Travel and subsistence expenses are also met when the Executives undertake travel for business purposes.

In keeping with current recommended practice, the standard terms for any new Executive Director appointment include a contractual notice period of no more than 6 months by the Society and 6 months by the Executive Director. Andrew Barnard has a contract on this basis issued in 2018. Mark Bogard has a contract issued in 2012 on the basis previously adopted by the Society which requires 12 months' notice to be given by the Society and 6 months to be given by the Executive Director.

In the light of the continuing excellent performance of the Society's staff during 2023, the Remuneration Committee has decided that a variable pay award should be awarded to the Executive Directors and nearly all staff. Variable pay awards are made on the basis of individual performance and payable in cash. Details of the awards to Executive Directors are set out on page 11.

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

NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive Directors do not receive any benefits other than their fees and travelling expenses when attending training or meetings other than standard board and committee meetings. 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. A benchmarking exercise was completed in 2023 and it was decided that Non-executive Directors' basic fees should be increased by £5,000 to take account of market movements and a further 5% from 1st May 2023 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 £1,204,000 (2022: £1,384,000) are detailed as follows:

a) Executive Directors	**2023**					
	Salary £'000	**Performance bonus £'000**	**Medium-term incentive plan £'000**	**Benefits £'000**	**Pension £'000**	**Total £'000**
Mark Bogard	**294**	**75**	**67**	**24**	**66**	**526**
Andrew Barnard	**212**	**54**	**39**	**15**	**48**	**368**
	506	**129**	**106**	**39**	**114**	**894**

Chris Croft, formerly Executive Director and Company Secretary, left the Building Society in November 2022 having received £259,441 as compensation for loss of office. He has subsequently made a claim for unfair dismissal which the Society will vigorously defend.

A three year medium term incentive plan payment was agreed by the Remuneration Committee for the three years ending 31 December 2024 and the amounts accrued by each Director will be paid in two equal amounts in 2025 and 2026.

Mark Bogard is no longer an active member of the Group's Pension Scheme and Andrew Barnard has never been a member of the Scheme. Their pension emoluments in 2023 represent monthly cash payments in lieu of contributions to the Scheme.

	2022					
	Salary £'000	Performance bonus £'000	Medium-term incentive plan £'000	Benefits £'000	Pension £'000	Total £'000
Mark Bogard	281	71	64	22	63	501
Andrew Barnard	197	51	37	18	44	347
Chris Croft (until 4 November 2022)	159	28	22	32	39	280
	637	150	123	72	146	1,128

b) Non-executive Directors

	2023
	Fee £'000
Rodger Hughes	**68**
Patrick Muir	**52**
John Cole	**51**
Peter Navin	**44**
Susan Sharrock Yates	**44**
Simon Wainwright	**51**
	310

	2022
	Fee £'000
Rodger Hughes	63
Patrick Muir	47
John Cole	45
Fiona Crisp (until 29 April)	13
Peter Navin (from 23 November)	4
Susan Sharrock Yates	39
Simon Wainwright	45
	256

During the year, a company for which Patrick Muir is a Director, was paid £58,500 (2022: £42,300) 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 2023 or 31 December 2022.

INDEPENDENT JUDGEMENT

CODE PRINCIPLE 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

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 advisers on pay and rewards and a benchmarking exercise was conducted in 2022. No significant adjustments to Executive pay were required as a result of this exercise.

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 on market data and are determined by the Executive Directors. Performance related pay (variable 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. Awards for certain staff are reviewed by the Remuneration Committee.

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. On behalf of the Committee, I recommend that you endorse this report.

Patrick Muir
Chairman, Remuneration Committee
7 March 2024

Directors seeking re-election

IN ACCORDANCE WITH BEST PRACTICE ON CORPORATE GOVERNANCE, THE DIRECTORS BELOW ARE STANDING FOR RE-ELECTION AT THE AGM

PETER NAVIN *BA, FCIB*

Peter was appointed to the board as a Non-executive Director in November 2022.

Early in his career he was an international economist with ICI, before moving into banking where he acquired 30 years' experience. This included senior leadership positions in Operations, Product Marketing, Corporate and Retail banking. Peter led large customer-facing teams under the Lloyds, Cheltenham and Gloucester and Bank of Scotland brands and was Chief Executive of Lloyds TSB Scotland plc for four years from 2010 before becoming Distribution director for TSB when it separated from Lloyds Banking Group. Peter is a Fellow of the Chartered Institute of Bankers and also works as an executive coach, having qualified at Henley Business School.

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.

She sits on the board of Ariel Re Managing Agency Ltd as an Independent Non-executive Director and Chair of the Audit Committee and until recently was a Trustee of the Friends Life Pension scheme and a Non-executive Director of Friends Life Holdings.

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, a position that he held until May 2023. Mark is also a Director of Good Effect Ltd and a Director of Eleven Eton Avenue Limited.

ANDREW DAVID BARNARD *BA, ACMA, CGMA*

Andrew was appointed Finance Director in April 2018 and Director of Counties Home Loan Management Ltd, a wholly owned subsidiary of National Counties Building Society in November 2018. He is an accountant with over 30 years commercial experience, the last 16 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 40 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 & 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 2023

THE GROUP'S PROGRESS IS MONITORED BY THE BOARD USING A SET OF STRATEGIC KEY PERFORMANCE INDICATORS (KPIs). THE OUTCOMES FOR THE KPIs ADOPTED DURING 2023, WITH COMPARISON AGAINST THE 2022 RESULTS, ARE REPORTED BELOW WITH EXPLANATORY COMMENT

Key Performance Indicators

1. GROUP PROFIT

Group profit after tax to average assets ratio

2023	2022
0.50%	1.08%

2. NET INTEREST

Society net interest margin

2023	2022
2.01%	1.63%

3. COST / INCOME

Society cost/income ratio

2023	2022
51.9%	61.2%

4. COMMON EQUITY

Common Equity Tier 1 capital ratio

2023	2022
20.3%	20.7%

5. LOAN MOVEMENT

Movement in Group loan balances*

2023	2022
+7.5%	+4.0%

*Excludes fair value adjustments

6. MORTGAGE ARREARS

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

2023	2022
0.36%	0.27%

7. COMPLAINTS

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

2023	2022
0.18%	0.14%

8. SERVICE

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

2023	2022
91.9%	87.8%

Summary Directors' Report

STATUTORY GROUP PROFIT BEFORE TAX

£17.0m

2022: £32.3m

UNDERLYING GROUP PROFIT BEFORE TAX*

£20.0m

2022 £16.4m

RESERVES

£169.4m

2022: £156.5m

TOTAL ASSETS

£2,480m

2022: £2,402m

*See page 20 for the definition of underlying group profit before tax

2023 WAS ANOTHER PRETTY TOUGH YEAR. THE WAR IN UKRAINE CONTINUES; THERE IS RENEWED TURMOIL IN THE MIDDLE EAST; IN THE UK WE HAD A WEAK ECONOMY, INFLATION ABOVE TARGET AND FURTHER INTEREST RATE RISES. BUT INFLATION HAS STARTED TO FALL, RATES HAVE PROBABLY PEAKED AND, FOR YOUR SOCIETY, IT WAS ANOTHER GOOD YEAR. AGAIN THIS STRENGTHENS OUR FOUNDATIONS FOR FURTHER MEASURED GROWTH, SO THAT WE CAN HELP MORE MEMBERS MAKE THE MOST OF THEIR MONEY OR BUY A HOME.

ECONOMIC ENVIRONMENT

In our Strategic Report last year, we observed that we were concerned for the future of inflation, the impact of a rising rate environment and the prospect of entering a new economic cycle. These were the key features that drove the economic landscape in 2023.

The war in Ukraine's impact on the UK economy has been profound with a resultant squeeze on household incomes from inflation and increasing mortgage rates. For 2023 as a whole CPI inflation averaged 7.3%, down from 9.1% in 2022. However, CPI inflation averaged 4.18% in Q4 2023 somewhat below the Bank of England's forecast of 4.64% for the quarter. For many this brings welcome relief as the prospect of lower inflation brings with it a reduction in mortgage interest rates from many providers. In part these price reductions reflect a strong competitive market but also an anticipation of lower interest rates to come. The outcome for the UK mortgage and savings market in 2024 hangs, in large measure, on the timings of any base rate cuts that the Bank of England may choose to make. We note that they were slow to raise them and may be slow to cut them too.

We remain vigilant for signs that the increased strain from higher rates may show itself in the form of increased forbearance or arrears for our mortgage customers. There was no sign of this in 2023 and at the time of writing there remains little sign that our book is exposed in this regard. Our policy of lending at low Loan to Values and underwriting each case on its merits stands us in good stead. Despite all of this 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 innovative products 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 2023 was a profit of £17.0 million compared with a profit of £32.3 million in 2022. The reduction in profitability of £15.3 million was driven in a large part by a change in the contribution from gains and losses from financial instruments. In 2023 there was a £3.0 million loss from financial instruments compared with a £15.9 million gain in 2022 – an effective swing of £18.9 million. Net interest income increased by £8.5 million reflecting a widening gap in mortgage and savings rates in the year. Administrative expenses increased by £4.3 million which reflects the significant commitment the Society is making in both headcount and systems as part of its Digital Transformation Programme along with its increasing investment in Smart Money People. A decrease in depreciation and amortisation of software and goodwill of £0.6 million offset some of this. Group underlying profit levels reached £20 million, up from £16.4 million in 2022. In the Society, there was a profit before tax of £21.5 million compared with a profit before tax in 2022 of £27.1 million.

STATUTORY PROFIT BEFORE TAX	GROUP		
	2023 £m	2022 £m	Change £m
Net interest income	**47.8**	39.3	8.5
Other income	**0.9**	1.7	(0.8)
Net (losses)/gains from financial instruments	**(3.0)**	15.9	(18.9)
Administrative expenses (including pension scheme finance charge)	**(27.2)**	(22.9)	(4.3)
Depreciation and amortisation of software and goodwill	**(1.1)**	(1.7)	0.6
Impairment losses and provisions	**(0.4)**	–	(0.4)
Profit before tax	**17.0**	32.3	(15.3)

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		
	2023 £m	2022 £m	Change £m
Profit before tax per statutory accounts	**17.0**	32.3	(15.3)
Add back net losses/ (gains) from financial instruments	**3.0**	(15.9)	18.9
Underlying profit before tax	**20.0**	16.4	3.6

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 try to understand how these other market participants would price our NNEG when we 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 evaluate 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 than might otherwise be the case.

The Directors also consider 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. Although we have seen some reductions in house price indices during 2023 due to the economic conditions, the Directors have seen no evidence that the structural drivers of HPI remain unchanged. They don't therefore expect that any short term volatility from the current economic conditions will impact the long term assumption at this point.

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 2023 year end.

Although the main NNEG liability assumptions therefore remain unchanged in 2023, the NNEG liability has increased by £0.9 million. This increase is due to the following reasons - £1.2 million relates to movements in the discount curve and prepayments, £0.5 million relates to the effect of the actual rate of HPI in the year being lower than the assumed long term rate offset by a £0.3 million reduction due to adopting updated actuarial assumptions and a £0.5 million reduction due to a decrease in the number of loans from redemptions.

The value of the NNEG is £3.4 million in the Society (2022: £3.0 million) and £6.6 million in the Group (2022: £5.7 million). The Group charge for 2023 was £1.1 million (2022: credit of £7.8 million) which includes the £0.9m increase in the NNEG value and £0.2m of crystallised losses from repossession sales.

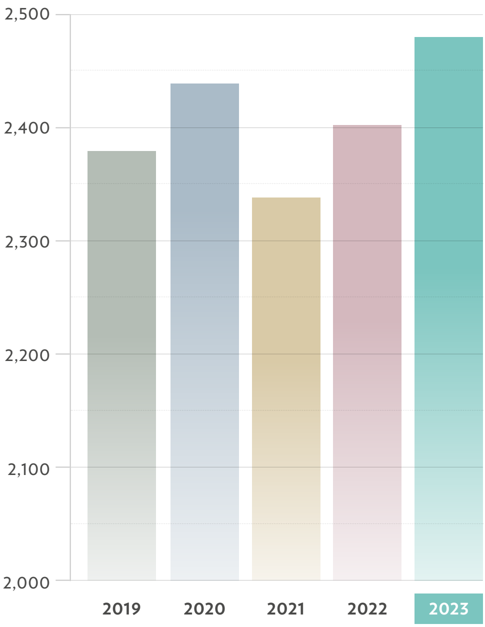
ASSETS AND LIABILITIES

The Group total assets at 31 December 2023 were £2,480 million (2022: £2,402 million).

Total loans and advances to customers at the year-end were £1,987 million (2022: £1,813 million). At 31 December 2023, a total provision of £0.6 million, comprising £0.1 million individual impairment and £0.5 million collective (2022: £0.4 million, comprising £0.1 million individual impairment and £0.3 million collective), was made in the Annual Accounts for possible credit losses.

Liquid assets amounted to £418 million at the year-end (2022: £496 million), representing 19% (2022: 23%) of total shares and borrowings and 17% (2022: 21%) of total assets of the Group.

GROUP TOTAL ASSETS (£million)



Savers' share balances totalled £1,819 million at 31 December 2023 (2022: £1,743 million) and deposits by credit institutions and other customers and debt securities in issue amounted to £404 million at the year-end (2022: £401 million), representing 18% (2022: 19%), of total shares and borrowings.

The Group's capital position is represented by general reserves and the Available for Sale (AFS) reserve. Group gross capital at 31 December 2023 amounted to £169.4 million, an increase from 2022's £156.5 million. Gross capital represented 6.8% (2022: 6.5%) of Group total assets at the year-end, or 7.6% (2022: 7.3%) of total shares and borrowings. Group free capital (i.e. capital plus collective impairment provisions, less tangible and intangible fixed assets) amounted to £161 million at the end of the year (2022: £150 million), equivalent to 7.3% (2022: 7.0%) of total shares and borrowings. A key indicator of the Group's capital strength is its Common Equity Tier 1 capital ratio. At 31 December 2023 this ratio stood at 20.3%, (2022: 20.7%).

RETAIL SAVINGS

First and foremost, we want to be a safe and attractive home for your savings. In 2023, we took in £558 million of new savings balances and customers withdrew £588 million. A huge effort by staff sits behind what is only a net outflow of £30m but a gross flow of over £1.1 billion. With added interest our total savings balances actually increased by £76m.

The Society has maintained its tradition for paying some of the highest rates in the market when we are looking to raise funds. Whilst we want to do the best that we can for depositors, we are driven by rates in the market. If we are even a little out of kilter with what others are paying, we would receive a significant excess of savings funds in a short period of time, funds which we simply would not be able to lend out sensibly as mortgages to generate the interest we need to pay depositors their interest.

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 offered 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. We hope to open a new Windfall Bond in 2024, its success having taken it to full capacity. 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

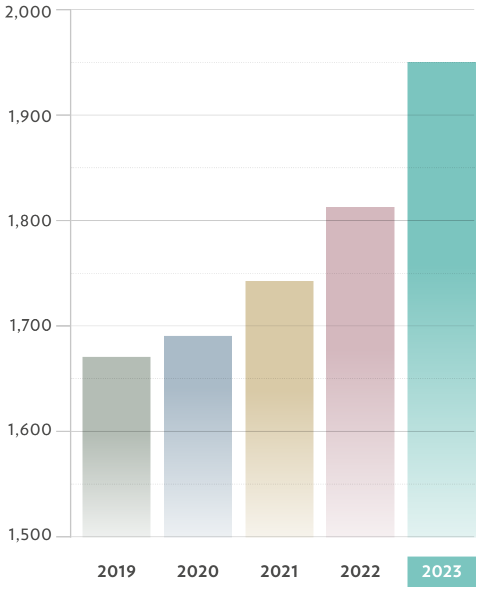
We received mortgage applications totalling £432 million in 2023, made advances of £335 million and received £199 million of repayments, giving net new lending of £136 million. This was a strong net lending performance given that the whole UK mortgage market, reported by UK Finance and as measured by net lending, stalled in 2023, shrinking by £336m. By contrast, UK market net lending growth in 2022 was £57bn. We went into 2024 with a reasonable pipeline of applications.

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 need segments, 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.

Total loans and advances including fair value adjustments ended the year at £2.0 billion, a record.

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 less than 50%, which is a comfort both to the borrowers and the Society – we do not want to see borrowers overstretched or facing negative equity.

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 very 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 the Consumer Duty. Reaching good outcomes 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 3 residential properties mortgaged to the Group had to be repossessed during 2023, 1 of which was a lifetime mortgage where the borrower had gone into long-term care. We have only 81 accounts in arrears, only 6 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 2023 resulted in provisions in the Group of £0.6 million up slightly from £0.4 million the previous year.

TREASURY OPERATIONS

The Society's overall funding last year remained strong. We are looking to increase our breadth and sophistication in this area. In this regard, we were pleased to enter into a £250m bilateral funding facility during 2023. We will use this to help repay the Bank of England's Term Funding Scheme, which they introduced to provide additional liquidity but is now coming to an end.

Although the Society has not experienced any difficulties in raising funds throughout the various 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.

As well as taking in retail deposits, we were active in the wholesale money market to help provide a diversity of funding. 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.

CUSTOMER SERVICES

Cognisant of our duty to customers, our guiding principle remains to provide consistently attractive, innovative, fair 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 or, sometimes, working from home. 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 or fails. We place an especial and continuing emphasis on our Cyber Security and it is really 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. Sometimes our security protocols frustrate some Members – but we are only trying to protect your money.

Our goal is always to answer the telephone quickly. Members value this – we all hate hanging on. Our target is 3 minutes or less – we all have experience of hanging on with some providers for much longer than this. If you are hanging on for ages, that firm has made a choice as to how it staffs up its call centre. Your call may be "valuable" to them, just not that valuable. On those occasions where we cannot answer, we call people back promptly if that is what they ask us to do. Sometimes it will take us a little longer to answer the phone than we aim for and for that we are sorry when it does happen.

Consistent with the principles of the new Consumer Duty, which has been the subject of a significant implementation exercise, we take care in the design of our products to ensure they will meet the needs of the customers for whom they are designed, provide good outcomes and fair value and 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 newsletter 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 2023, a total of 8 FOS decisions were received and 3 of our decisions on the original complaint were overturned.

PERSONNEL

Our staff should be proud of what they have done in 2023.

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 themselves had another challenging year.

Many of our staff now work flexibly between the office and home. They enjoy the additional flexibility it gives them, nevertheless fulfilling the obligations that their role carries. This goes to a collegiate attitude and the strong desire and commitment of staff to serve.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Society has always recognised its community, marketplace, employer and environmental responsibilities and targets. 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 Board-approved CSR and Environmental, Social and Governance Policy statements that encompasses all facets and provide a steer for the ongoing development of this important issue which is driven by staff-led Committees and the Board.

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

THE FUTURE

Founded on our results over the last three years, we hope to continue to grow in a measured, sensible and cautious way, if circumstances allow, 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.

We still face the future with optimism and we continue to invest 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.

Finally, our Chair will retire from the Board at our AGM this year. Rodger Hughes joined the Board after responding to a notice in our newsletter. He has served the Society exceptionally well over 11 years – bringing huge experience, wise counsel, focus, and sound judgement. He has been a great asset to the Society. We will miss him and we thank him. The Board has asked Simon Wainwright to succeed him. Simon also brings great experience and business judgement.

SUMMARY FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

	GROUP	
Group results for the year	**2023 £'000**	2022 £'000
Net interest income	**47,866**	39,258
Fees, commissions and other income	**1,242**	1,057
(Loss)/gain on investment properties	**(335)**	666
Net (losses)/gains from financial instruments	**(2,960)**	15,916
Administrative expenses	**(27,231)**	(22,900)
Depreciation and amortisation of software and goodwill	**(1,142)**	(1,728)
Provisions for impairment losses	**(431)**	14
Profit for the year before tax	**17,009**	32,283
Tax charge	**(4,839)**	(6,778)
Profit for the year	**12,170**	25,505

Financial position at the end of the year		
Assets		
Liquid assets	**418,005**	496,218
Mortgages	**1,986,665**	1,812,757
Derivative financial instruments	**53,928**	72,564
Fixed and other assets	**21,780**	20,282
Total assets	**2,480,378**	2,401,821

Liabilities		
Shares	**1,818,805**	1,743,108
Borrowings	**403,918**	400,757
Derivative financial instruments	**41,129**	25,985
Other liabilities	**46,412**	74,944
Retirement benefit obligation	**667**	574
Reserves	**169,447**	156,453
Total liabilities	**2,480,378**	2,401,821

SUMMARY OF KEY FINANCIAL RATIOS

	GROUP	
	2023	2022
As a percentage of shares and borrowings	**%**	%
Gross capital	**7.62**	7.30
Liquid assets	**18.81**	23.15

As a percentage of average total assets		
Profit for the year	**0.50**	1.08
Management expenses	**1.16**	1.04

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

The Summary Financial Statement was approved by the Board of Directors on 7 March 2024 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 2023.

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 2023 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 2023 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 2023, 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 2023.
- 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

7 March 2024

BOARD OF DIRECTORS

Chairman

Rodger Hughes MA, FCA

Vice Chairman

Patrick Muir

Directors

Mark Bogard MA*
Andrew Barnard BA, ACMA, CGMA*
John Cole FCA
Peter Navin BA, FCIB
Susan Sharrock Yates BA, FCA, FCT
Simon Wainwright BSc, MBA, FCIB

* Executive Directors

EXECUTIVE TEAM

Chief Executive

Mark Bogard MA

Finance Director

Andrew Barnard BA, ACMA, CGMA

Functional Directors

Business Change:	Michael Feather
Business Development:	Keith Barber DMS, ACIB, DipPFS
Chief Information and Technology Officer:	Rebecca Hayes
Commercial Development:	Chris Agathangelou
Secretary and Compliance and Legal Services:	Kathryn Mendoza LLB
Finance:	Malcolm Clays BSocSc, ACA
Financial Planning and Analysis:	David Horsman LLM, FCCA
People and Learning & Development:	Vicki Webb BSc, MCIPD
Information Technology:	Grigorios Anastasiadis
Lending:	Philip Townsend Blaine Faragher BA(Hons)
Marketing:	Alistair Nimmo
Risk:	Graeme Wolvaardt
Treasury:	Nick Hodges BSc, FCT, ACMA

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