MEMBERS' UPDATE 2018

THE FAMILY BUILDING SOCIETY

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 2018.

In May 2018 we were delighted to have won two mortgage awards from ***Moneywise magazine***: 'Best Lender for Older Borrowers' and 'Best Lender for First Time Buyers' proving our commitment to two very different groups of borrowers.

In addition, and echoing our commitment to these two diverse groups of borrowers, in June we were pleased to be finalists in two categories of the ***Legal & General Mortgage Club Awards***: 'Best Smaller Lender' and 'Best Lender for Later Life Lending.'

We were also pleased to have been recognised by ***MoneyAge magazine*** who awarded the Society 'First Time Mortgage Lender of the Year'.

In June 2018, the UK's leading provider of savings account data, ***Moneyfacts*** awarded the Society 'Highly Commended' in the 'Best Building Society Savings Provider' category.

Finally, at the ***What Mortgage Awards*** in July 2018 the Society was voted the 'Best Guarantor/Assisted Mortgage Lender' for its Family Mortgage. This is the third year in a row we have won this award.

A MESSAGE FROM YOUR CHAIRMAN

THIS YEAR'S ANNUAL GENERAL MEETING ('AGM') WILL BE HELD ON TUESDAY 30TH APRIL 2019 AT 2PM, AT THE QUEEN'S STAND, EPSOM DOWNS RACECOURSE, EPSOM DOWNS, SURREY KT18 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

You will see that five of the Board members are seeking re-election this year. Mark Bogard the Chief Executive, Fiona Crisp, Patrick Muir, Simon Wainwright and myself are required to stand by rotation under the Society's rules. In addition our new Finance Director, Andrew Barnard, is standing for election.

BUSINESS REVIEW

The good news is that your Society is continuing its successful progression, which is welcome in an uncertain environment.

The Group had a good year, underlying profit increased in 2018 to £8.7 million. The Group's loan book also increased by 9% (10.8% excluding accounting fair value adjustments) and total assets increased by 7%. Total assets are now 50% higher than they were 4 years ago. Despite further investments in technology, the Society's cost/income ratio fell from 72% to 68%. Although underlying profit increased, the statutory accounts show a loss of £14.5 million due to the accounting for financial instruments. In particular we have had to make an increased charge relating to the estimation of the future cost of "no negative equity guarantees" on the lifetime mortgages completed and purchased by the Group between 2004 and 2010. This relates to a cost which may or may not be incurred (over the next 30 years). This exceptional charge arises this year because the assumptions used by insurance companies in their technical calculations have changed and we are required to follow suit. Despite this the Society has had a good year, our capital position remains strong and no trading loss has been incurred. The Society can look forward to continued success in the years to come. In my 2015 Chairman's Statement I apologised that our accounts were becoming more volatile and difficult to understand due to accounting standards becoming more technical and complex. 2018 is very much a case in point.

As I write the political and hence economic uncertainty continues. Different outcomes will affect interest rates and the housing market in different ways but the stress tests we carry out show that your Society has the resources to cope with even severe negative effects. Our low average loan to value ratio on our mortgage loans is comforting in this regard.

Since Mark Bogard was appointed Chief Executive in 2012 and a new strategy approved by the Board in 2013 your Society has been transformed. The loss-making banking subsidiary, Hampshire Trust, was sold, the commercial loan book is being run off, systems enhanced, the Family Building Society launched and a range of truly innovative products introduced. We have had to install a large trophy cabinet this year to house the expanding collection of awards. A momentum has been created and sustained that bodes well for the future.

In any event, we enter the Society's 124th year with confidence.

I look forward to meeting those Members which can attend the AGM and thank you all for your support.

Rodger Hughes
Chairman

NOTICE OF AGM

NOTICE IS HEREBY GIVEN THAT THE 2019 AGM OF NATIONAL COUNTIES BUILDING SOCIETY WILL BE HELD AT THE QUEEN'S STAND, EPSOM DOWNS RACECOURSE, EPSOM DOWNS, SURREY KT18 5LQ ON TUESDAY 30 APRIL 2019 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 2018.
2. To re-appoint **KPMG LLP** as **auditor of the Society**.
3. To approve the **Report on Directors' Remuneration**.
4. To re-elect **Rodger Grant Hughes** as a Director of the Society.
5. To re-elect **Mark Alexander Bogard** as a Director of the Society.
6. To re-elect **Fiona Mary Crisp** as a Director of the Society.
7. To re-elect **Patrick Harry Muir** as a Director of the Society.
8. To re-elect **Simon Wainwright** as a Director of the Society.
9. To elect **Andrew David Barnard** as a Director of the Society.

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

Date: 26 March 2019

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 3 April 2019 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 Directors' 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 Directors' 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 nine on the agenda cover the re-election of previously elected Directors and the election of the newly appointed Finance Director. Brief personal details of each Director are provided on pages 15 to 17 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 DIRECTORS' REMUNERATION

THIS REPORT ILLUSTRATES HOW THE SOCIETY HAS REGARD TO THE PRINCIPLES SET OUT IN THE UK CORPORATE GOVERNANCE CODE 2016 RELATING TO DIRECTORS' 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 2018. The Policy Statement is published on the Society's website. The remuneration details of individual Directors are set out on pages 12 and 13.

THE LEVEL AND COMPONENTS OF EXECUTIVE DIRECTOR REMUNERATION

CODE PRINCIPLE D.1: EXECUTIVE DIRECTORS' REMUNERATION SHOULD BE DESIGNED TO PROMOTE THE LONG-TERM SUCCESS OF THE COMPANY. PERFORMANCE-RELATED ELEMENTS SHOULD BE TRANSPARENT, STRETCHING AND RIGOROUSLY APPLIED.

SOCIETY'S APPROACH

As set out in its Remuneration Policy Statement, the primary objective of the Society is to operate for the financial benefit of its Members and not for the disproportionate financial benefit of any of its employees.

However, the Board also believes that 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 ensuring primacy of Members' interests and 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.***

In line with the Board's approach, which reflects that adopted within other comparable organisations, the Society's remuneration policy provides for the reward of Executive Directors through salaries and other benefits. The overall remuneration of the Executive Directors was reviewed in 2017 following the expiry of the incentive plan introduced in 2014.

EXECUTIVE DIRECTORS' EMOLUMENTS

The remuneration for Executive Directors reflects their responsibilities. It comprises basic salary, performance related variable pay and various benefits detailed below. Performance - related payments are not pensionable. The Society has no share option scheme and none of the Directors has any beneficial interest in, or any rights to subscribe for shares in or debentures of any connected undertaking of the Society.

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 are expected to rise only in line with the cost of living increases awarded to all staff. The salaries of staff beneath the level of Executive Director were reviewed in April 2018, 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 2018. 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 all of the Executive Directors have opted out of the pension scheme. 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 on pages 12 and 13.

EXECUTIVE DIRECTORS' CONTRACTUAL TERMS

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. Chris Croft has a contract which requires 12 months' notice from either party issued in 2014.

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 on page 14.

DIRECTORS' EMOLUMENTS

Emoluments of the Directors of the Society totalling £1,225,000 (2017: £1,226,000) are detailed as follows:

a) Executive Directors

	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**

The remuneration shown above for Andrew Barnard is for the period from 3 April 2018 to 31 December 2018 and for Christopher Fry is from 1 January 2018 to 24 April 2018.

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 (see Report on Directors' Remuneration). One third of the expected payment has been accrued in 2018 and is disclosed in the table above.

Christopher Fry retired in April 2018. Under the terms of the Plan, the accrual to 31 December 2017 shown below of £31k crystalised on his retirement and is to be paid in two equal amounts in 2019 and 2020.

Mark Bogard, Christopher Fry 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 2018 represent monthly cash payments in lieu of contributions to the Scheme.

	2017					
	Salary £'000	Performance bonus £'000	Medium-term incentive plan £'000	Benefits £'000	Pension £'000	Total £'000
Mark Bogard	240	63	54	16	54	427
Christopher Fry	174	45	31	14	39	303
Chris Croft	166	42	22	16	37	283
	580	150	107	46	130	1,013

b) Non-executive Directors

	2018 Fee £'000	2017 Fee £'000
Rodger Hughes	**58**	56
John Howard	**41**	39
Fiona Crisp	**42**	40
Simon Wainwright	**42**	40
Patrick Muir	**39**	37
	222	212

The fees due to Fiona Crisp have been paid directly to a charity on her behalf. The amount paid to the charity in 2018 was £41,502 (2017: £40,287).

Mr Howard received benefits in the year of £Nil (2017:£1,216) in respect of travel expenses.

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 2018 or 31 December 2017.

THE PROCEDURE FOR DETERMINING REMUNERATION

CODE PRINCIPLE D.2:
THERE SHOULD BE A FORMAL AND TRANSPARENT PROCEDURE FOR DEVELOPING POLICY ON EXECUTIVE REMUNERATION AND FOR FIXING THE REMUNERATION PACKAGES OF INDIVIDUAL DIRECTORS. NO DIRECTOR SHOULD BE INVOLVED IN DECIDING HIS OR HER OWN REMUNERATION.

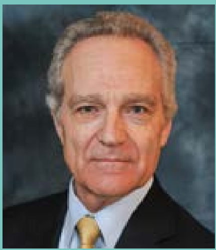
SOCIETY'S APPROACH
The Remuneration Committee, which comprises three Non-executive Directors, Patrick Muir, John Howard and Rodger Hughes and is chaired by Patrick Muir, is responsible for setting the remuneration of the Executive Directors. The Committee also sets the additional payments for the Chairman of the Board, the Chairmen of the Group Audit, Remuneration and Board Group 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.

It is the view of the Committee that Directors' remuneration for the year has been in accordance with the Society's stated Remuneration Policy and, on behalf of the Committee; I recommend that you endorse this report.

Patrick Muir
Chairman, Remuneration Committee
26 March 2019

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 RODGER 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 has 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.

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).

MR ANDREW 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.

SUMMARY FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

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 3 APRIL 2019.

KEY PERFORMANCE INDICATORS	2018	2017
Group (loss)/profit after tax to mean assets ratio	**(0.57%)**	0.25%
Society net interest margin	**1.1%**	1.1%
Society cost/income ratio	**67.8%**	72.2%
Common Equity Tier 1 capital ratio	**16.3%**	19.6%
Movement in Group loan balances*	**+10.8%**	+14.4%
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	**0.12%**	0.13%
Percentage of members reporting good or better service in the annual customer survey	**91.8%**	92.2%

* 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 £6.2 million in 2017 to £8.7 million, reflecting a 12% increase in net interest income from robust trading and healthy margins. However, the Group's statutory result before tax for the year ended 31 December 2018 was a loss of £14.5 million compared with a profit of £6.0 million in 2017. Whilst there was an improvement in net interest income by £2.5 million and other income by £0.4 million along with a £0.5 million reduction in the charges for credit provisions and the Financial Services Compensation Scheme (FSCS) provision, the loss was driven by a £23.1 million higher charge for derivative valuation and hedging adjustments booked under FRS 102 and an increase in administrative costs of £0.8 million. In the Society, there was a loss before tax of £8.8 million compared with a profit before tax in 2017 of £7.2 million.

The underlying performance is a good 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.

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

	GROUP		
	2018	2017	Change
	£m	£m	£m
(Loss)/profit before tax per statutory accounts	**(14.5)**	6.0	(20.5)
Add back net losses from financial instruments	**23.3**	0.2	23.1
Add back FSCS charge	**(0.1)**	–	(0.1)
Underlying profit before tax	**8.7**	6.2	2.5

40% ▲

£8.7m
2017: 6.2m

UNDERLYING GROUP PROFIT BEFORE TAX

(14.5m)
2017: £6.0m

STATUTORY GROUP (LOSS)/PROFIT BEFORE TAX

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

	GROUP		
	2018	2017	Change
	£m	£m	£m
Net interest income	**23.8**	21.3	2.5
Other income	**0.6**	0.2	0.4
Net losses from financial instruments	**(23.3)**	(0.2)	(23.1)
Management expenses	**(16.0)**	(15.2)	(0.8)
Impairment losses and provisions	**0.4**	(0.1)	0.5
(Loss)/profit before tax	**(14.5)**	6.0	(20.5)

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 death or move into residential care of the borrower), 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 in 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.

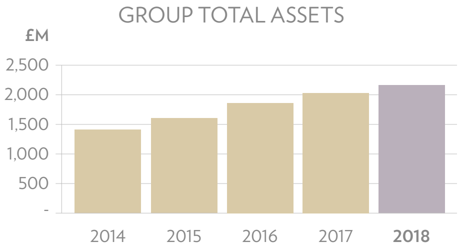
Since then the Prudential Regulatory Authority (PRA) of the Bank of England has issued guidance (CP13/18, Dec'18) to Insurers who are actively writing ERM's that the preferred minimum volatility assumption is 13% and that this should be implemented from 31 December 2019.

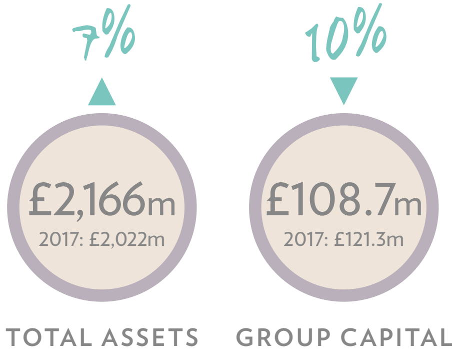
In evaluating the volatility assumption that the Group should now use the Directors have decided that it would be appropriate to assume a value of 13% for the 2018 accounts. It is the Directors' opinion that this reflects the 'market price' of volatility given the way that the regulation of Insurers has evolved.

This requires the Group to charge an additional £18.7 million to the Income Statement in 2018. This brings the total value of the NNEG to £24.0 million in the Statement of Financial Position.

Whilst the Directors acknowledge that this charge represents the best estimate of the current market value, and may increase in future years, they are also mindful that it is, in their view, unlikely that the £24.0 million reflects the actual losses that the Group may incur and that the Group may benefit from some, or a substantial part, of this value being written back to the Income Statement in the future. In making that judgement the Directors have taken note of the recent 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%.

As a result of these changes the Group is reporting a Loss Before Tax of £14.5 million. Had the Directors maintained the assumption at 5% the Group would have reported a Profit Before Tax of £5.5 million.





BALANCE SHEET

The Group's balance sheet was up at nearly £2.2 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 and regulation and compliance. Our Common Equity Tier 1 capital ratio at 16.3% remains strong. 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 £1,703 million (2017: £1,565 million). At 31 December 2018, a total provision of £1.2 million, comprising £0.8 million individual impairment and £0.4 million collective (2017: £1.5 million, comprising £1.0 million individual impairment and £0.5 million collective), was made in the Annual Accounts for possible credit losses. Mortgage arrears are detailed in the Strategic Report in the Annual Accounts.

Liquid assets amounted to £443 million at the year-end (2017: £446 million), representing 23% (2017: 26%) of total shares and borrowings and 20% (2017: 22%) of total assets of the Group.

Savers' share balances totalled £1,471 million at 31 December 2018 (2017: £1,332 million) and deposits by credit institutions and other customers amounted to £434 million at the year-end (2017: £405 million), representing 23% (2017: 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 2018 stood at £108.7 million down from £121.3 million in 2017 and consists of reserves built up from the accumulation of profit plus the balance on the Available for Sale reserve. The reduction in 2018 arose from the loss incurred in 2018. 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 2018 was a charge of £0.7 million net of tax compared with a £0.1 million credit in 2017.

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.

The Society has paid careful attention to the unfolding of the Brexit debate over the course of 2018. We must be prepared for a range of possible outcomes. In planning for 2019 we have carefully stressed our forecasts against the stresses that the Bank of England has laid out. The Society's prudent lending at relatively low Loan to Values, strong liquidity, robust balance sheet and capital mean that we believe that the Society will survive and thrive in the years ahead as Brexit develops.

BUSINESS DEVELOPMENTS

We launched the Family Building Society (FBS) brand nearly five years ago now. It has struck a chord for people with 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.

The success of FBS resulted in the decision to make FBS the main brand for the Society from December 2016 onwards. We are, however, very mindful of our need, and our obligation, to continue to serve existing National Counties' customers. We are gradually transferring them to Family Building Society products as they see fit. We already now have the majority of both our mortgage and savings balances under the Family Building Society name.

It is important to note however that this Summary Financial Statement 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. 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 generally get a hugely positive reaction from people. Our biggest issue remains that many have not heard of us and what we do. When we have the opportunity to tell them, they are almost always pleasantly surprised.

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. Work we completed in 2018 enabled us to achieve the higher accreditation level of Cyber Essential Plus in July 2018.

During 2018, we also replaced our online savings service to provide a more seamless, efficient and secure customer experience. The Society's IT Strategy is reviewed annually to ensure that our technology investments continue to deliver a secure, resilient and scalable platform. Operational Resilience is another area of focus to ensure that the Society can continue to deliver business critical activities in the unlikely event that any of our services are disrupted. We have robust Business Continuity processes.

In 2018, the Society commenced a possible new long term venture, which actually returns it to the original roots of building societies. The world's first building society, Ketley's, was founded in Birmingham in 1775. Richard Ketley was the landlord at the Golden Cross Inn. He pooled the resources of some of his customers who would contribute a specified amount into a shared building fund and draw lots to select which of the members would have land purchased and a home constructed. With property in place as security further finance could then be attracted to the Society through loans.

As a trial, the Board decided to allocate a small amount of capital to the granting of loans for the purchase of some homes for the Society to then let out. To do this we have entered into a partnership with a family who have long experience and have had great success in this area. We also quite separately fund some of their existing properties. Their expertise is focused in East London. The Society controls this partnership. We are not seeking to develop properties, only improve them. For example, we bought a house in Cable Street, East London which had been owned by a Housing Association but had been allowed to fall into disrepair. It has been restored to a good condition and all the flats are now let at a sensible rent, on reasonable terms. We will be a good landlord. When an initial amount of £10 million has been invested, we will review the venture and decide whether or not to keep going.

The Society also made an investment in 2018, giving it 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 to a hotel or restaurant.

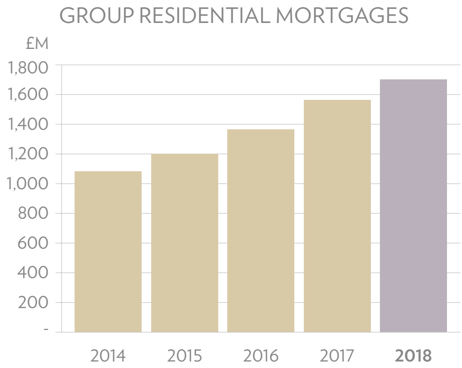
SAVINGS

We do everything that we reasonably can to maintain our deposit rates. 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. When we seek to attract new funds, we offer a leading rate in the market. Though unlike some, we do not play the game of offering teaser rates in the hope that people forget to move their money once the tease is over. In a competitive market, we are pleased to have been able to offer existing and new Members a good deal; yet we are constrained in what we can do for savers. The Society survives on the margin between the deposit rate we offer savers and the interest we can charge our borrowers. That margin is tight at 1.1%. It has continued to come down over recent years and we have to maintain it – even though profits are not our focus, we must continue to build the Society's capital base to serve both existing and future customers. We seek to make a fair, sensible return which Members understand and they are comfortable with.

TREASURY OPERATIONS

The Society's overall funding last year remained largely stable. We were 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's financial strength enabled it to raise wholesale funding of varying maturities including some longer term funding on attractive terms, though this has got tougher given increased background uncertainties.

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 strengthened liquidity regime for deposit-taking financial institutions began being implemented in 2010, and continues to evolve and the Society's framework is subject to a periodic review by the Prudential Regulation Authority. 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.



MORTGAGES

We grew our mortgage book by 10.8% in 2018 (9% including accounting Fair Value adjustments) and further grew our market share.

We had a continuing strong level of mortgage applications at nearly £440 million. We did just over £320 million of new mortgage business. Net new mortgage lending was £147 million. Total loans and advances ended the year at £1.7 billion. This continues our trend of growth, helping people get a home. This 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 4 residential properties mortgaged to the Group had to be re-possessed during 2018. We have only 62 accounts in arrears, only 10 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 2018 took the total of our provisions down to £1.0 million in the Society, equivalent to 0.06% of total balances outstanding. £0.2 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 0.45% of total balances outstanding.

CUSTOMER SERVICES

Our guiding principles in relation to customer service, as set out in our corporate objectives, are consistently attractive, innovative and dependable products and 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 operations' resilience. We have successfully taken some material steps forward in 2018 in this regard. In particular, we launched our new online service in September. Although this required Members to re-register their details, which we know is inconvenient, the system is a real improvement on our old, more manual system. Despite this we managed to reduce our cost income ratio by 4% to 68% in 2018. 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, including upgrading our websites, which we continued to do across 2018. We have also increased the pace at which we are able to make mortgage offers, which we know is important to 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 and we put a real effort into communicating with them across the final year of their product so that they do not end up on our Standard Variable Rate unless they want the flexibility. 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 2018 of which one was found in our favour, one against and four are outstanding.

PERSONNEL

Across the Society, the people who 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 dealt with as much business overall as we ever have before. And, almost without exception, they have dealt with it to a high standard, at pace.

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

2019 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.

Chris Fry, who had been the Finance Director here for the last eight years, retired at last year's AGM. Andrew Barnard joined us as Finance Director around the same time and has got up and running quickly. He will stand for election to the Board at the AGM. Mark Willis, our first Chief Risk Officer, also retired during 2018. He built up our risk function, effectively from scratch, and we are most grateful for his contribution; he remains a Trustee of the pension fund. The Risk role has now been filled by Wendy Fry, who has already made a real contribution to the management of all the many and various risks that the Society faces. 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 2018 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 the political, economic, competitive and regulatory issues and 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 will need to acquire new skills and evolve existing ones. For example, to keep growing in the current low interest rate environment we may have to raise additional capital at some point. We will look to do this, if and when we believe that it will be in Members' best interests.

We continue to face the future with optimism. We are investing in that future. If we offer customers what they want – innovative 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 2018

	GROUP	
Group results for the year	**2018 £'000**	2017 £'000
Net interest income	**23,823**	21,336
Other income and charges	**579**	244
Net losses from financial instruments	**(23,301)**	(221)
Administrative expenses	**(16,011)**	(15,161)
Provisions for impairment losses	**320**	(137)
Provisions for liabilities	**58**	(14)
(Loss)/profit for the year before tax	**(14,532)**	6,047
Tax credit/(charge)	**2,626**	(1,174)
(Loss)/profit for the year	**(11,906)**	4,873

Financial position at the end of the year		
Assets		
Liquid assets	**442,628**	445,708
Mortgages	**1,703,276**	1,565,258
Derivative financial instruments	**2,774**	1,531
Fixed and other assets	**17,799**	9,281
Total assets	**2,166,477**	2,021,778
Liabilities		
Shares	1,470,814	1,331,532
Borrowings	433,813	404,855
Derivative financial instruments	148,332	159,208
Other liabilities	2,812	3,303
Retirement benefit obligations	2,053	1,614
Reserves	108,653	121,266
Total liabilities	2,166,477	2,021,778

SUMMARY OF KEY FINANCIAL RATIOS

	GROUP	
As a percentage of shares and borrowings	**2018** **%**	2017 %
Gross capital	**5.70**	6.98
Liquid assets	**23.24**	25.67

As a percentage of mean total assets	**%**	%
(Loss)/profit for the year	**(0.57)**	0.25
Management expenses	**0.76**	0.78

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 March 2019 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 2018.

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 ***(loss)/profit for the year ratio*** measures the proportion that the Group's (loss)/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 2018 set out on pages 18 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 2018 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 2018, 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 2018.

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.

Matthew Rowell (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway,
Birmingham B4 6GH
26 March 2019

BOARD OF DIRECTORS

Chairman
Rodger Hughes MA, FCA

Vice Chairman
John Howard BSc

Directors
Mark Bogard MA*
Christopher Croft LLB*
Andrew Barnard ACMA, CGMA*
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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