

## **NOTTINGHAM BUILDING SOCIETY REPORTS STRONG FINANCIAL PERFORMANCE WITH GROSS MORTGAGE LENDING UP 18%**

The Nottingham today presents its results for the year ended 31 December 2022. The mutual ended the year in a strong position, with an increase in mortgage lending and pre-tax profit compared to 2021.

Key achievements and financial highlights of 2022 include:

- Group pre-tax profit of £18.9 million, with underlying pre-tax profit of £15.2 million
- Gross mortgage lending up 18% at over £659 million for 2022; resulting in total assets of £3.8 billion
- Strong capital position with Common Equity Tier 1 at 16.8% and leverage of 5.7%
- Net interest margin of 1.69% - up 45 basis points from 1.24%
- Achieved a customer Net Promoter Score of 72%
- Employee engagement score of 81%

### **Sue Hayes, CEO of Nottingham Building Society, comments on the results:**

"I am pleased to report that we ended the year in a strong position, with profit before tax of £18.9 million, up £3.8 million on 2021. Our financial performance has been achieved despite additional costs and increased provisions for expected future credit losses driven by the rising cost of living, and inflationary challenges that our borrowers face into 2023 and beyond. Increasing interest rates have supported the strong performance.

"We have made it a key priority to support our members through these difficult times by paying savers the best rates we could whilst strengthening the Society. Building the right team has also been very important. In 2022 we announced some significant hires to bolster our talented executive team. Alongside this, finding the right allies to support our ambitions was a focus. Our partnership with Generation Home, announced in November, is a great example of how we will think differently to help achieve our goals.

"I am proud of the results we are sharing today and would like to thank our members, and each one of our dedicated colleagues, for their continued trust in the Society. We look ahead to the coming years with a renewed sense of focus, guided by a clear and impactful purpose, with mutuality as our bedrock."

### **Financial performance**

The Society has delivered a strong level of profit in 2022 during turbulent economic conditions, with an underlying profit before tax of £15.2m (2021: £7.4m) and a statutory profit after tax of £15.8m (2021: £12.6m).

Although this was aided by higher interest income and gains on derivatives, these were partially offset by increased investment and expenses in the new strategy, supporting colleagues in the cost of living crisis and passing through some of the interest rate increases to our saver members.

In light of the macroeconomic conditions, the continuation of the cost of living crisis and the potential impact on mortgage affordability, the Society increased its provision for expected losses on loans to customers, recognising the increasing risk of credit deteriorating in a recessionary environment. Our asset quality remains strong with arrears levels remaining low at 0.20% of loans three months or more in arrears and an average loan to value at the end of 2022 of 54%.

Supporting local communities has continued to be an important part of The Nottingham. Throughout 2022 we delivered our Corporate and Social Responsibility programme that saw 841 hours volunteered to community projects and charities by our team. In addition to this £150,000 was donated to the Samuel Fox Foundation. In relation to colleagues, we have made two cost of living payments to support them through these challenging times.

**Strategic review and outlook**

The Society completed a strategic review in 2022. Following this process, a new strategy is being developed which builds on The Nottingham's 170-year heritage looking after savers and helping people own their own homes while also seeking to address the challenges some aspiring homeowners face due to their chosen careers or lifestyles. This will be further implemented in 2023.

Sue Hayes  
Chief Executive

3 March 2023

<b>Consolidated income statement Total Group Basis</b>	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Net interest income	62.8	45.9
Net fees & commissions receivable	1.6	3.1
<b>Net underlying income</b>	<b>64.4</b>	<b>49.0</b>
Management expenses	(47.0)	(43.0)
Impairment (charge)/release – loans & advances	(2.2)	1.4
<b>Underlying profit before tax</b>	<b>15.2</b>	<b>7.4</b>
Gains from derivative financial instruments	10.2	7.9
Net strategic investment costs	(5.0)	(0.2)
Change in accounting estimate	(1.5)	-
<b>Reported profit/ before tax</b>	<b>18.9</b>	<b>15.1</b>
Tax charge	(3.1)	(2.5)
<b>Reported profit after tax</b>	<b>15.8</b>	<b>12.6</b>
Represents:		
<b>Profit after tax – continuing operations</b>	<b>15.8</b>	<b>12.4</b>
<b>Profit after tax – discontinued operations</b>	<b>-</b>	<b>0.2</b>

Within the consolidated statutory financial statements, the mortgage broking business is reported as a discontinued operation in the 2021 comparatives.

**Consolidated income statement  
for the year ended 31 December 2022**

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
<b>Continuing Operations</b>		
Interest receivable and similar income	98.8	64.4
Interest payable and similar charges	(36.0)	(18.5)
Net interest income	62.8	45.9
Fees and commissions receivable	3.1	3.0
Fees and commissions payable	(1.5)	(0.9)
Net gains from derivative financial instruments	10.2	7.9
Total net income	74.6	55.9
Administrative expenses	(42.8)	(36.5)
Depreciation and amortisation	(10.7)	(6.8)
Operating profit before impairment	21.1	12.6
Impairment (charge)/release - loans and advances	(2.2)	1.4
Profit on disposal of subsidiary undertaking	-	0.5
Profit on disposal of property, plant and equipment	-	0.4
<b>Profit before tax</b>	<b>18.9</b>	<b>14.9</b>
Tax charge	(3.1)	(2.5)
<b>Profit after tax for the financial year for continuing operations</b>	<b>15.8</b>	<b>12.4</b>
<b>Discontinued operations</b>		
<b>Profit after tax for the financial year from discontinued operations</b>	<b>-</b>	<b>0.2</b>
<b>Profit after tax for the financial year</b>	<b>15.8</b>	<b>12.6</b>

**Consolidated statement of comprehensive income  
for the year ended 31 December 2022**

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
<b>Profit for the financial year</b>	15.8	12.6
Items that will not be re-classified to the income statement		
Remeasurements of defined benefit obligations	0.1	-
Tax on items that will not be re-classified	(0.1)	0.3
Items that may subsequently be re-classified to the income statement		
FVOCI reserve		
Valuation losses taken to reserves	(4.1)	(0.3)
Tax on items that may subsequently be re-classified	0.8	0.2
Other comprehensive (expense)/income for the period net of income tax	<u>(3.3)</u>	<u>0.2</u>
<b>Total comprehensive income for the year</b>	<u><b>12.5</b></u>	<u><b>12.8</b></u>

**Consolidated statement of financial position  
as at 31 December 2022**

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
<b>Assets</b>		
Liquid assets	719.3	562.5
Derivative financial instruments	142.6	26.1
Loans and advances to customers	2,922.8	3,010.9
Fixed and other assets	<u>27.8</u>	<u>35.3</u>
<b>Total assets</b>	<u><b>3,812.5</b></u>	<u><b>3,634.8</b></u>
<b>Liabilities</b>		
Shares	3,009.7	2,874.6
Borrowings	518.4	496.1
Derivative financial instruments	14.4	6.5
Other liabilities	14.4	14.5
Subscribed capital	<u>24.0</u>	<u>24.0</u>
Total liabilities	3,580.9	3,415.7
<b>Reserves</b>		
General reserves	235.0	219.2
Fair value reserves	<u>(3.4)</u>	<u>(0.1)</u>
Total reserves attributable to members of the Society	231.6	219.1
<b>Total reserves and liabilities</b>	<u><b>3,812.5</b></u>	<u><b>3,634.8</b></u>

<b>Consolidated statement of changes in members' interests as at 31 December 2022</b>	<b>General reserve £m</b>	<b>FVOCI reserve £m</b>	<b>Total £m</b>
Balance as at 1 January 2022	219.2	(0.1)	219.1
Profit for the year	15.8	-	15.8
Other comprehensive expense for the period (net of tax)			
Net losses from changes in fair value	-	(3.3)	(3.3)
Total comprehensive income/(expense) for the period	15.8	(3.3)	12.5
<b>Balance as at 31 December 2022</b>	<b>235.0</b>	<b>(3.4)</b>	<b>231.6</b>
Balance as at 1 January 2021	206.3	-	206.3
Loss for the year	12.6	-	12.6
Other comprehensive income/(expense) for the period (net of tax)			
Net gains/(losses) from changes in fair value	0.3	(0.1)	0.2
Total comprehensive income/(expense) for the period	12.9	(0.1)	12.8
<b>Balance as at 31 December 2021</b>	<b>219.2</b>	<b>(0.1)</b>	<b>219.1</b>

### Summary consolidated cash flow statement for the year ended 31 December 2022

	<b>2022 £m</b>	<b>2021 £m</b>
Cash flows from operating activities	34.3	22.0
Changes in operating assets and liabilities	132.8	3.2
Net cash generated from operating activities	167.1	25.2
Cash flows from investing activities	(159.2)	(117.2)
Cash flows from financing activities	(2.7)	(2.8)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>5.2</b>	<b>(94.8)</b>
Cash and cash equivalents at beginning of year	287.2	382.0
Cash and cash equivalents at end of year	292.4	287.2

### Summary ratios

	<b>2022 %</b>	<b>2021 %</b>
Common Equity Tier 1 ratio	16.8	16.5
Liquid assets as a percentage of shares and borrowings	20.39	16.69
Group profit for the year as a percentage of mean total assets	0.42	0.34
Total Group management expenses as a percentage of mean total assets	1.44	1.19
Group continuing management expenses as a percentage of mean total assets	1.44	1.17
Society management expenses as a percentage of mean total assets	1.43	1.17
Society interest margin as a percentage of mean assets	1.68	1.24

### Notes

- The financial information set out above, which was approved by the Board of Directors on 2 March 2023, does not constitute accounts within the meaning of the Building Societies Act 1986.
- The financial information for the years ended 31 December 2022 and 31 December 2021 has been extracted from the Accounts for those years and on which the auditors have given an unqualified opinion.
- Underlying profit is a measure that aims to present management's view of the Group's underlying performance for the reader of the Annual Report & Accounts with like for like comparisons of performance across years without the distortion of one-off volatility and items which are not reflective of the Group's ongoing business activities.