2020 MEMBERS' NEWSLETTER

Including our summary financial statement and notice of AGM

The Nottingham

Contents

YOUR BOARD OF DIRECTORS
at 31 December 2020

Directors up for election/ re-election

Simon Baum

Age 58 Date of appointment 18.06.18

Simon joined the Board in June 2018. Simon has spent over 30 years specialising in risk management within the financial services arena, holding several senior positions at Experian, Alliance & Leicester and Santander, both within the UK and overseas. His previous roles include Director of Mortgage Risk at Santander.

"It is both a pleasure and a privilege to be a director of The Nottingham. In uncertain times, our Society has continued to maintain a strong focus on ensuring that it delivers its strategic objectives whilst protecting both members' interests and financial resources. If re-elected I look forward to continuing this effort to ensure that the long-term sustainability of the Society is preserved."

Michael Brierley

Age 62 Date of appointment 13.07.20

Mike joined the Board in July 2020 and has over 40 years' experience in roles within the financial services industry. He was CFO of Metro Bank PLC between 2009 and 2018, from start-up to listing on the FTSE. He spent seven years at Capital One in various roles, including CFO Europe, CFO UK and CRO Europe. He has also worked as CFO for Royal Trust Bank, Financial Controller at Industrial Bank of Japan, London Branch, Director, Business Risk at Barclaycard and was co-founder and Deputy Managing Director/ CFO of Gentra Limited. He is currently a Non-Executive Director at Admiral Group plc and chairs Admiral Financial Services Limited. Mike is a Fellow of the Institute of Chartered Accountants in England and Wales.

"I was delighted to join The Nottingham's Board in 2020 as I believe that strong mutually owned societies like The Nottingham improve the UK financial services landscape because they expand customer choice. It is important to me to work for an organisation where simplicity and transparency are valued as a way of operating. In my role as Chair of the Board Audit Committee, I help ensure the standards of financial reporting, controls and corporate governance the Society needs to enable it to deliver long-term value to members, safely and sustainably."

Directors up for election/ re-election (continued)

Simon Linares

Age 56 Date of appointment 01.12.19

Simon joined the Board in 2019. Simon is also an Executive Mentor and Coach and is Chairman of the charity Dreams Come True. He brings a wealth of commercial and people and development experience spanning a range of sectors, including FMCG, telecommunications and financial services. His most recent position was Group HR Director at Direct Line plc, where he led the HR, communications, public affairs and corporate social responsibility strategies. Prior to Direct Line, Simon headed up human resources for O2, Telefonica's digital businesses and Diageo, covering different geographies and cultures. Simon is a fellow of the CIPD and was ranked amongst the top five most influential HR Practitioners in the UK.

"I am proud to be able to represent the members of The Nottingham, particularly during these times of change and challenge. The Nottingham has a unique combination of a long and rich history but ambition to be a relevant and positive force in the future, doing the right thing for members and supporting our communities. If elected I look forward to working with the Board and leadership team to continue and build on this great work."

David Marlow* Chief Executive

Age 55 Date of appointment 16.01.06

David joined the Board in 2006 and became Chief Executive in 2011. Prior to his appointment as Chief Executive, David held the post of Retail Director. He has over 30 years' experience drawn from a number of senior roles in the financial services industry. Before joining The Nottingham, David held a number of senior posts in retail banking at Alliance & Leicester Plc, including Director of Current Accounts & Savings and Managing Director Alliance & Leicester Direct. David represents building societies on the FCA's Small Business Practitioners Panel and has previously held the posts of Deputy Chair of the Building Societies Association (BSA) and Chair of The Midlands and West Regional Association of the BSA.

"I have been proud to lead the team at The Nottingham, in what has been a challenging and unprecedented year. We have strived everyday to ensure our members have noticed the mutual difference through keeping branches safe and open, supporting mortgage customers with payment deferrals and holding up savings rates for our loyal members for more than six months after the bank base rate reductions. As well as providing much needed support to our community, we are totally committed to helping our members save, plan for and protect their financial futures. If re-elected I commit to continuing to do this as well as make the Society more relevant and accessible to younger members through our reinvention strategy."

*Executive Director

YOUR BOARD OF DIRECTORS
at 31 December 2020

Directors up for election/ re-election (continued)

Andrew Neden — Chairman

Age 59 Date of appointment 17.09.14

Andrew joined the Board in 2014. He is a Chartered Accountant with over 35 years' experience in financial services in the UK and overseas. After a number of years running KPMG's UK financial sector transaction services team, he was the global Chief Operating Officer for KPMG's financial services business. Current directorships include the Wesleyan Assurance Society and ABC International Bank Plc; he chairs the Audit Committee for both organisations. He also chairs Aetna Insurance Company Limited and a couple of small charities.

"It is a great honour to have been asked to follow John Edwards as Chairman of the Society. Pressures on our business, on our staff and on our members have increased hugely this year, but our long-term focus on our members' wider financial needs has not changed. We continue to implement the strategy to make the range of services we offer more accessible to more members. If re-elected, I intend to continue to press forward this strategy, and ensure we continue our focus on the sustainability of the Society and sector."

Peter O'Donnell

Age 54 Date of appointment 01.01.21

Peter is an Executive Vice President at Unum, a Fortune 500 company, where he has worked since 2010. He is currently the Chief Executive Officer of its UK business and Chairman of Unum Poland. Peter has over 30 years' experience in financial services and worked in a variety of senior finance roles at Prudential, RSA and Aviva. Peter has a Bachelor of Commerce Degree from University College Dublin, is a fellow of CIMA and has significant experience of both international and the UK markets.

"I'm delighted to be joining The Nottingham. The business has a great history, purpose, and value set. Despite the challenging environment driven by the global pandemic, The Nottingham has continued to look after its customers and support its community and I'm proud to be asked to join the Board and work with the team to continue to build on such success. "

Directors up for election/ re-election (continued)

Kavita Patel

Age 44 Date of appointment 01.01.17

Kavita joined the Board at the beginning of 2017. She is a partner and Head of Investment Funds at the law firm, Shakespeare Martineau. Kavita has over 20 years of experience advising clients in the financial services arena both in the retail and institutional space on corporate, regulatory and governance matters.

"It is a pleasure and a great privilege to serve as a director of The Nottingham. The Society remains committed to helping the growing membership to save, plan for and protect their financial futures and delivering exceptional customer service, being accessible both in branch and through digital means. If re-elected, I look forward to continuing with this focus and contributing to the future success of the Society."

Kerry Spooner

Age 60 Date of appointment 01.09.16

Kerry joined the Board in September 2016. Kerry had 10 years of financial services experience in the building society sector before joining the Board. She acted as a Non-Executive Director at two other building societies and has experience as Vice Chair, Senior Independent Director, Chair of Remuneration Committee and Chair of Nomination Committee. Prior to that Kerry worked as a solicitor for 20 years, the last nine years as a corporate finance partner of the international law firm Allen & Overy LLP. Kerry is also a Non-Executive Director of Scotiabank Europe plc and a non-executive member of the Remuneration Committee of ANZ Banking Group UK Branch.

"Our Society is a strong, prudent mutual firmly rooted in putting our members at the forefront of everything it does. If re-elected, I look forward to continuing this focus and to contributing to the future success of our Society."

Departing Directors

Daniel Mundy* — Chief Financial Officer

Age 44 Date of appointment 19.04.17

Daniel joined the Board in April 2017 as Finance Director and became Chief Financial Officer in January 2020. He has over 20 years' experience in the finance services industry and prior to joining The Nottingham held a number of senior roles in retail banking organisations, which include Co-operative Bank, Nationwide, Santander, Yorkshire Building Society and the Financial Services Authority. Daniel is responsible for Finance, Treasury, Credit Risk and IT & Change along with delivery of the Group strategy and business planning activities.

*Executive Director

NOTICE OF ANNUAL GENERAL MEETING 2021

The annual general meeting of Nottingham Building Society will be held at Nottingham House, 3 Fulforth Street, Nottingham, NG1 3DL on Tuesday, 20 April, 2021 at 6.30 p.m. for the following purposes:

1. To receive the auditor's report.

Special Resolution

2. To adopt the Model Rules for Building Societies Seventh Edition, as presented on the Society's website, as the new rules of the Society with effect from 21 April 2021.

Ordinary Resolutions

3. To receive the directors' report, annual accounts and annual business statement for the year ended 31 December 2020.
4. To consider and, if thought fit, pass an ordinary resolution to re-appoint Ernst & Young LLP as auditors until the conclusion of the next annual general meeting.
5. To consider and, if thought fit, approve the report of the directors' on remuneration.

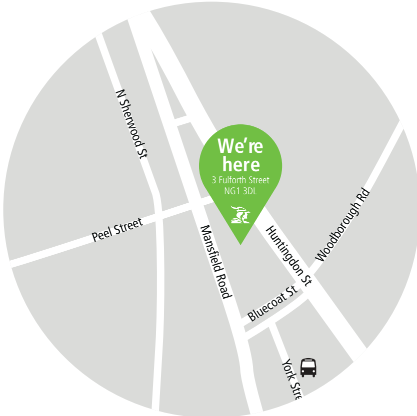
Election of Directors

6. To consider and if thought fit:
   a. to elect Michael Brierley
   b. to elect Peter O'Donnell
   c. to re-elect Andrew Frederick John Neden
   d. to re-elect David John Marlow
   e. to re-elect Kavita Patel
   f. to re-elect Kerry Madeline Spooner
   g. to re-elect Simon Graydon Baum
   h. to re-elect Simon Linares

as directors of the Society.

By order of the Board

R Ewin,
Senior Legal Counsel & Company Secretary
8 March 2021



Notes

1. These notes form part of the notice of meeting.

2. Re-election/Election of Directors

The Board is committed to complying with best practice in corporate governance and all directors are submitted for election at the annual general meeting (the 'AGM') in accordance with the UK Corporate Governance Code.

Non-Executive Directors can serve up to a maximum of three three-year terms. Any extension is subject to a rigorous review, and be explained giving due consideration to the continuing independence and objectivity of the Non-Executive Director.

The Nominations Committee makes recommendations for the Board concerning the re-appointment of any Non-Executive Director at the conclusion of their specified term of office, having due regard to their performance and ability to continue to contribute to the Board in light of knowledge, skills and experience required.

3. Rules

Copies of the Society's Rules may be obtained from the principal office or the Society's website.

4. Proxies

If you are unable to attend and vote at the meeting, you may appoint a proxy to attend and vote for you either by using the enclosed proxy voting form or by completing it online. You may appoint the chairman of the meeting or anyone else as your proxy. Your proxy does not have to be a member of the Society. Your proxy may vote for you at the meeting but only on a poll. A poll is a formal written vote; for example, the election of directors will be by poll. Your proxy may speak at the meeting and may demand or join in demanding a poll.

You may instruct your proxy how to vote at the meeting. Please read the instructions on the proxy voting form.

To be valid, proxy voting forms must be signed and returned (or submitted electronically) so as to reach Civica no later than 10am on 19 April 2021.

5. Voting qualifications

You can vote if you:

a) are at least 18 years old on 20 April 2021; and

b) (i) held shares to the value of not less than £100 in the Society on 31 December 2020 and have continued to hold shares at all times between 31 December 2020 and the voting date; or

(ii) owed the Society not less than £100 in respect of a mortgage debt on 31 December 2020 and owe the Society not less than £100 in respect of a mortgage debt on the voting date; and

c) are the only or the first named account holder in our records for the relevant share or mortgage account.

The 'voting date' referred to above is:

a) 19 April 2021 if you are voting by proxy (whether using the enclosed form or completing it online); or

b) 20 April 2021 if voting in person at the meeting.

6. In addition, **you can vote only once** as a member, irrespective of the number of mortgage and savings accounts you hold and whether you hold accounts in different capacities (for example, on your own behalf and as a trustee).

7. Identification

a) We ask shareholding members attending the meeting to produce their passbooks or other evidence of membership.

b) We ask borrowing members attending the meeting to have their account number available as evidence of membership.

c) If you are appointing a proxy, other than the chairman of the meeting, to attend the meeting and vote on your behalf, please make sure that your proxy brings an appropriate form of identification to the meeting.

KEY FINANCIAL HIGHLIGHTS

In a year of extraordinary challenge, the Society has continued its progress in the delivery of its unique member proposition and its journey into the digital world of financial services; whilst demonstrating its mutual ethos to members, colleagues and its communities.

Below are some of the key achievements and financial highlights of 2020:

CAPITAL STRENGTH MAINTAINED

WITH CET I RATIO AT **15.0%** AND LEVERAGE RATIO OF **5.3%**

NET PROMOTER SCORE OF **76%**

THE BENEFITS OF MUTUALITY SHOWN WITH **MILLIONS OF POUNDS** INVESTED **SUPPORTING OUR MEMBERS** THROUGH THE PANDEMIC

STRONG RETAIL FRANCHISE –

TOTAL BRANCH BALANCES OF **£2.5 BILLION** AND UP **3%** IN 2020

TOTAL ASSETS OF **£3.8 BILLION** AND GROSS MORTGAGE LENDING OF OVER **£490 MILLION** FOR 2020: UP 40%

THE SOCIETY WELCOMED ALMOST **40,000** NEW CUSTOMERS AND NOW HAS OVER **35,000** LIFETIME ISA CUSTOMERS

PRESENT IN **48 LOCATIONS** ACROSS NINE COUNTIES

ARREARS LEVELS REMAIN **VERY LOW** AT A QUARTER OF INDUSTRY AVERAGE

SUMMARY FINANCIAL STATEMENT

We are pleased to present our summary financial statement for the year ended 31 December 2020

This financial statement is a summary of information in the audited annual accounts, the directors' report and annual business statement, all of which will be available to members and depositors free of charge on our website www.thenottingham.com from 25 March 2021.

Summary directors' report – Introduction

2020 turned out to be the year no one expected. The global pandemic challenged everything we see as "normal" resulting in some profound changes to the way we live our lives.

As the seriousness of the virus became apparent and the nation went into its first lockdown, the Board was driven in its response by three priorities; ensuring the wellbeing of our colleagues; protecting and serving our members and supporting our communities.

After resolving the immediate operational changes to achieve the three priorities as the pandemic unfolded, the Board started to consider the broader and longer term effect of the situation, with a particular emphasis on the long term economic and strategic implications. We began to consider what it meant for the Society and to develop a blueprint for what we believe a relevant building society with a growing membership need to look like in the post Covid 21st century. The implications of the year are significant and still unfolding, but reassuringly they ratified the general direction of the Society's more recent strategy. At the same time, the changes highlighted that several of the strategic trends and developments we had previously identified were being accelerating rapidly. It was clear that we needed to respond and act definitively.

In everything we have done in 2020, we have sought to be true to our mutual ethos. In fact, the challenges of the pandemic have enabled us to demonstrate the real benefits of mutuality to our members.

Over the years, we have built up a significant capital surplus. The Board was unanimous that it was right we should deploy some of this capital to support our members and communities in a time of crisis, and at the same time, we were determined to increase the level of investment in the Society, to deliver the required strategic initiatives and respond effectively to the rapidly changing world around us.

As you read through our 2020 Summary Financial Statement, you will see how we are achieving those objectives and positioning the Society for future success.

Economy and market

Heading into 2020, the UK economy was experiencing modest growth, low inflation and continued low interest rates at 0.75%. The biggest uncertainty bearing down on the economy surrounded our exit from the EU, following the hastily agreed transition period.

12 months on, the UK has suffered the biggest recession since the great frost of 1709 and now faces the prospect of a double-dip recession with the economy still over 12% smaller than it was at the beginning of 2020.

The Government acted speedily and has applied unprecedented support to the economy; not least through creation of the furlough scheme, which during the first period of national lockdown was paying the vast proportion of millions of employees' pay packets across the UK. As we head into 2021, this subsidy remains in place for many. The threat of the medical impact of the pandemic should reduce as the level of vaccinations rise. This will lead to significant reductions in the levels of government support packages and will reveal the true level of residual damage, wrought by the virus, on our economy. It will be essential that we are well placed to support our members, particularly borrowers, when this inevitability occurs.

As part of its response to the macro-economic challenges, the Bank of England reduced bank base rates to a new all time low of 0.1%. Recently, there has been speculation that rates may go into negative territory for the first time in our history. The concept of being charged to save and paid to borrow is alien to us and has clear implications for all, not least building societies. However, the fundamental principle remains that we pool savers' money and lend it to home buyers, who provide a return to our savers for providing these funds. We will do everything we can to preserve that clear principle should rates enter negative territory in 2021.

The housing market proved to be incredibly resilient in 2020 with many industry commentators taken by surprise by the increase in purchase activity and house prices in the second half of the year. This was given impetus by the Chancellor granting a stamp duty holiday for transactions below £500,000 and many people deciding they wanted somewhere different to live having spent many months locked down at home. However, we remain cautious about the prospects of the housing market in the short to medium term. Whilst we have seen the positive impact of lockdown on the housing market in 2020, the negative impacts of the economy normalising, the cessation of government support and dealing with the enormous government lending deficit are yet to be seen.

At the last minute, a Brexit deal was agreed with the EU and a new economic and trading norm was born. It will take some time to fully understand the implications of our new relationship with Europe, both socially and economically. The impacts on the Society are directly linked to the macro-economic impacts. Commentators believe this could lead to some reduction in GDP growth over the medium term. However this impact is likely to pale into insignificance when compared to the impact of the coronavirus pandemic.

Response to the pandemic – supporting the wellbeing of our team members

From the beginning of the pandemic, we acted swiftly to instigate a task team focused on the health, safety and wellbeing of our team members. This cross functional team met daily initially and then at least weekly to make plans and put in place policies, processes and actions in response to government guidelines and to enable the smooth running of our essential services in the ever-changing circumstances.

Some of the key decisions and actions taken included an early policy decision to support all team members with full pay for Covid-19 related absences due to a positive test result, a requirement to self-isolate or needing time to care for dependants due to schools' closures and other restrictions. We responded quickly to needs for Personal Protective Equipment, including providing visors, masks and hand sanitiser as well as protective screens. With the publishing of the Covid-19 secure government guidelines, we conducted risk assessments across all locations and put in place all requirements to achieve the necessary standards, including safe capacity limits, ensuring social distancing and clearly visible face covering signage for members and customers.

Regular and timely communications to team members ensured we had the support of all parties in helping to keep everyone safe and well. We created, and have maintained, a private social media group for team members to ensure we keep everyone up to date and to enable team members to ask for any further information or support. All leaders were equipped with wellbeing questionnaires to work through with their team members. We also ran a programme of support calls to provide tools and techniques to deal with our own emotions and to manage others in such challenging circumstances. We conducted a pulse survey in May to gauge how our team members felt they were being supported. This showed that the majority of the respondents (74% of all team members) thought that The Nottingham continued to care for its members and team members and, that leaders supported health and wellbeing and were open and honest in their communications. Our annual employee survey, Your Voice Matters, undertaken in November 2020 reported that 91% of respondents felt that safety and security is taken seriously at The Nottingham. Our engagement score of 82% is a five percentage point increase on the 2019 survey. This is significantly above the financial services benchmark.

We have never been prouder of the dedication of our teams to deliver our purpose in the most challenging of circumstances.

Response to the pandemic – protecting and serving our members

As we entered the first lockdown, we embraced our key worker status and undertook to keep services open and available to members.

Keeping our network of 50+ branches open and protecting our team members throughout the pandemic has been one of our greatest challenges and achievements. We had to move quickly to provide a Covid-secure environment and deal with the ever-changing advice and requirements, as well as the early shortages of key PPE and sanitising products. In a light-hearted moment, highlighting how innovative our teams were in the face of these challenges, we acquired sanitising products from a gin distillery who changed production to support the pandemic effort. Through hard work, perseverance and commitment, we kept our branches open to members, albeit with reduced opening hours to improve our operational resilience. When our doors closed our team members did not stop work as we undertook thousands of wellbeing calls to vulnerable house-bound members to check-on them and make sure they were alright. In another excellent example of how we have supported members, branch colleagues even shopped for vulnerable members who could not get out of their houses nor make alternative arrangements.

Another major challenge for us was to ensure that the entire machinery of running the Society could continue with the vast majority of team members working from home. Our IT team implemented a range of options to enable extensive home working, which over the early weeks of the lockdown meant more and more individuals could work effectively and securely at home.

As we continued to stabilise our operations and maintain access to services, we began to turn our attention to how we could directly support our members as they tackled the challenges of the pandemic.

For mortgage customers having difficulty making their monthly payments, we offered payment deferrals, effectively suspending payments for up to six months and providing some breathing space for their family finances. Over the year over 3,000 members have used this facility. Thankfully, by the end of the year we only had 161 members utilising a payment deferral with the remainder now returned to making their payments as normal. Whilst this is encouraging, the impact of the restrictions in place during the first quarter of 2021 may result in some more deferrals being required.

One of the largest contributions of direct support to members we have made, was through our conscious decision to protect savings rates in the face of the cut to bank base rate to 0.1% in March. This commitment was to maintain branch savings rates for at least six months. We felt it right to protect members at a critical time of crisis and particularly when they were being asked to stay at home. The impact of this decision is that we have paid millions of pounds of additional interest to members during 2020.

We believe that the actions we have taken, achieved without taking government subsidy, have been the right thing to do and in the best interests of our members. 2020 was a unique opportunity for us to demonstrate the benefits of being a member of a mutual organisation and we trust that this is appreciated by all our members.

Staying relevant in the New World

Once we had stabilised the operational situation and were clear how we best protect and serve members, as well as ensuring the welfare of our team members, we turned our attention to the strategic implications of the pandemic which were creating the need to make profound changes across the whole spectrum of our activities.

Following our review, we agreed a range of actions to ensure that the Society is well-placed to continue to grow membership and deliver a sustainable performance in the years ahead. The key areas of our focus were:- our role as an estate agent; the future role of branches; and accelerating our digital route map.

Our role as an estate agent

We have operated as an independent estate agent for over 25 years and during that period have offered both members and non-members a high-quality home buying and selling service. Importantly from a strategic perspective, it has often been an introductory route for new members whose first experience of The Nottingham was as an estate agent but then have moved on to become mortgage and savings members. However long-term shifts in the level of annual house purchases, how people now choose a mortgage provider and the increasing digitisation of estate agency services have all been medium term considerations for us.

When taking all these factors into account, we determined that to remain a strong force in estate agency would require a level of investment that was difficult to justify. We therefore began to look at how we might adopt a different approach to maintain access for members to estate agency services, continue to utilise branch space effectively but not to incur the full costs of running an estate agency.

Following a thorough review of our options, we announced our strategic alliance with the Belvoir Group, one of the country’s leading lettings and estate agency networks.

The establishment of the strategic alliance achieved our objectives of maintaining access to discounted home selling and lettings services for members – now available nationally and utilising our branch space – whilst no longer carrying the cost of running an estate agency. We are very optimistic about the prospects of our strengthening alliance with the Belvoir Group which provides both organisations with a number of unique opportunities to work together in the future.

The future role of branches

Branches have been the cornerstone of serving our members, and we have long been supporters of a strong branch network. This is best demonstrated by the fact that we have doubled the number of branches in the past seven years. This has proven very successful with branch savings balances increasing from £1bn in 2013 to over £2.5bn at the end of 2020. The important role of branches therefore is clear, and we believe will remain so for many years to come.

However, as part of our decision regarding estate agency and its knock-on implications for some locations and the need to ensure all of our locations had a good chance of a successful future, we conducted a review of our network. There were two clear emerging themes resulting from this review. Firstly, with the removal of estate agency, a small number of locations were no longer viable; and secondly it was difficult, in the current market conditions to justify such a strong concentration of branches in our home city of Nottingham, where we had 13 branches within a five mile radius of our head office. Our review showed that in reducing this to eight branches, Nottingham based members would still have access to a branch within 1.5 miles of their home. We therefore regrettably took the decision to close these branches at the end of 2020.

Following this review we still have a large vibrant branch network of 48 branches and, in a strong demonstration of our confidence and commitment to our network, we have completed five refurbishments, rolling out a completely new and fresh branch concept, which is proving popular with members. We plan further refurbishments in key locations in 2021.

Changing digital expectations

A universal impact of the pandemic has been a greater adoption of the use of digital channels. Whilst in itself not surprising, the rate of shift in expectations and level of usage has been significant, in our view accelerating adoption levels by about five years.

Whilst we recognised this trend some time ago and began to digitise the Society's operations, it was clear in the summer that we would need to accelerate our plans significantly if we were to be relevant to younger members in the post-Covid world.

We have therefore approved further investment in digital and have been working hard over recent months with our plans to relaunch Beehive Money in the summer of 2021. Through the launch of an innovative savings app, we will look to position ourselves as a digital leader in tax-free savings. We believe this area gives a significant opportunity to grow our membership particularly those under 40 years of age – something which is underpinned by our recent success as a Lifetime ISA (LISA) provider, where we already have over 35,000 members savings with us in a LISA to buy their first home or save for their pension.

This will mark an exciting new chapter for the Society. Our aim is to become a tax-free savings provider of choice for a new generation of savers.

SUMMARY FINANCIAL STATEMENT

Financial strength and quality

Throughout the crisis, the Society has continued to maintain its financial strength. Our robust levels of capital resources, significantly in excess of our regulatory requirements, afforded us the opportunity to deploy some of our capital to protect members, when interest rates fell to historic lows, and invest further in the Society's future.

Our liquidity remained strong demonstrated by our liquidity coverage ratio which stood at 215% at the year-end; this has been supported by our continued popularity as a savings provider, our branch savings balances continued to grow throughout the year and have now passed £2.5bn for the first time in the Society's history.

The Society's lending portfolio was low risk and of high credit quality before the pandemic and our book continues to perform very well, our book continues to perform very well, with less than 50 accounts three months or more in arrears at the end of the year. However, we believe it is appropriate to remain cautious in this area and expect to see some increases in arrears activity over the next year or so, as economic uncertainty created by the third national lockdown and the planned cessation of government intervention start to bite. As a result we have recorded an impairment charge of £2.9m to reflect the potential future impacts.

Despite the unprecedented economic impact due to coronavirus, the Society maintains its excellent financial strength.

Our performance

In trading terms, despite the turmoil in the economy and markets, we delivered broadly in line with our trading plan.

Following a planned contraction of the balance sheet in 2019, we broadly maintained our asset size in 2020 supported by a 40% increase in new advances to £493m.

There were a number of factors that had a strong influence on our 2020 financial outturn. Net interest income reduced as a consequence of our conscious decision not to reduce savings rates for branch customers for at least six months in the ultra-low interest rate environment. Fee income also fell driven by very low levels of activity in the first half of the year and our decision to exit estate agency in the summer. Significant investment in the Society reflected in rising depreciation and strategic costs (up a combined £5.0m on 2019). A cautious view of credit losses that may be incurred as a consequence of the pandemic induced economic shock saw loan impairments increase by £2.9m. In addition, there was also a hedge accounting charge of £2.7m during the year, reflecting the consequences of rate changes and the market expectations that rates are likely to remain low or even negative for a considerable period. This will however, unwind over time.

Overall, these factors led to a significant reduction in underlying profit before tax to £0.4m and a statutory loss after tax of £7.2m.

A second year of losses is not ideal, however the Board believes that the deployment of capital to support members through higher savings rates and continued investment in the Society's future was the right thing to do and a positive reflection on our status as a mutual, particularly as our levels of capital still remain significantly in excess of our regulatory requirements.

Board

2020 has also seen change for the Board of the Society.

In June we announced that John Edwards, our Chairman for the past six years planned to retire in September. In line with our succession plans, I was proud and privileged to succeed John. I have seen close up how he focused his extensive experience and passion for The Nottingham's strong mutual ethos, to steer the Board through a period of growth and success. He always encouraged the management team to take a long-term view and put the service and protection of members first. A true testament to his leadership of the Board was demonstrated by the way we have reacted to the challenges of the pandemic. We thank John enormously and wish him all the very best for a long and happy retirement.

As part of our broader succession plans, following my appointment as Chair, we have appointed Kerry Spooner as Senior Independent Director. Kerry is a long standing and very experienced Director ideally suited to this role.

Mike Brierley joined the Board in the summer and succeeded me as Chair of the Board Audit Committee. Mike joins us following a 35-year career in financial services at a range of organisations from Metro Bank to Barclaycard and Capital One. Mike is a fellow of the Institute of Chartered Accountants and he is also a non-executive Director at Admiral Group Plc where he is a member of the audit and remuneration committee. We welcome Mike to the Board and look forward to him bringing his experience to the benefit of the Society.

Finally, at the end of the year our Chief Financial Officer, Daniel Mundy, decided to resign to pursue new opportunities. Over the past three years, Dan has played a pivotal role in developing and driving our strategy as a member of the Executive team and Board and has significantly enhanced our financial forecasting, planning and control functions as well as the governance framework. We are very grateful to him for his commitment and hard work and wish him all the very best for the future. The Board has taken steps to ensure that there is appropriate cover at a senior level, while we continue to work through our longer term succession planning.

Supporting our communities

Supporting our communities was one of our three key priorities when the virus struck. Through our Doing Good Together programme we took immediate action with a strong focus on alleviating food poverty, homelessness and reducing social isolation. We also responded quickly to the challenges of home-schooling and supporting vulnerable families by helping to further develop literacy and numeracy skills.

We provided financial support to The Trussell Trust foodbank network, The SilverLine phone-befriending service, BookTrust and long-term charity partner Framework. This provided aid for thousands of people. We also launched our Scams and Security hub aimed at protecting our members getting online for the first time. We supported "Story Parks at Home" in partnership with Nottingham City Council, digitising literacy and numeracy activity for young children. More than 8,000 families logged on this year, with almost 1,200 visits to our Money Academy virtual classroom. Education has been a key focus in 2020 and our newly launched Career Academy has supported over 1,100 students remotely on their education to employment transition.

In 2020 we have helped thousands of families with the challenges they have faced and have contributed to deserving causes who have worked tirelessly to support the vulnerable. We have been proud to support these organisations in their work when they needed it most. Their amazing efforts demonstrate how the pandemic has brought out the best in some.

Outlook

As we enter 2021, great uncertainties remain, not least the continuation of the pandemic with the nation in its third period of lockdown and the new trade agreement with the EU just being introduced. A double-dip recession remains a possibility.

Government support and subsidy will continue for some time. But, when it is eventually removed and the economy has to sustain itself, there are likely to be some harsh economic impacts including potentially higher levels of unemployment and potential payment defaults. The economy is likely to remain smaller than it was at the beginning of 2020, for some time.

Against this backdrop, we expect to steer a steady course and also continue to reinvent the Society for the post-Covid era.

Our investments and decisions taken in 2020 should enable us to grow membership and our balance sheet, supported by the relaunch of Beehive Money in the summer and the ongoing success of our branch network. We also plan to invest in our mortgage capability to ensure we are a more relevant and efficient lender. With interest rates set to remain low and possibly even go negative, we expect margins to remain compressed, but we nonetheless expect to stabilise our margin in 2021, striking the right balance between historically low lending rates and offering our savers a fair return.

In last year's review, it was highlighted that we were taking steps to prepare the Society for a new world of financial services Despite the significant challenges of the past year, we remain on track to do this. We expect to end 2021 as a very different Society to the one that ended 2019 – one that is growing its membership base and delivering a sustainable financial performance despite the challenging economic conditions.

None of the achievements I have set out above would have been possible without the amazing team we have here at The Nottingham. They strive every day to help our members save, plan for and protect your financial futures.

In a year of extraordinary challenge, they have consistently gone over and above normal expectations to find a way to support our members, whatever the circumstances. Their commitment, endeavour and determination to find a way and do the right thing in the most challenging of circumstances has been both highly impressive and humbling. It has been my honour and privilege to lead the team over this period.

Finally, to our members; thank you for continuing to put your trust in us to help you save, plan and protect your financial future.

Andrew Neden
Chairman

8 March 2021

Group results for the year

	2020 £m	2019 £m
Net interest receivable	40.6	46.1
Other income and charges	1.2	4.6
Administrative expenses	(47.4)	(42.0)
Operating (loss)/profit before impairment, change in EIR accounting estimate & profit on disposal of property, plant & equipment	**(5.6)**	**8.7**
Impairment charge - loans & advances	(2.9)	(0.4)
Impairment charge - goodwill	-	(4.0)
Change in EIR accounting estimate	-	(12.3)
Profit on disposal of property, plant & equipment	0.1	-
Loss for the year before taxation	**(8.4)**	**(8.0)**
Taxation	1.2	0.8
LOSS FOR THE YEAR	**(7.2)**	**(7.2)**

Reconciliation of statutory loss to underlying profit

	2020 £m	2019 £m
Statutory loss before taxation	**(8.4)**	**(8.0)**
Adjusted for:		
Losses from derivative financial instruments	2.7	0.6
Net strategic investment costs	4.5	1.1
Impairment - goodwill	-	4.0
Change in accounting estimate	1.6	12.3
UNDERLYING PROFIT BEFORE TAXATION	**0.4**	**10.0**

SUMMARY FINANCIAL STATEMENT

Group financial position at end of year

	2020 £m	2019 £m
ASSETS		
Liquid assets	592.2	615.1
Loans and advances to customers	3,128.0	3,161.4
Derivative financial instruments	0.8	2.0
Fixed and other assets	37.4	40.5
TOTAL ASSETS	**3,758.4**	**3,819.0**
LIABILITIES		
Shares	2,794.2	2,781.1
Borrowings	685.2	771.3
Derivative financial instruments	32.5	12.8
Other liabilities	16.0	12.9
Subscribed capital	24.2	24.7
Reserves	206.3	216.2
TOTAL LIABILITIES & RESERVES	**3,758.4**	**3,819.0**

Summary of key financial ratios

	2020 %	2019 %
Gross capital as a percentage of shares & borrowings (Note 2)	6.62	6.78
Liquid assets as a percentage of shares & borrowings (Note 3)	17.02	17.32
Loss for the year as a percentage of mean total assets (Note 4)	(0.19)	(0.18)
Management expenses as a percentage of mean total assets (Note 5)	1.25	1.07
Management expenses as a percentage of mean total assets (Society only) (Note 5)	1.15	0.94

Approved by the Board on 8 March 2021 and signed on its behalf by:

Andrew Neden
Chairman

David Marlow
Chief Executive

Michael Brierley
Chair of Audit Committee

NOTES

1. The summary financial statement is prepared on a Group basis.
2. The gross capital ratio measures the proportion which the Group's capital bears to the Group's shares and borrowings. The Group's gross capital consists of subscribed capital plus reserves. Capital provides a financial cushion against difficulties which might arise in the Group's business and therefore protects investors.
3. The liquid assets ratio measures the proportion which liquid assets held in the form of cash, short term deposits and investments bears to the Group's shares and borrowings. As liquid assets are by their nature readily realisable, this assists the Group in its cash management and enables the Group to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.
4. The ratio of profit for the year as a percentage of mean total assets measures the proportion which the profit after taxation for the year bears to the average balance of the total assets during the year. The ratio is similar to a company's return on assets. The Group needs to generate a reasonable level of profit each year in order to maintain its capital ratios at a suitable level to protect investors.
5. The ratio of management expenses as a percentage of mean total assets measures the proportion which administrative expenses as reported in this document (which includes depreciation and amortisation) bear to the mean of total assets in accordance with the Accounts Regulations.

INDEPENDENT AUDITOR'S STATEMENT

Statement of the Auditors to the Members and Depositors of Nottingham Building Society

We have examined the Summary Financial Statement of Nottingham Building Society for the year ended 31 December 2020 which comprises the 'Results for the year', 'Financial position at end of year' and 'Key financial ratios', comprising pages 17 and 18, and the directors' emoluments disclosures on pages 23 and 24.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the summary financial statement, within the Members' Newsletter, in accordance with the Building Societies Act 1986, which includes information extracted from the Annual Report and Accounts and the audited part of the Directors' Remuneration Report of Nottingham Building Society for the year ended 31 December 2020.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement within the Members' Newsletter with the full annual financial statements, the Directors' Remuneration Report and the Directors' Report, and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and the regulations made thereunder.

Basis of opinion

Our examination involved agreeing the balances disclosed in the Summary Financial Statement to the Annual Report and Accounts. Our audit report on the Society's Annual Report and Accounts and the audited part of the Directors' Remuneration Report describes the basis of our opinion on those financial statements and the audited part of that report.

Opinion

In our opinion the Summary Financial Statement is consistent with the full annual financial statements, the Summary Directors' Report and the Directors' Remuneration Report of Nottingham Building Society for the year ended 31 December 2020 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made thereunder.

Use of our report

This statement is made solely to the Society's members and depositors of Nottingham Building Society, as a body, in accordance with Section 76 of the Building Societies Act 1986. Our audit 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 an auditor's 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 and depositors as a body, for our audit work, for this statement, or for the opinions we have formed.

Ernst & Young LLP
Registered Auditors
Leeds

8 March 2021

For the year ended 31 December 2020

Statement by the Chair of the Remuneration Committee

On behalf of the Committee, I am pleased to present the annual directors' remuneration report, which sets out the remuneration policy and details of the directors' remuneration in the year to 31 December 2020.

Nottingham Building Society is committed to best practice in its remuneration of directors. This report explains how The Nottingham applies the relevant principles and requirements of the remuneration regulations and Codes. The report has two sections:

- The Remuneration Policy which sets out the Society's remuneration policy for directors; and
- The Annual Remuneration Report which outlines how the policy was implemented in 2020.

In 2020, the Remuneration Committee membership was made up as follows:

Kerry Spooner	Non-Executive Director and Chair of the Committee
John Edwards	Chairman of the Board (retired September 2020)
Simon Linares	Non-Executive Director (from October 2020)
Andrew Neden	Non-Executive Director and Chairman of the Board
Kavita Patel	Non-Executive Director

2020 performance and awards

The summary financial statement on pages 9 to 18 describes 2020 as a period of continued strategic progress in the context of exceptional uncertain health, economic and political circumstances. The Nottingham is a top ten building society with total assets of £3.8 billion. The year has seen conscious subdued trading performance with regard to mortgage lending and fee income. During the year, the Society navigated its way through implementing government measures such as Base Rate reductions and mortgage payment deferral scheme, focusing on supporting its members and colleagues throughout. Strategic initiatives to review estate agency operations and invest in the network have been successfully delivered. We have ensured that our regulatory capital requirements continue to be maintained at appropriate levels, whilst continuing to invest in the Society, and supporting both our savings and mortgage customers.

It is in this context that the payments to Executive Directors have been determined and are detailed in this report.

The Directors' variable pay is through the Annual Bonus Plan only. Given the significant challenges posed by the global pandemic, The Nottingham did not operate an Annual Bonus Plan in 2020. Furthermore, it was agreed that the deferred element of the 2017 Bonus Plan would not be paid out in March 2021, with a future payment date to be confirmed and subject to Remuneration Committee approval.

The deferred bonus for the 2016 performance year was paid out in full in March 2020 with all conditions met.

Remuneration policy

The Nottingham's Remuneration Policy reflects its objectives for good governance, appropriate risk management and acting in the long term best interests of members.

The policy is there to ensure that:

- Remuneration should be sufficient to attract, reward, retain and motivate high quality leaders and employees to run The Nottingham successfully, delivering value for our members whilst avoiding paying more than is necessary for this purpose in line with our mutual ethos; and
- Remuneration is structured to strike the right balance between fixed and variable pay. Variable pay schemes are designed to incentivise and reward appropriate behaviour and performance, aligned with The Nottingham's position on risk; rewards are only attributed to the delivery of success and achievement of objectives.

Recruitment policy for Executive Directors

The Nottingham's approach to recruitment is to pay no more than is necessary to attract appropriate candidates to roles across the business, including Executive roles. Any new Executive Director's remuneration package will be consistent with our remuneration policy as outlined in this report. Any payments made to Executive Directors on joining The Nottingham to compensate them for forfeited remuneration from their previous employer will be compliant with the provisions of the Remuneration Code and will be approved by the Remuneration Committee.

Service contracts

All Executive Directors, in line with best practice, have contracts on a 12 months 'rolling' basis requiring 12 months' notice by the Society to terminate and six months' notice by the individual.

Payment for loss of office of Executive Directors

Any compensation in the event of early termination is subject to Remuneration Committee recommendation and Board approval. Pension contributions cease on termination under the rules of the pension scheme.

Other directorships

None of the Executive Directors currently hold any paid external directorships. David Marlow is a member of the FCA Small Business Practitioners Panel for which he receives a fee of £10,000 per annum.

Executive Directors' total remuneration

The total remuneration received by Executive Directors is detailed on pages 23 and 24. The information has been audited and shows remuneration for the years ending 31 December 2019 and 31 December 2020 as required under the Building Societies (Accounts and Related Provisions) Regulations 1998.

The remuneration of Executive Directors is considered annually by the Remuneration Committee attended by The Nottingham's Chief Executive, who (except in respect of his own remuneration) makes recommendations regarding executive pay and agreed recommendations are referred to the Board.

The Chief Executive is the Society's most highly paid employee and no employee earns more than any Executive Director.

SUMMARY DIRECTOR'S REMUNERATION REPORT

The main elements of remuneration for Executive Directors are as follows. Full details of the different components of Executive Director remuneration are outlined in the directors' remuneration report in the Annual Report and Accounts.

- **Basic salary** – Fixed remuneration set to attract and retain executives of appropriate calibre and experience. Basic salary is assessed by reference to roles carrying similar responsibilities in comparable organisations. A comparator group is used that consists of executive director positions within building societies of a similar size and complexity.
- **Benefits and pension** – In line with market practice and includes a car allowance and private medical insurance. Executive Directors are invited to join the Society's defined contribution pension plan, or, as an alternative be provided with an equivalent cash allowance. The individuals receive a pension contribution of 15% of basic salary. Pension contributions for new Executive Directors appointed post 1 January 2020 will be aligned with the contribution matrix for all employees.
- **Variable pay – Annual Bonus Plan.** Schemes are linked to the delivery of Society and personal objectives. 50% (60% for 2018 financial year and earlier) of the award is deferred over a three year period and payment is subject to meeting Society and individual performance threshold criteria in each of the years from award to payment. There was no Annual Bonus Plan in place for the 2020 financial year.

Non-Executive Directors

The Chairman and other Non-Executive Directors each receive an annual fee reflective of the time commitment and responsibilities of the role. Fees for Non-Executive Directors are set by reference to benchmark information from a building society comparator group, agreed with the Board and take into consideration the principles underpinning the annual Society salary review.

The Non-Executive Directors' fees are reviewed by the Chairman together with the Executive Directors before recommendations are referred to the Board. Remuneration of the Chairman is considered by the Remuneration Committee together with the Society's Chief Executive without the Chairman being present.

Non-Executive Directors do not receive variable pay or pensions in order to encourage their independence.

Non-Executive Directors are reimbursed for reasonable expenses incurred during the course of their work on the Society's business.

Annual report on remuneration

Executive Director remuneration

Audited Society	2020 David Marlow £000	2020 Daniel Mundy £000	2020 Charles Roe £000	2020 Total £000
Fixed remuneration				
Salary[1]	322	278	169	**769**
Benefits	11	10	3	**24**
Variable remuneration				
Annual bonus[2]	47	-	-	**47**
	380	288	172	**840**
Pension contribution	48	42	7	**97**
	428	**330**	**179**	**937**

Audited Society	2019 David Marlow £000	2019 Daniel Mundy £000	2019 Charles Roe £000	2019 Total £000
Fixed remuneration				
Salary[1]	313	241	184	**738**
Benefits	10	10	10	**30**
Variable remuneration				
Annual bonus[2]	91	30	-	**121**
	414	281	194	**889**
Pension contribution	47	36	26	**109**
	461	**317**	**220**	**998**

The Directors are able to sacrifice elements of their salary and variable pay. All figures disclosed in the table above are presented pre-sacrifice.

[1] Charles Roe resigned as an Executive Director with effect from 31 March 2020. His 2020 salary include £123,000 for contractual payment in lieu of notice, holiday pay and in recognition of his commitment and service to the Society.

[2] The annual bonus figure reflects the amounts awarded in the year which are not subject to deferral, and any deferred amount from previous financial years, paid in year. The remaining element, which is subject to deferral and the achievement of threshold criteria, will be disclosed in the year of payment. In 2020, there was no Annual Bonus Plan.

Annual report on remuneration (continued)

Executive Director remuneration (continued)

The unpaid deferred elements of the annual bonus scheme are as follows:

Executive Directors	Performance Year	Due 2021[1] 2017 £000	Due 2022 2018 £000	Due 2023 2019 £000	Total Deferred £000
David Marlow		64	56	37	157
Daniel Mundy		32	42	30	104
		96	**98**	**67**	**261**

[1]Deferred payments for the 2017 performance year, which were due to be paid in March 2021 have been further deferred to a date to be agreed, subject to the meeting of certain performance criteria and Remuneration Committee approval.

Simon Taylor (who left the Society on 30 November 2018), received an outstanding deferred bonus of £33,000 in 2020. A final deferred payment of £47,000 in 2021 remains outstanding. This is subject to Remuneration Committee approval.

Non-Executive Director remuneration

Audited Society		2020 £000	2019 £000
Simon Baum		59	57
Michael Brierley	(appointed 13 July 2020)	35	-
John Edwards (Chairman until retirement)	(retired 23 September 2020)	59	74
Jane Kibbey		-	15
Simon Linares		45	4
Andrew Neden (Vice-Chairman until becoming Chairman from 23 September 2020)		73	59
Kavita Patel		45	42
Kerry Spooner		54	51
Total emoluments for services as directors		**370**	**302**

On behalf of the Board,

Kerry Spooner
Chair of the Remuneration Committee
8 March 2021

The Nottingham

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LIT3517/0121