



MEMBER NEWSLETTER

INCLUDING 2019 SUMMARY
FINANCIAL STATEMENT
AND NOTICE OF AGM



The
Nottingham



It's hard to believe 2019 has come and gone and we have now entered a new decade. Although 12 months has flown by, a lot has happened and it's worthwhile taking a moment to acknowledge and celebrate the positives and see what learnings we can take into 2020 as we continue to strive and help our members save, plan and protect for their financial futures.

2019 was a busy and momentous year that marked 170 years of Nottingham Building Society. As well as checking in with our founding principles, it was an opportunity to prepare for and invest in the building blocks to ensure we will be here for our members for the next 170 years. We do value feedback from our members so if you have any feedback or opinions on the Society, and how we can best serve you over the next decade, you are welcome to attend our AGM which is taking place on 21 April.

We hope you enjoy reading our 2019 highlights. I would also like to take this opportunity to thank you, our members, and all our team members who made all these milestones possible. Here's to a positive and prosperous 2020.

David Marlow
Chief Executive

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The Nottingham IN NUMBERS • 2019

MORE THAN **4K MEMBERS** TOOK ADVANTAGE OF OUR MEMBER REWARDS LOYALTY SCHEME

WITH BENEFITS
TOTTALLING

£550K
BEING CLAIMED



OVER **£75K**

PAID OUT TO HOMEOWNERS WITH NOTTINGHAM BUILDING SOCIETY CASHBACK MORTGAGES



40 NEW SAVINGS PRODUCTS LAUNCHED
AND **£29.1m** INTEREST PAID TO SAVERS

★ ★ ★ ★ ★
98%

OF CUSTOMERS SURVEYED RATED THE SERVICE THEY RECEIVED **GOOD OR EXCELLENT**

★ ★ ★ ★ ★
90%

OF CUSTOMERS SAID THEY WOULD **USE US AGAIN**

495
HOURS

DONATED TO CHARITIES & COMMUNITY PROJECTS **BY OUR TEAM**



MORE THAN **1000** QUALIFYING MEMBERS RECEIVED **FEE-FREE** WHOLE OF MARKET MORTGAGE ADVICE FROM NOTTINGHAM MORTGAGE SERVICES

JAN

- **170 YEARS OF DOING THE RIGHT THING**

2019 marked 170 years since local Quaker, Samuel Fox, and a group of businessmen started The Nottingham Building Society. We looked for ways throughout the year to share our story and celebrate 170 years of serving our members and doing the right thing.

- **A WINNING START TO THE YEAR**

We started 2019 with some good news that The Nottingham won an award for the Best Lifetime ISA at the MoneyNet Awards. We remain the only provider to offer Government-backed savings account, the cash Lifetime ISA, both in branch and online. The account gives first-time buyers or retirement savers a 25% bonus on savings of up to £4,000 per year.



Savings Manager, Jenna McKenzie Day, pictured with our LISA award.

Member Rewards qualification:

A qualifying member is someone aged over 18 who has a savings balance of at least £500 and in addition: has held a savings account with us for at least 12 months or currently has a Nottingham Building Society mortgage.

Customer satisfaction statistics:

5,000 telephone surveys were conducted with members by an independent market research agency between Jan - Dec 2019.



Telusa Veainu of the Leicester Tigers meeting fans at Highcross shopping centre.

FEB

- **ROARING SUCCESS**

As official building society of the Leicester Tigers, we joined them at Highcross shopping centre for their annual takeover event. A great selection of players attended the event to meet and greet fans of all ages with prizes and tickets also up for grabs.

- **MORTGAGE MONTH**

Not only did February mark the busiest month for Nottingham Mortgage Services searching the whole of the mortgage market for customers, it was also busy for Nottingham for Intermediaries. We launched our Retirement Interest Only (RIO) range of mortgages for retirees who want to use funds from their property to enjoy their retirement or gift to their family.

MAR

- **WE TAKE LISA ONLINE**

Seven months after the launch of the Lifetime ISA across our branch network, we began offering the account online at www.thenottingham.com - becoming the only provider to offer the account both on the high street and online. The Lifetime ISA is an account for 18-39 year olds that rewards savers with a 25% bonus on savings of up to £4,000 a year. The money can only be used for your first home or your retirement.

- **DOUBLE CASHBACK FOR MEMBERS**

We offered a surprise and delight moment for members who qualify for our Member Rewards loyalty programme by doubling the amount of cashback they receive when taking out a home insurance policy** from £25 to £50 during March and April!

**Insurance provided by RSA.



Emma and Tony Drew who shared their #LoveMyLISA story about how the Lifetime ISA is helping them save.



Visit your local branch in April and ask about maximising your tax-free savings allowance.

APR

- **TIME TO ISA**

April is the start of the tax year and that means one thing at The Nottingham – ISA season! Tax-free savings still remain hugely popular and rightly so. To celebrate the 2019 ISA season, we launched our well-acclaimed Starter ISA at a rate of 2%. Savers can put away £20,000 a year tax-free in ISAs.

- **AGM**

We held the Annual General Meeting at our Nottingham Head Office on April 24th 2019. The AGM is a great opportunity for members to hear about our annual performance but also make their voice heard. Our full executive board are present and available to answer questions.

MAY

- **MORTGAGES THAT GIVE YOU MORE**

It was another exciting month for our mortgage team as we launched cashback mortgage products. In 2019 we shared over £75,000 of cashback with our Nottingham for Intermediaries mortgage customers.

- **STORY TIME**

We announce our support for the StoryParks project, which saw pop-up installations at parks across the city to offer storytelling, crafts and other free activities for families over the summer to encourage literacy. The project also shared the story of our founder, Samuel Fox, who was a local figure and keen philanthropist.



The launch of StoryParks at Nottingham's Central Library.



There was #NoMortgageStress for Anna and Dan in June when NMS helped them get a mortgage with their Help to Buy: ISA savings.

JUN

- **NO MORTGAGE STRESS – ANNA & DAN**

In June we launched the #NoMortgageStress campaign with Anna and Dan who used Nottingham Mortgage Services to search thousands of mortgages to find the right one to buy their first home.

- **10,000 HOMES INSURED**

Did you know that as well as savings and mortgage services, through our partners you can get home insurance, will writing and funeral plans at your local branch? In June we reached the milestone of securing 10,000 home insurance policies for members since we teamed up with our partner, RSA, to give members peace of mind for their property and possessions.

JUL

• IN THE NOTTINGHAM WE TRUST

In July we joined up with The National Trust to offer qualifying members who take out a Funeral plan, provided by Dignity, a gift card for the value of a year's membership. It was another reason why it's great to be part of our Member Rewards loyalty scheme.

• THE SPECIAL ONE

We demonstrate our commitment to rewarding savers across our heartland with the launch of the 'Special Saver' regular saver account with an interest rate of 2.5%. The account was hugely popular and was one of 40 new savings products we launched in 2019. We generally announce these on our website and social channels first so follow us to be the first to know.



The gift of the great outdoors for Qualifying Members with The National Trust from July until October.



StoryParks event at Woodthorpe Grange in Nottingham with local school children.

AUG

• THE END OF THE CHAPTER

In August we wrapped up a great summer of storytelling as StoryParks came to a close with 28 sessions completed and 25 team members from The Nottingham volunteering at the programme throughout the summer.

• EVERYONE LOVES LISA

As the deadline for Help to Buy: ISA draws closer, we see applications for our cash LISA overtake Help to Buy by 700%. That means eight times more customers were opting for a LISA. #LoveMyLISA

SEP

- **BRANCH TEAMS SCORE FOR LOCAL CHARITY**

Our Thetford, Dereham and Fakenham teams held a fundraising football match and fun day raising £475 for local charity, Premier Foundation, which helps disengaged young people get on track.



The Norfolk teams get involved in the charity football match's photo 'shoot'.

- **£1M MILESTONE**

As a modern mutual, supporting the local community is hugely important to us. Since the start of our 'doing the right thing for our communities' programme (formerly Doing Good Together), the amount we have donated to help communities in our heartland prosper, reached £1 million. This total includes financial donations, gifts in kind, volunteering hours and fundraising.



Our team at Shepshed with the first batch of donated books.

OCT

- **BOOKS FOR GOOD**

We hit 1,000 books donated as part of our campaign with the National Literacy Trust and Better World Books, the latest chapter in our community programme. All money raised through the partnership will support the charity's work to get books into the hands of children living in deprived areas where low levels of literacy are seriously impacting people's lives.



NOV

- **WINNING MEMBERS**

In November £1,000 was given away to a customer who used Nottingham Mortgage Services whole-of-market mortgage advice for a remortgage throughout October and November - a grand surprise!

- **WHERE THERE'S A WILL**

We were delighted to appoint will writing provider, APS Legal of the SimplyBiz network, to offer Wills and estate planning to members across our branch network.



Our lucky winners Natalie and Marc.



Our Sutton team's collection of seasonal snacks, chocolates and warm items such as socks, scarves and gloves for Framework.

DEC

- **THE GIFT OF CHRISTMAS WITH FRAMEWORK**

Throughout December we supported our charity partner Framework's Off the Streets campaign. As well as giving donations from our Christmas Jumper Day to help tackle homelessness, our branches also hosted collections.



Some of our head office team taking part in Christmas Jumper Day.

YOUR BOARD OF DIRECTORS

at 31 December 2019

Directors up for election/ re-election

John Edwards

Chairman



Age 64 Date of appointment 01.02.12

John joined the Board in February 2012 and was appointed Chairman in May 2014. In his executive career, he held a number of roles at a CEO level in the insurance and investment sector, retiring in 2009 from Lloyds Banking Group where he was CEO of their international financial services division. He was the senior independent Non-Executive Director of the LV Group until September 2015 and has also served on the Board of Saga Services Ltd as a Non-Executive Director. He is also currently a Non-Executive Director of GreyCastle Life Reinsurance (SAC) Ltd.

"Last year, I stated how privileged I feel to serve as Chairman and also referred to The Nottingham's deeply rooted customer-focused culture. As the world around us changes, I will ensure that I lead the Board to strike the right balance between developing our digital capability to serve members now and in the future, as well as to serve our branch based members with our unique proposition focused on helping our members save, plan and protect their financial futures. If re-elected, I would be proud to continue to serve as your Chairman ensuring that the Society continues to deliver our proposition to our growing membership in a safe and secure way."

Simon Baum



Age 57 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."

YOUR BOARD OF DIRECTORS

at 31 December 2019

Directors up for election/ re-election (continued)

Simon Linares



Age 55 Date of appointment 01.12.19

Simon joined the Board in 2019. He brings a wealth of people and development experience spanning a range of sectors, including Fast-Moving Consumer Goods, telecommunications and insurance. 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 and in 2018 was ranked amongst the top five most influential HR practitioners. Prior to Direct Line, Simon headed up human resources for O2, Telefonica Digital and Diageo, covering different geographies and cultures, including Africa, Spain and Portugal.

"I'm really pleased to be joining The Nottingham at such an exciting time. It's a Society with a long and rich history but with its sights firmly set on the future with a focus on doing the right thing for members and supporting communities. If elected, I look forward to working with the Board and Leadership Team to continue and build on their good work."

David Marlow*

Chief Executive



Age 54 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. He is a director of Nottingham Property Services Ltd, Nottingham Mortgage Services Ltd, Harrison Murray Ltd and HM Lettings Ltd.

"I am proud to lead the team at The Nottingham who work hard every day to deliver our unique mutual brand of advice, choice, service and value to members. We are committed to supporting our growing membership to save, plan for and protect their financial futures. If re-elected I undertake to continue to build on the progress of recent years continuing to deliver excellent customer service to members and ensuring the Society has a relevant, sustainable proposition to enable it to meet members needs now and in the future."

Directors up for election/ re-election (continued)

Daniel Mundy*

Chief Financial Officer



Age 43 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. He is a director of Nottingham Property Services Ltd, Nottingham Mortgage Services Ltd, Harrison Murray Ltd and HM Lettings Ltd.

"I am delighted to continue as the Chief Financial Officer and Executive Director of The Nottingham. If re-elected, I look forward to continuing to contribute to the delivery of our unique proposition in the interests of all members."

Andrew Neden



Age 57 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.

"I am delighted to serve as Vice Chairman of the Society. There has been no let up from the pressures on our business, 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 also ensure we continue our focus on the long term sustainability of the Society and sector."

YOUR BOARD OF DIRECTORS

at 31 December 2019

Directors up for election/ re-election (continued)

Kavita Patel



Age 43 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 a wealth of experience advising clients in the financial services arena both in the retail and institutional space on corporate, regulatory and governance matters.

"I consider it a great privilege to be a director of The Nottingham. Despite difficult market conditions, our strategy remains focused on our members' wider financial needs, being accessible both in branch and through the use of technology, as well as delivering exceptional customer service. If re-elected I look forward to continuing this focus."

Kerry Spooner



Age 58 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 and Chair of Remuneration 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.

"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

Charles Roe*

Chief Risk Officer



Age 54 Date of appointment 16.01.19

Charles joined The Nottingham in April 2018 and became a member of the Board in January 2019. Prior to joining The Nottingham he was a director in the Regulatory Financial Services Practice at Grant Thornton LLP and worked for the FCA/FSA for 11 years, undertaking a number of senior supervisory roles including Head of Department for the mortgage sector. His early financial career began in the East Midlands with Standard Chartered Bank. As Chief Risk Officer, he is responsible for the design and implementation of the Society's risk management framework, ensuring it correctly controls, identifies and provides assurance over key risks across the organisation.

NOTICE OF ANNUAL GENERAL MEETING 2020

The annual general meeting of Nottingham Building Society will be held at Nottingham House, 3 Fulforth Street, Nottingham, NG1 3DL on Tuesday, 21 April, 2020 at 6.30 p.m. for the following purposes:

1. To receive the auditor's report.

Ordinary Resolutions

2. To receive the directors' report, annual accounts and annual business statement for the year ended 31 December 2019.
3. 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.
4. To consider and, if thought fit, approve the report of the directors' on remuneration.

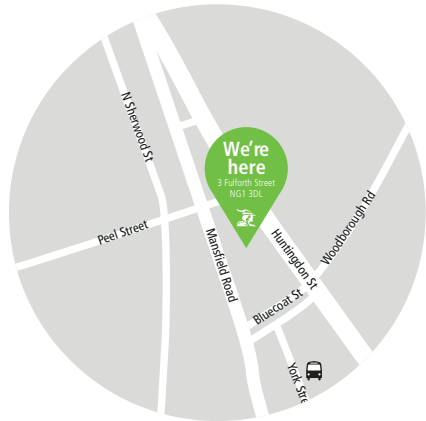
Election of Directors

5. To consider and if thought fit:
 - a. to elect Simon Linares
 - b. to re-elect John Stephen Edwards
 - c. to re-elect David John Marlow
 - d. to re-elect Daniel William Mundy
 - e. to re-elect Andrew Frederick John Neden
 - f. to re-elect Kavita Patel
 - g. to re-elect Kerry Madeline Spooner
 - h. to re-elect Simon Grayson Baum

as directors of the Society.

By order of the Board

R Ewin,
Senior Legal Counsel & Company Secretary
5 March 2020



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.

NOTICE OF ANNUAL GENERAL MEETING 2020

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 midnight on 16 April 2020.

5. Voting qualifications

You can vote if you:

- a) are at least 18 years old on 21 April 2020; and
- b) (i) held shares to the value of not less than £100 in the Society on 31 December 2019 and have continued to hold shares at all times between 31 December 2019 and the voting date; or
(ii) owed the Society not less than £100 in respect of a mortgage debt on 31 December 2019 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) 16 April 2020 if you are voting by proxy (whether using the enclosed form or completing it online); or
 - b) 21 April 2020 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

The Society has continued to focus on the development of its strategy of rewarding our members for planning, protecting and saving for their future. We continue to deliver our 'all under one roof' advice and service offering through enthusiastic and expert team members. We strive to be easy to deal with and to be known as a force for good in our heartland.

Below are some of the key achievements and financial highlights of 2019:

CAPITAL STRENGTH IMPROVED

WITH TIER I RATIO AT **15.6%** AND LEVERAGE RATIO OF **5.3%**

NET PROMOTER SCORE OF **77%**

STRONG RETAIL FRANCHISE –

TOTAL BRANCH BALANCES OF **£2.4 BILLION** AND UP **2%** IN 2019

UNDERLYING PROFIT BEFORE TAX OF

£10.0 MILLION

OVER **3,000** CUSTOMERS USED OUR WHOLE-OF-MARKET MORTGAGE ADVICE SERVICES IN 2019;

AN INCREASE OF OVER **11%** AGAINST 2018

TOTAL ASSETS OF **£3.8 BILLION** AND GROSS MORTGAGE LENDING OF OVER **£350 MILLION** FOR 2019

THE SOCIETY WELCOMED OVER **20,000** NEW CUSTOMERS AND IS PRESENT IN OVER **60** LOCATIONS ACROSS **NINE COUNTIES**

SUCCESSFUL COMPLETION OF THE PROJECT TO REPLACE ALL OF OUR ONLINE/DIGITAL FACING ACTIVITY

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

We are pleased to present our summary financial statement for the year ended 31 December 2019

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 26 March 2020.

Summary directors' report

Market and economic background

Reflecting back on my statement in our 2018 Annual Report & Accounts, there were three key themes I highlighted:

- Uncertainty around our path to Brexit;
- The increasing influence of digital and the rise of consumers being mobile-led; and
- Irrational pricing and intense competition in the mortgage market.

As we enter 2020, the key influences on our thinking and strategy remain the same. In terms of Brexit, we had to wait until 12 December to get any real sense of direction and certainty. The general election result cleared the UK stalemate and has led to us leaving the EU on 31 January and entering the transition period. Despite a large government majority and a resolve to achieve an independent future in Europe, there is very little time remaining in the agreed transition period in which to agree a comprehensive approach to life outside the EU. The threat of a no deal Brexit has abated but not gone away completely. We will be monitoring matters very closely to cover all possible eventualities as we head towards the end of 2020.

The continued emergence of digital and mobile-led activity has, as expected, continued apace in 2019, with almost all elements of our daily lives now being influenced or supported by an app of one style or another. Overall the Board remains

comfortable that decisions made almost four years ago, and our investment and development since then, places your Society in a strong position to serve our members today and attract the members of the future in a mobile-led world.

In terms of mortgage market competition and irrational pricing, this has continued throughout 2019. It is now apparent that this situation is set to continue for some time yet. The beginning of 2019 saw the creation of the new UK ring-fenced banks – a sensible regulatory requirement in response to the financial crisis. Put simply, major UK banks have been ordered to reorganise themselves, separating their UK based retail banking operations from their global markets and trading entities. The result is that UK retail banks have large savings balances, on a large part of which they pay no interest or very small rates of return and which must now be used for UK based lending, of which UK residential mortgages form a significant part. This has brought the big banks to our core market in a more significant way than ever before. Furthermore, their cost of funding enables them to offer ultra-low interest rates for mortgages. A good time to be a UK mortgage borrower but less attractive to be a saver. As a member owned building society we have a responsibility to find a fairer balance between our savings and mortgage members and we have continued to try to achieve this in 2019. This has led us not to grow our levels of lending as we have done for most of the past decade, but to manage our balance sheet carefully.

With uncertainty still prevalent, albeit less intense than through most of 2019, we expect the next year to be characterised by continued low to modest GDP growth, low inflation and interest rates remaining low for the foreseeable future. In fact, markets reacted starkly in early January to rumours of possible bank base rate reductions in 2020 – something we believe is not necessary and would have minimal impact on stimulating sustainable economic growth.

Staying relevant in a changing world to serve our members today and in the future

One of the biggest challenges of 2019 has been to effectively balance the conflicting needs of our savings and mortgage members, in the face of a continued ultra-low interest rate environment and intense mortgage price competition, as the UK ring-fenced banks exerted their influence on the market. The challenge for us here was to respond to falling rates for new mortgages whilst protecting the average rate we pay to our savers. This has meant that we have reduced our new mortgage lending which is down almost 60% from £834m in 2018 to £353m in 2019, whilst continuing to be successful in raising the number of existing borrowers choosing to stay with us when they get to the end of their promotional period. This is something we have achieved well this year, with over 70% of members choosing to stay with us at the end of their initial product term.

This is in contrast to our savers, where we continue to work hard to hold up savings rates in the face of falling mortgage yields. Again, we are pleased with the outcome whereby our average rate payable on our savings at the end of 2019 is 1.00% compared to 1.02% at the end of 2018.

How we have strived to strike this balance is best demonstrated at the income statement level. In 2019, our interest receivable from mortgages was down 2% or £1.4m whereas our interest payable to savers actually increased by 7.7% or £2.7m. This £4.1m swing could be viewed as a further mutual dividend and strong evidence of our commitment and track record in doing all that we can to protect saving rates in these market conditions.

A vital component of our membership are those savers that use our branches. Despite our balance sheet overall undertaking a controlled contraction in 2019, we have seen the number of members and saving balances in our branches continuing to

grow, with membership in branches up 2% in the year. We also continue to see an increasing number of members utilising our unique Member Rewards Scheme, which has been designed to reward members for planning for their financial future, in the form of a range of discounts and cashbacks. In 2019, members enjoyed rewards benefits of £0.6m.

Whilst continuing to grow our branch based membership and aiming to serve them brilliantly, we have been consistent in stressing the importance of building a strong digital capability, to ensure that we can serve the increasing number of existing and potential members who expect to deal with us not just digitally but mobile-led. 2019 has been a year of significant progress for us on this front, as we have implemented the Salesforce platform across all our online/digital member activity and in the process delivered significant benefits in terms of access, convenience and ease to our members.

Following the successful launch of Beehive Money in December 2018, we followed that with the launch of our member portal offering Lifetime ISAs (LISA) online for the first time in April. Then in November, we launched our Mortgage Broker Portal, which has significantly improved our online mortgage decisioning and processing capability for the thousands of brokers that deal with us over the course of a year.

Both these initiatives have delivered material benefits to members, supporting us to offer improved service at a lower cost to serve. A LISA can now be opened, fully validated for ID by HMRC, as per the LISA rules and ready to fund in under four minutes, with the large majority of applications not requiring the submission or uploading of any additional documents.

SUMMARY FINANCIAL STATEMENT

In fact, in November, following a popular money advice TV programme, we opened almost 500 accounts within an hour of the programme finishing at 9pm on a Tuesday evening. In one week alone, we opened savings accounts online equivalent to 1% of the membership in our new portal.

On the mortgage side, we have radically reduced the time and effort for mortgage brokers to deal with us. Previously the lapsed time to register with us as a broker was 72 hours, with approximately 2 hours needed to get a full decision in principle and submit a mortgage application. Registration now takes 4 minutes and decision in principle and application submission under 20 minutes.

These fundamental improvements in how we provide our service in a digital world, signal a strong beginning to the continuing digital transformation of the Society and one which we are committed to continuing in the years ahead. We believe that not only will it make us more relevant to a broader and younger set of potential members, but also serve our need to deliver quick, easy access to our services at lower cost.

Another element of our proposition, which continues to develop well is our whole-of-market mortgage advice service which is increasingly attractive to members (who can qualify for free advice) and fee paying non-members. We have continued to grow this part of our offering, with the number of mortgages completed in 2019, up 15% on 2018. This is particularly important when considered against the context of our own current reduced appetite for lending. Our approach ensures that we can always offer our members the best the mortgage market has to offer in all conditions, ensuring that we are always relevant.

Whatever we do to support our members to save, plan for and protect their financial futures, it is important that we do that well and deliver a level of service that we could expect to receive

ourselves. I am delighted that we have continued to achieve this and to report that our Net Promoter Score remains at the high level of 77%; this continues to place us amongst the very best global service providers. My gratitude goes to our team members across the Society, who strive to look after and serve our members in a way that they would wish to be served every day.

Our performance

As we trailed last year, our objectives in 2019 were to undertake a planned contraction of the balance sheet, do all we could to protect savings rates and continue to invest strongly in our digital future. Inevitably this has led us to operating at reduced level of profit in 2019.

The ability to do so, without compromising our financial strength, is one of the attributes of the mutual model, as the Board can look through short term turbulence and continue to focus on the medium and longer term.

I have already outlined our actions on accepting lower interest receivable; whilst boosting interest payable creating a £4.1m reduction in net interest income taking overall income down by 9% in the year.

In times such as this, it is very important that management ensure that the money we spend running the Society on a day to day basis is well controlled and proportionate to the income we derive. I am pleased therefore to report that in 2019, due to strong management action and the benefits of new digital delivery, we reduced our underlying administration expenses by just over 10% to £35.2m.

But as you might expect our costs related to investment in the Society increased; when combining depreciation, strategic and project costs we invested a total of £6.8m over the course of the year; 70% up on 2018.

Overall, as our Annual Report & Accounts show, this has led us to deliver an underlying profit before tax of £10.0m, although down on 2018, this is a strong return in the low interest rate, low profitability market environment we are in.

Financial strength and quality

As we approached the end of the year, we have reviewed how two of our core markets, mortgages and estate agency, have changed in the past couple of years and how we believe these changes will continue in the years ahead.

The Board has therefore elected to re-evaluate some of the assets we hold on our balance sheet and in doing so ensure that we are effectively positioning ourselves for the future. As we continue to increase the number of mortgage members we retain at the end of their product term, our change in accounting estimate and resulting write down of the mortgage EIR asset reflects our increasing conviction that no member should remain on our SVR for any meaningful period of time at the end of their product term. This prudent step also reflects our intention to begin to refine the way we charge for mortgages over the next two years or so, as we carry out work to develop the capability to individually price each member's mortgage, based on their own distinct characteristics.

We have benefitted overall as a Society from the expansion of building society services to branches facilitated by the acquisition of Harrison Murray, but the estate agency market has undertaken material structural changes over the past 2-3 years; in terms of the UK average annual transaction numbers, in the level of fees that agents are likely to be able to accrue from these transactions and in extra costs arising from new additional regulatory requirements. We have, therefore, deemed it prudent to write off the goodwill that sits on our balance sheet in relation to the historic acquisition of the estate agency.

Whilst both of these adjustments take us to an accounting loss for the year of £7.2m after tax, it is a strong affirmation of our financial strength, that despite these deductions totalling £16.3m, our core capital strength has improved over the period, with our CET 1 ratio increasing to 15.1%. Early in 2020 our regulator, the PRA, lowered the overall level of capital they require us to hold to demonstrate that we have adequate financial resources to withstand significant shocks.

In addition to capital, the core components of the financial strength of a building society are liquidity and credit risk and I am pleased to report that our performance in of these two areas remains very strong.

Our liquidity position, as always, is strong and our liquidity coverage ratio ended the year at 229% which is significantly ahead of what we are required to hold.

And finally our credit risk profile remains one of the strongest in our sector and across all the lending industry. We only had to make £0.4m of loan impairment provisions from a book totalling £3.2bn and only had 36 customers more than 3 months in arrears at the end of 2019.

Board

Following a busy year of changes for the Board in 2018, 2019 was a relatively quiet period of stability. Following Jane Kibbey's retirement as a Non-Executive Director and Senior Independent Director, we were delighted to appoint Simon Linares to our Board to replace the valuable skills we lost when Jane retired.

SUMMARY FINANCIAL STATEMENT

Simon has just completed a successful career across Fast-Moving Consumer Goods, telecoms and financial services. His final executive position was Group HR Director at Direct Line where he led HR, communications, public affairs and corporate social responsibility. Prior to that Simon had senior experience at O2, Telefonica Digital and Diageo. He brings a wealth of people, development and commercial experience to the Board which will be highly valuable to us.

At the beginning of 2020, our Chief Risk Officer, Charles Roe, resigned to pursue new opportunities. We recruited Charles two years ago to use his career experience to build and develop our risk management framework and second line capability. This work has now substantively been completed and the Society is now served by a strong capable second line. On behalf of the Board, I would like to thank Charles for his work and commitment over that period and wish him all the very best for the future.

Finally, following Jane's retirement, we have appointed Andrew Neden as our Senior Independent Director. Andrew, who joined the Board in 2014, is ideally suited to support me in the effective running of your Board and providing my Board colleagues with experience and wise counsel on a wide range of matters.

Summary and outlook

As we head into 2020 and life outside of the EU, the themes and priorities we have developed over the past 12 months will continue and in some cases pick up pace.

As we expect the current market trading conditions to remain as they are today, we aim to continue to manage our balance sheet carefully and achieve an optimum balance between mortgage and savings members and in doing so create the right level of interest income.

We will continue to review our range of services to ensure our members receive the right blend of expert advice and service from us or our carefully selected range of partners who play an important part in our 'all under one roof' proposition. We also expect to continue to grow and develop our increasingly popular whole-of-market mortgage advice offering (NMS).

We will continue to invest in digital, with a focus on doing even more to provide ease, access and convenience to our members, continue to attract younger members to the Society and reduce the cost to serve. It is clear that we will continue to challenge ourselves to spend our running costs wisely and look to reduce them further, without compromising the service and advice we deliver every day to members.

With the decisions we have taken during 2019, we believe we are doing all the right things to prepare your Society for a new world of financial services. As the nation grows older and the welfare state's role in individuals' lives reduces, the younger generation particularly are going to have to be more financially independent than their parents and grandparents. We are building a Society that will be able to meet these needs and serve a new generation of members as well as we serve our members today, but in a digital first world. This will no doubt require us to continue to evolve the Society, introducing innovations in savings and mortgages, without compromising our service ethos or our financial strength and continuing to support the communities in which we serve.

Finally, I would like to thank you, our members, for your continued loyalty and support in 2019.

John Edwards
Chairman

5 March 2020

Group results for the year

	2019 £m	2018 £m
Net interest receivable	46.1	50.2
Other income and charges	4.6	5.1
Administrative expenses	(42.0)	(43.4)
Operating profit before impairment, change in EIR accounting estimate & provisions	8.7	11.9
Impairment (charge)/release - loans & advances	(0.4)	0.3
Impairment charge - goodwill	(4.0)	(0.5)
Change in EIR accounting estimate	(12.3)	-
Provisions	-	0.1
(Loss)/profit for the year before taxation	(8.0)	11.8
Taxation	0.8	(2.4)
(LOSS)/PROFIT FOR THE YEAR	(7.2)	9.4

Reconciliation of statutory (loss)/profit to underlying profit

	2019 £m	2018 £m
Statutory (loss)/profit before taxation	(8.0)	11.8
Adjusted for:		
Losses from derivative financial instruments	0.6	0.7
Other income	(0.2)	-
Strategic investment costs	1.3	0.6
Impairment - goodwill	4.0	0.5
Change in EIR accounting estimate	12.3	-
UNDERLYING PROFIT BEFORE TAXATION	10.0	13.6

SUMMARY FINANCIAL STATEMENT

Group financial position at end of year

	2019 £m	2018 £m
ASSETS		
Liquid assets	615.1	506.9
Loans and advances to customers	3,161.4	3,502.9
Derivative financial instruments	2.0	8.2
Fixed and other assets	40.5	35.6
TOTAL ASSETS	3,819.0	4,053.6
LIABILITIES		
Shares	2,781.1	2,869.2
Borrowings	771.3	918.0
Derivative financial instruments	12.8	5.9
Other liabilities	12.9	12.6
Subscribed capital	24.7	25.1
Reserves	216.2	222.8
TOTAL LIABILITIES & RESERVES	3,819.0	4,053.6

Summary of key financial ratios

	2019 %	2018 %
Gross capital as a percentage of shares & borrowings ^(Note 2)	6.78	6.55
Liquid assets as a percentage of shares & borrowings ^(Note 3)	17.32	13.38
(Loss)/profit for the year as a percentage of mean total assets ^(Note 4)	(0.18)	0.24
Management expenses as a percentage of mean total assets ^(Note 5)	1.07	1.09
Management expenses as a percentage of mean total assets (Society only) ^(Note 5)	0.94	0.95

Approved by the Board on 5 March 2020 and signed on its behalf by:

John Edwards
Chairman

David Marlow
Chief Executive

Daniel Mundy
Chief Financial Officer

NOTES

- The summary financial statement is prepared on a Group basis.
- 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.
- 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.
- 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.
- 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 2019 which comprises the 'Results for the year', 'Financial position at end of year' and 'Key financial ratios', comprising pages 21 and 22, and the directors' emoluments disclosures on pages 27 and 28.

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.

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 2019.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Summary Financial Statement 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 2019 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made thereunder.

Ernst & Young LLP

Registered Auditors
Leeds

5 March 2020

SUMMARY DIRECTORS' REMUNERATION REPORT

For the year ended 31 December 2019

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 2019.

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 2019.

In 2019, 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
Andrew Neden	Non-Executive Director and Chair of the Audit Committee
Kavita Patel	Non-Executive Director

Kavita Patel took up her position on the Committee in December 2019.

2019 performance and awards

The summary financial statement on pages 16 to 22 describes 2019 as a period of continued strategic progress in a very competitive and uncertain environment. 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. The strategic investment programme has successfully delivered new digital technology and system functionality to plan and costs are being managed. This new digital capability places the Society in a strong position to continue progressing its longer term strategic aims. Therefore, we have ensured that sufficient underlying profit has been generated to maintain our regulatory capital requirements and continue to invest in the Society, whilst maintaining competitive levels of return for our savers.

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 – the Directors received 50% of the total bonus payment for 2019 following the end of the performance year with 50% being deferred for three years and subject to malus¹ and clawback rules in line with Regulatory best practice. This is a change from the previous bonus plan where 40% of the bonus was paid at the end of the performance year, and 60% was deferred for a three year period.

The deferred bonus for the 2015 performance year was also paid out in full in March 2019 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 6 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 27 and 28. The information has been audited and shows remuneration for the years ending 31 December 2018 and 31 December 2019 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.
- **Variable pay – Group Annual Bonus Scheme.** The scheme is linked to the delivery of Society and personal objectives. On target rewards 21% of basic salary with up to a maximum of 35% payable. 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.

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	2019 David Marlow £000	2019 Daniel Mundy £000	2019 Charles Roe £000	2019 Simon Taylor £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
Long term incentive plans ³	-	-	-	-	-
	414	281	194	-	889
Pension contribution	47	36	26	-	109
	461	317	220	-	998

Audited Society	2018 David Marlow £000	2018 Daniel Mundy £000	2018 Charles Roe £000	2018 Simon Taylor £000	2018 Total £000
Fixed remuneration					
Salary ¹	306	236	-	493	1,035
Benefits	10	9	-	8	27
Variable remuneration					
Annual bonus	37	28	-	-	65
Long term incentive plans ³	58	-	-	43	101
	411	273	-	544	1,228
Pension contribution	46	35	-	32	113
	457	308	-	576	1,341

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 became an Executive Director on 16 January 2019.

Simon Taylor left the Society on 30 November 2018. His 2018 salary includes £232,000 for contractual payment in lieu of notice and an ex-gratia payment of £80,000 made in lieu of the 2018 annual bonus, holiday pay and in recognition of his commitment and service to the Society.

² The annual bonus figure reflects the amount awarded in the year which is not subject to deferral, and the deferred amount from the 2015 financial year, which was 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.

³ Legacy LTI Scheme now fully paid out.

SUMMARY DIRECTOR'S REMUNERATION REPORT

Executive Director remuneration (continued)

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

Executive Directors	Performance Year	Due 2020 2016 £000	Due 2021 2017 £000	Due 2022 2018 £000	Due 2023 2019 £000	Total Deferred £000
David Marlow		47	64	56	37	204
Daniel Mundy		-	32	42	30	104
		47	96	98	67	308

Simon Taylor (who left the Society on 30 November 2018), received an outstanding deferred bonus of £38,000 in 2019 in line with the terms of the annual bonus scheme. Two further deferred payments of £33,000 in 2020 and £47,000 in 2021 remain outstanding. This is subject to achievement of the threshold criteria and Remuneration Committee approval.

Non-Executive Director remuneration

Audited Society		2019 £000	2018 £000
Simon Baum		57	35
John Edwards (Chairman)		74	71
Jane Kibbey (Vice-Chairman until retirement)	(retired 24 April 2019)	15	45
Simon Linares	(appointed 1 December 2019)	4	-
Andrew Neden (Vice-Chairman from 18 June 2019)		59	50
Kavita Patel		42	39
Kerry Spooner		51	47
Total emoluments for services as directors		302	287

On behalf of the Board,

Kerry Spooner

Chair of the Remuneration Committee

5 March 2020



 thenottingham.com  Nottingham Building Society, Nottingham House
 0344 481 4444 3 Fulforth Street, Nottingham NG1 3DL