

2023 MEMBERS' NEWSLETTER

Including our Summary Financial Statements
and Notice of Annual General Meeting

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DIRECTORS UP FOR ELECTION / RE-ELECTION



SUSAN HAYES* - CHIEF EXECUTIVE OFFICER

Age: 56 | Date of appointment: 01.03.2022

Sue joined the Society in January 2022 and was appointed as Chief Executive Officer ('CEO') in March 2022. Sue has focused her career in Retail and Business Banking and has held senior positions at Lloyds, HBOS, NatWest, Santander and Barclays. Sue joined challenger bank Aldermore in 2018 and more recently was CEO at GB Bank, a new entrant challenger, which she took through to the first stage of the banking licence and raised additional funding. Sue previously sat on the UK Finance Mortgage Board as Deputy Chair and has been nominated to UK Finance Mortgage Board again as a mutual representative for 2023. Sue holds an Executive MBA from Cranfield Business School.

"In 2023 we began the delivery of our agreed strategic plan. I am delighted with both the progress we are making and the financial results we have been able to achieve in terms of mortgage growth in a very challenging market.

We also spent time building the capability of the team and this has enabled us to achieve growth, strengthen the foundations of our Society, and close deals in lending as well as some strong results in customer service.

If re-elected, the next 12-months will see us make significant progress in this mission."



SIMON BAUM* - CHIEF RISK OFFICER

Age: 61 | Date of appointment: 18.06.2018

Simon joined the Board as a Non-Executive Director in June 2018. Simon has spent over 35 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. Simon ceased to be a Non-Executive Director of the Society in May 2023, moving to become Chief Risk Officer ('CRO') and an Executive Director of the Society.

"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."



ANTHONY MURPHY* - CHIEF FINANCIAL OFFICER

Age: 44 | Date of appointment: 23.06.2023

Anthony joined the Society in March 2023 as Chief Financial Officer ('CFO'). Anthony was previously CFO of Tandem, a digital challenger bank, playing a pivotal role in their strategic transformation and journey towards profitability. His prior experience includes CFO positions in a listed regional bank in the United Arab Emirates and senior roles in finance and strategy at Lloyds Banking Group, notably supporting the sale of their Middle East business to HSBC. Anthony's extensive experience in challenger and established banks aligns with The Nottingham.

Anthony is a member of Chartered Institute of Management Accounting ('CIMA') and is on the Board of Bournemouth University, where he graduated in 2001, and demonstrates his passion for lifelong learning.

"It is an honour to join a business with such an established history and clear purpose. Since my arrival in March 2023, I have been hugely impressed by the strategic vision and look forward to contributing to The Nottingham's future journey, which is fully aligned to the ethos of a building society in developing a sustainable business that meets the needs of our members and wider stakeholders both today and in the future."

*Executive Director

Simon Baum moved from a Non-Executive Director role to an Executive Director role on 1st May 2023

DIRECTORS UP FOR ELECTION / RE-ELECTION (CONTINUED)



SIMON LINARES

Age: 59 | Date of appointment: 01.12.2019

Simon joined the Board in 2019. Simon is also an Executive Mentor, Coach and Chairman of the charity Dreams Come True. He brings a wealth of commercial, people and development experience spanning a range of sectors, including fast moving consumer goods, telecommunications and financial services. His most recent position was Group Human Resources ('HR') Director at Direct Line, where he led the HR, communications, public affairs and corporate social responsibility strategies. Prior to Direct Line, Simon headed up HR for O2 Europe, Telefonica's digital businesses and Diageo, covering different geographies and cultures, including Africa, Spain and Portugal. Simon is a fellow of the Chartered Institute of Personnel Development ('CIPD') and in 2018 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 re-elected, I look forward to working with the Board and Leadership team to continue and build on this great work."



ANDREW NEDEN - CHAIR

Age: 61 | Date of appointment: 17.09.2014

Andrew joined the Board in 2014. He is a Chartered Accountant with over 40 years' experience in financial services in the UK and overseas. After several years running KPMG's UK Financial Sector Transaction Services team, he was the global Chief Operating Officer ('COO') for KPMG's financial services business. Current directorships include ABC International Bank plc; Kingdom Bank plc and Clear Bank UK. He also Chairs Aetna Insurance Company Ltd and is on the Board of three small charities.

"Our role as a Board is to keep our long-term focus on our members' wider financial needs, and to ensure the safety and sustainability of the Society as long as we are best placed to meet these needs. My objective has been to assist in building an executive team to do this well and effectively; and to lead the Board and the Executive team in our strategic thinking so that we anticipate our members' future needs and identify those who will be members in future. My term of office was extended by one year to ensure continuity as Sue settled into the role as CEO, and our intention is that I will step down from the Board in the second half of this year once that continuity has been achieved."



PETER O'DONNELL

Age: 57 | Date of appointment: 01.01.2021

Peter joined the Board in January 2021. Peter has over 30 years' experience in financial services and worked in a variety of senior finance roles at Prudential, Royal and Sun Alliance and Aviva. His most recent position was Executive Vice President at Unum, a Fortune 500 company where he was also CEO of its UK business and Chairman of Unum Poland. Peter is a Non-Executive Director of Queen Victoria Hospital Foundation Trust and a Trustee for Cardiac Risk in the Young. Peter has a Bachelor of Commerce Degree from University College Dublin, is a fellow of CIMA and has significant experience of both international and UK markets.

"I am delighted to continue to serve our members as a Board Director and Chair of Audit Committee. The business has a great history, purpose and value set. Despite the challenging environment of recent years, The Nottingham has continued to look after its customers and support its community. I am very proud to be involved with such a great business with a clear purpose and exciting strategy. If re-elected, I look forward to working with the team to build on our successes."

DIRECTORS UP FOR ELECTION / RE-ELECTION (CONTINUED)



KAVITA PATEL

Age: 47 | Date of appointment: 01.01.2017

Kavita joined the Board at the beginning of 2017 and is the Board Consumer Duty Champion. She is a Partner and Head of Investment Funds at the law firm, Shakespeare Martineau. Kavita is also a Non-Executive Director and Deputy Chair of Foresight Enterprise VCT plc. 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.

"It is both a privilege and a pleasure to serve as a Director of The Nottingham. Our Society has a strong history of supporting our members, our people and our communities, and we have been able to continue to do this over recent years despite the challenging environment. But we must also look to the future and I am excited about our purpose-led strategy, the investments we are making to deliver it and helping our members to realise their financial objectives. If re-elected, I look forward to continuing to help grow and shape the future success of the Society."



KERRY SPOONER

Age: 63 | Date of appointment: 01.09.2016

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 independent Chair of the Remuneration Committee of The Bank of Nova Scotia, London Branch and Non-Executive Chair of the Remuneration Committee of ANZ Banking Group UK Branch.

"Our Society is a strong and prudent mutual firmly rooted in putting its 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."



ROBIN ASHTON

Age: 65 | Date of appointment: 01.12.2023

Robin joined the Board as a Non-Executive Director in December 2023. Robin brings extensive leadership experience to the table, having served as Chair of Leeds Building Society for over seven years and held roles at Domestic & General Group and Shawbrook Group plc, overseeing expansions and digital transformations. During his tenure at Leeds Building Society, assets grew notably, and strategic investments in technology were made.

"I am delighted to have joined the Board and will challenge and support Management to help the Society extend home ownership to more people and to help it remain relevant to the changing needs of both borrowers and savers in the future."

DIRECTORS NOT UP FOR ELECTION / RE-ELECTION



PAUL ASTRUC

Age: 57 | Date of appointment: 21.06.2022

Paul brings over 30 years of financial services experience after qualifying as an accountant working as Finance Director and Executive at a number of UK and International Banks. Paul became the CFO at The Nottingham in April 2021 (with additional responsibility for Technology) and joined the Board as an Executive Director in June 2022. In April 2023 Paul ceased to be CFO and an Executive Director of the Society, moving to become a non-independent Non-Executive Director of the Society to offer continuity for a period of 12-months.

"I have been very proud to be part of The Nottingham over the past 3-years and look forward to the team continuing to build on the Society's mighty foundations and deliver on its strategy and purpose in the coming years."

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting ('AGM') of The Nottingham will be held at Nottingham House, 3 Fulforth Street, Nottingham, NG1 3DL, on Wednesday, 24th April 2024 at 6.30 p.m. for the following purposes:

Auditor's Report

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 31st December 2023.
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 AGM.
4. To consider and, if thought fit, approve the Directors' Remuneration Report.

ELECTION OF DIRECTORS

5. To consider and if thought fit:
 - a) to re-elect Susan Elizabeth Hayes
 - b) to re-elect Simon Graydon Baum
 - c) to elect Anthony Francis Murphy
 - d) to re-elect Simon Linares
 - e) to re-elect Andrew Frederick John Neden
 - f) to re-elect Peter O'Donnell
 - g) to re-elect Kavita Patel
 - h) to re-elect Kerry Madeline Spooner
 - i) to elect Robin Ashton

as Directors of the Society.

Robert Ewin
Senior Legal Counsel & Company Secretary
6th March 2024

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, with the exception of Paul Astruc, have submitted for election at 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 by giving due consideration to the continuing independence and objectivity of the Non-Executive Director. Andrew Neden is considered to be independent, notwithstanding that his tenure was extended beyond the Code limit of nine years, as a result of the enhanced check and challenge he has offered to the Management team as they roll out the new strategy.

The Nominations Committee ('NomCo') 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 Chair 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) to reach Civica no later than 5pm on 19th April 2024. This is the voting date.

5. Voting qualifications

You can vote if you:

- a) are at least 18 years old on 24th April 2024;
- b) (i) held shares to the value of not less than £100 in the Society on 31st December 2023 and have continued to hold shares at all times between 31st December 2023 and the voting date; or
(ii) owed the Society not less than £100 in respect of a mortgage debt on 31st December 2023 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.

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. Virtual Meeting

We have taken the decision to hold the AGM as a fully virtual meeting. If you have any questions which you would like to be answered at the AGM, please send them to nbs.agm@thenottingham.com by no later than Friday 12th April 2024.

KEY HIGHLIGHTS

6,957

New mortgage customers
(2022: 3,984) ↑



£887m

Gross new lending
(2022: £659m) ↑



£3.6bn

Total mortgage assets
(2022: £3.0bn) ↑



1.94%

Net interest margin
(2022: 1.69%) ↑



64.6%

Net promoter score
(2022: 64.7%) →



£91.8m

Total interest paid to savers
(2022: £23.9m) ↑



£3.6bn

Total savings balance
(2022: £3.0bn) ↑



15bps

ECL coverage ratio
(2022: 17bps) ↑



4.9

Trustpilot score
(2022: 3.8) ↑



2,462

Colleague volunteering hours
(2022: 841) ↑



£8.3m

Profit before tax
(2022: £18.9m) ↓



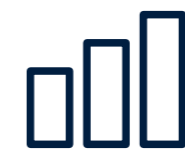
£24.2m

Underlying profit before tax
(2022: £15.2m) ↑



15.2%

CET1 ratio
(2022: 16.8%) ↓



5.2%

Leverage ratio
(2022: 5.6%) ↓



184%

Average LCR
(2022: 192%) ↓



↑ Positive movement | ↓ Adverse movement

SUMMARY FINANCIAL STATEMENT

We are pleased to present our Summary Financial Statement for the year ended 31st December 2023.

This financial statement is a summary of information in the audited Annual Report and 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 7th March 2024.

FINANCIAL PERFORMANCE

The Society has delivered a strong level of profit in 2023 during turbulent economic conditions, with a profit before tax of £8.3m (2022: £18.9m) and an underlying profit before tax of £24.2m (2022: £15.2m).

Like many financial institutions in the sector, the increases we have seen in UK base rates have acted as a positive tailwind to our financial performance. We are pleased that we have been able to pass on a sizeable proportion of these increases to our savings members and will continue to do so. We are also pleased not to have increased our Standard Variable Rate ('SVR') rate to support mortgage customers.

We achieved significant growth in mortgage lending while overall lending in the UK mortgage market fell by approximately 28% as reported by the Bank of England ('BoE'). We achieved this through offering attractive pricing despite the rising cost of lending, and by targeting key customer segments where demand remained resilient and where our brokers felt there was unmet demand.

Our lending performance was supported by the purchase of a book of mortgages from Generation Home. We completed this transaction, which comprised of a mortgage book value of £161.6m in September 2023.

Significant investment was made in 2023 in both people and technology, to support the continued improvement in the level of service we provide to our members. We also supported our colleagues with a pay award to reflect the elevated inflationary environment.

Our asset quality remains strong with arrears levels remaining low at 0.35% of loans three months or more in arrears and an average loan to value at the end of 2023 of 51.2%.

Supporting local communities has continued to be an important part of The Nottingham. Throughout 2023 we delivered our Corporate and Social Responsibility programme that saw 2,462 hours (2022: 841 hours) volunteered to community projects and charities by our team. In addition, our partnership with Emmanuel House included a charitable donation of £100,000.

MAKING A DIFFERENCE TO OUR CUSTOMERS

As interest rates have risen and remained high throughout this year, we have focused on paying savers the best rates we can whilst doing what we need to strengthen the Society. We paid a total of £91.8m in interest to savers in 2023 (2022: £23.9m).

We helped 6,957 (2022 3,984) customers either take out a mortgage with us for the first time or move to a new mortgage.

Improving our customer experience has been and is a key focus and I have been delighted to see our independent Trustpilot rating for our customer in-branch experience increasing to 4.9 out of 5 (2022: 3.8 out of 5). We have also seen continued strong performance in our Net Promoter Scores of 64.6% on 31st December 2023 (2022: 64.7%).

It is appropriate that this report notes that some of our customers have been impacted by a company known as Philips Trust Corporation Limited going into Administration in April 2022.

During the years 2011 – 2018 we referred customers who were looking for wills and estate planning services to an external third-party company called The Will Writing Company Limited. The Will Writing Company and a related company, The Family Trust Corporation Limited, organised wills and trusts for those customers.

In 2018, The Will Writing Company went into administration. The administration of the trusts for a number of customers was subsequently transferred from The Family Trust Corporation to Philips Trust Corporation without the involvement from the Nottingham Building Society. This has resulted in some customers being impacted financially as the assets of some of the customers trusts were transferred into investments by Philips Trust Corporation. Those subsequent investments have lost significant value. We are currently reviewing the situation, to assess the impact of the ongoing Philips Trust Corporation Administration process on our customers, and how we may be able to provide support.

It is a complex situation because we had no relationship nor direct contact with Philips Trust Corporation and have no rights of access to the information now under the control of the Administrators, Kroll Advisory Ltd. We have been in contact with Kroll for a number of months to establish how many of the customers we initially referred to The Will Writing Company have been subsequently impacted by the administration of Philips Trust Corporation. On the basis of what we now know in terms of how our customers have been treated by the third parties we have asked the relevant regulatory bodies, Serious Fraud Office and the Police to investigate the treatment of those referred customers by those third parties.

OUR PURPOSE AND STRATEGY

Our purpose as a Society, which sits at the heart of our strategy, is **Together we fight for the Extra Ordinary to own their own home** - focusing on those who would find it more difficult to access mortgage lending in the past due to old fashioned and rigid linear lending processes. Offering a range of attractive savings propositions to our members and customers enables us to deliver our purpose. Providing the right opportunities for savers is particularly important at a time when interest rates are at their highest levels in over a decade.

Our strategic intent is increasingly important to be:

- A modern successful building society with exceptional customer service for all our members and customers;
- A place everyone wants to work at and is able to develop themselves to be their best;
- A Society that is great for the communities it serves; and
- A Society that uses technology and data in purposeful ways (purposeful innovation) and extraordinary depth whilst not losing sight of its mighty foundations.

OUTLOOK

Our financial performance in 2023 will enable us to invest in delivering our strategy through people, our foundations and more broadly our core technology systems and data capabilities in the year ahead. These investments are essential for us to compete in the market and build for the future but will impact on the financial performance of our business in 2024.

2023 was a strong year in terms of our financial performance and our strategic progress. However, we reaped the benefits of sustained high interest rates, which have buoyed our financial performance. The economic outlook for the UK remains uncertain and competition will increase in terms of pricing and propositions which will challenge everyone in the industry.

As I indicated at mid-year, we will continue to monitor the impact of movements in base rate on our mortgage book and to take a prudent approach to financial management, while focusing on innovation in our products. We will also continue to support our saver members with attractive savings propositions.

Sue Hayes
Chief Executive Officer
6th March 2024

Approved by the Board on 6th March 2024 and signed on its behalf by:

Andrew Neden
Chair

Sue Hayes
Chief Executive Officer

Anthony Murphy
Chief Financial Officer

	2023 £m	2022 £m
Group results for the year		
Net interest income	80.3	62.8
Other (expense) / income	(11.3)	11.8
Administrative expenses, depreciation and amortisation	(59.0)	(53.5)
Operating profit before impairment and loss on disposal of treasury assets	10.0	21.1
Impairment credit / (charge) - loans and advances to customers	0.1	(2.2)
Loss on disposal of treasury assets	(1.8)	-
Profit for the year before taxation	8.3	18.9
Taxation	-	(3.1)
Profit for the year	8.3	15.8

	2023 £m	2022 £m
Reconciliation of statutory profit to underlying profit		
Statutory profit before taxation	8.3	18.9
Adjusted for:		
(Losses) / gains from derivative financial instruments	14.2	(10.2)
Net strategic investment costs	0.2	5.0
Other	0.5	-
Change in accounting estimates	(0.8)	1.5
Loss on disposal of treasury assets	1.8	-
Underlying profit before taxation	24.2	15.2

	2023 £m	2022 £m
Group financial position at end of year		
Assets		
Liquid assets	801.3	719.3
Derivative financial instruments	105.2	142.6
Loans and advances to customers	3,543.9	2,922.8
Fixed and other assets	24.5	27.8
Total Assets	4,474.9	3,812.5
Liabilities		
Shares	3,565.9	3,009.7
Borrowings	583.1	518.4
Derivative financial instruments	43.9	14.4
Other liabilities	14.5	14.4
Subscribed capital	24.0	24.0
Reserves	243.5	231.6
Total Liabilities & Reserves	4,474.9	3,812.5

	2023 %	2022 %
Summary of key financial ratios		
Gross capital as a percentage of shares & borrowings ²	6.45	7.24
Liquid assets as a percentage of shares & borrowings ³	19.31	20.39
Profit for the year as a percentage of mean total assets ⁴	0.20	0.44
Management expenses as a percentage of mean total assets ⁵	1.42	1.44
Management expenses as a percentage of mean total assets (Society only) ⁵	1.42	1.43

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 REPORT

STATEMENT OF THE AUDITOR'S TO THE MEMBERS AND DEPOSITORS OF THE NOTTINGHAM BUILDING SOCIETY

We have examined the Summary Financial Statement of Nottingham Building Society for the year ended 31st December 2023 which comprises the 'Results for the year', 'Financial position at end of year' and 'Key financial ratios', comprising page 11, and the Directors' emoluments disclosures on pages 16 and 17.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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 31st December 2023.

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 OUR 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 31st December 2023 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
Manchester
6th March 2024

SUMMARY DIRECTORS' REMUNERATION REPORT

For the year ended 31st December 2023

STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE ('RemCo')

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 ended 31st December 2023.

The Nottingham is committed to best practice in its remuneration of Directors. This report explains how the Society 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 2023.

In 2023, the RemCo membership was made up as follows:

Simon Linares	Non-Executive Director and Chair of the RemCo
Kerry Spooner	Senior Independent Director and Chair of the Board Risk Committee ('BRC')
Andrew Neden	Non-Executive Director, Chair of the Board and Chair of the ('NomCo')
Kavita Patel	Non-Executive Director and Chair of Conduct Sub-Committee within BRC

2023 PERFORMANCE AND AWARDS

The Chair's Statement, CEO's Review and Strategic Report on pages 7 to 22 of the Annual Report and Accounts describe 2023 as a period of strong performance despite turbulent economic conditions. The strong results have been aided by the rising interest rate environment which positively impacted the Society's net interest income. The Society continues to be a top ten building society with total assets of £4.5 billion. During the year the Society has revitalised its purpose placing a greater focus on mortgages whilst continuing to provide a safe and secure home for our members to save with us. 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. The Nottingham was pleased to be able to operate an Annual Bonus Plan in 2023. The 2023 Annual Bonus is based on the financial and strategic performance of The Nottingham, as well as the personal performance of each employee.

In 2023, the Committee reviewed and approved payment of the deferred element of the 2019 Bonus Plan.

REMUNERATION COMMITTEE

The primary objective of the RemCo, under delegated authority from the Board, is to make recommendations to the Board on the general Remuneration policy of the Society and specifically on the remuneration of Executive Directors. The Committee also has oversight of the

remuneration of both the Leadership team and Remuneration Code staff, ensuring that remuneration is in line with the Society's business drivers, values and ambitions and adheres to the Remuneration policy. In addition, the Committee is responsible for approving the variable pay and reward principles and compliance with the Remuneration Code and policy statement.

The Committee met four times in 2023 and is made up of a minimum of three Non-Executive Directors, as detailed opposite within the table. The CEO, Chief People Officer ('CPO'), Legal Counsel & Company Secretary attend the meetings by invitation.

The Society adheres to the requirements of the Remuneration Code applicable to a level 3 firm as defined by the Regulator. The Non-Executive Directors do not receive variable remuneration. Information on the Society's other Remuneration Code Staff is set out in the Pillar 3 Disclosures published on our website www.thenottingham.com, along with the Committee terms of reference.

The RemCo's activities in 2023 also included:

- agreeing a new Annual Bonus Plan for 2023;
- reviewing regulatory updates and assessing the impact on the Society;
- review of the Remuneration policy for 2023 and recommending it to the Board for approval;
- reviewing and approving the Remuneration policy statement ensuring its compliance with the Remuneration Code;
- oversight of the activities undertaken by the Executive Committee in relation to reward;
- agreeing the terms for any appointments and leavers for executive level roles, other Material Risk Taker roles; and
- considering the annual pay review for all eligible employees.

RemCo intends to review the construct of the Annual Bonus Plan in 2024.

REMUNERATION POLICY

The Society'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 Society 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 Society's position on risk, rewards are only attributed to the delivery of success and achievement of objectives.

The Society is classified as a level 3 firm and seeks to apply appropriate remuneration best practice for all Remuneration Code staff and other staff.

All pay is benchmarked using externally provided data and the approach to pay reviews is consistently applied to all colleagues across the Society, regardless of position.

SUMMARY DIRECTORS' REMUNERATION REPORT

RECRUITMENT POLICY FOR EXECUTIVE DIRECTORS

The Society'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 Society 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 RemCo.

SERVICE CONTRACTS

All Executive Directors, in line with best practice, have service contracts outlining their duties and terms and conditions of employment.

PAYMENT FOR LOSS OF OFFICE OF EXECUTIVE DIRECTORS

Any compensation in the event of early termination is subject to RemCo 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.

EXECUTIVE DIRECTORS' TOTAL REMUNERATION

Executive Directors' emoluments comprise a basic salary, variable pay, pension entitlement and other taxable benefits as outlined on pages 16 to 17.

The total remuneration received by Executive Directors is detailed on page 16. The information has been audited and shows remuneration for the years ending 31st December 2022 and 31st December 2023 as required under the Building Societies (Accounts and Related Provisions) Regulations 1998.

The remuneration of Executive Directors is considered annually by the RemCo attended by the Society's CEO, who (except in respect of their own remuneration) makes recommendations regarding Executive pay and agreed recommendations are referred to the Board.

The salary of Executive Directors increased by 5% in 2023. This is below the wider Society, with the basic salary increase for colleagues ranging from 6% to 14% depending on grade, with minimum salaries implemented.

CHIEF EXECUTIVE OFFICER PAY RATIO

The CEO pay ratio is presented as follows to promote transparency and encourage good governance. The CEO is the highest paid person within the organisation, and this is compared with the 25th, 50th and 75th percentile employees in the organisation to calculate the CEO pay ratio. This uses a single total figure of remuneration which includes total salary, variable pay, pension and taxable benefits.

The Society has chosen to publish the CEO pay ratio using the recommended and Government preferred approach (Option A). Option A involves calculating the actual full time equivalent remuneration for all relevant employees for the financial year in question.

These values are then listed in order from lowest to highest and the values at the three percentile points identified as disclosed below.

Year	25th percentile	Median	75th percentile
2023	20:1	15:1	8:1
2022	20:1	15:1	9:1

	25th percentile	Median	75th percentile
2023			
Total remuneration	£23,721	£31,919	£57,849
Salary	£21,204	£27,649	£48,429
2022			
Total remuneration	£22,357	£30,186	£48,504
Salary	£19,174	£25,937	£42,272

Employee data includes full time equivalent total remuneration for Society employees as at 31st December.

NON-EXECUTIVE DIRECTORS

The Chair 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 salary review.

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

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

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

REMUNERATION CODE STAFF (MATERIAL RISK TAKERS)

The remuneration of all Remuneration Code staff is overseen directly by the RemCo. Fixed and variable pay decisions (including appointment packages) for Remuneration Code Staff (excluding the Head of Internal Audit where the decision is made by the Chair of the Board Audit Committee and approved by the RemCo), are proposed by the Executive and all decisions are recommended to the RemCo for approval.

The Society's Remuneration Code staff are informed of their status through written communication. This communication includes the implications of their status including the potential for remuneration that does not comply with certain requirements of the Remuneration Code to be rendered void and recoverable by the Society.

Component	Purpose	Operation	Performance measures	Opportunity
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 banks and building societies of a similar size and complexity.	Reviewed annually and linked to personal performance and market sector benchmarking, including Willis Towers Watson benchmark data.	Increases based on: <ul style="list-style-type: none"> overall employee pay increases in the Group; benchmarking comparisons; personal performance; and role and experience. 	The base salaries of Executive Directors are reviewed as for any other employee in accordance with the reward matrix, except in circumstances where: <ul style="list-style-type: none"> market peer benchmarking indicates that remuneration is moving out of line of the appropriate peer group; and / or there has been a material increase in scope or responsibility to the Executive Director's role.
Variable pay Annual Bonus Plan	Linked to the delivery of the Society and personal objectives. Used to reward Executive Directors within the context of achieving the Society's goals and objectives. Payments under the variable pay schemes are not pensionable.	The bonus will only be awarded if the threshold criteria and Society and individual performance targets are met and a payment is triggered in the Annual Bonus Plan. 50% of the bonus is deferred for three years and payment is subject to meeting Society and individual performance threshold criteria in each of the years from award to payment. The Committee has the discretion to reduce or withhold the deferred element if it becomes apparent that the basis on which the variable pay award was made was wrong or that financial performance has deteriorated materially since the award. The deferred payment, prior to the 2022 performance period, is subject to clawback for a period of three years after payment. For performance periods from 2022 onwards, the deferred payment is subject to clawback for a period of 7 years after payment.	The scheme is based upon three elements: <ul style="list-style-type: none"> financial adequacy - achievement of a minimum level of adjusted profit before tax before any bonus is payable. the Annual Bonus Plan measures Society performance against four strategic pillars: <ul style="list-style-type: none"> growing & rewarding membership; responsible society; strategic reinvention; and safe & secure. individual performance including achievement of strategic objectives. 	The maximum award possible is 50% of basic salary, payable with 50% of the award deferred over a three-year period.
Pension or pension allowance	A part of fixed remuneration to attract and retain executives of appropriate calibre and experience.	Executive Directors are invited to join the Society's defined contribution pension plan, or, as an alternative, be provided with an equivalent cash allowance.	Not applicable.	Pension contributions for new Executive Directors appointed post 1 st January 2020 are aligned with the contribution matrix for all employees.
Benefits	A part of fixed remuneration to attract and retain executives of appropriate calibre and experience.	The benefits received by Executive Directors are private medical insurance and a car allowance.	Not applicable.	Set at a level considered appropriate for each Executive Director by the RemCo in line with market practice.

SUMMARY DIRECTORS' REMUNERATION REPORT

ANNUAL REPORT ON REMUNERATION

Executive Director remuneration

Audited Society	2023 Sue Hayes £000	2023 Anthony Murphy £000	2023 Simon Baum £000	2023 Paul Astruc £000	2023 Total £000	2022 David Marlow £000	2022 Sue Hayes £000	2022 Paul Astruc £000	2022 Total £000
Fixed remuneration									
Salary ¹	375	146	173	67	761	55	300	137	492
Benefits	11	15	8	3	37	2	9	5	16
Variable remuneration									
Annual bonus ²	62	46	29	10	147	127	49	20	196
	448	207	210	80	945	184	358	162	704
Pension contribution	-	7	-	-	7	8	-	-	8
Payment in lieu of pension	30	-	19	5	54	-	22	10	32
	478	214	229	85	1,006	192	380	172	744

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

¹ Paul Astruc ceased to be an Executive Director on 6th April 2023, Anthony Murphy became an Executive Director with effect from 23rd June 2023 and Simon Baum became an Executive Director with effect from 1st May 2023 (earnings included above are for the period as an Executive Director, not for the whole year).

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.

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

Executive Directors	Due 2024	Due 2025 ¹	Due 2026 ¹	Due 2027 ¹	Total Deferred
Performance Year	2020	2021	2022	2023	
	£000	£000	£000	£000	£000
Paul Astruc	-	27	40	10	77
Simon Baum	-	-	-	29	29
Sue Hayes	-	-	58	62	120
David Marlow	-	54	15	-	69
Anthony Murphy	-	-	-	46	46
	-	81	113	147	341

¹Deferred bonus included is for the period as an Executive Director, not for the whole year.

Non-Executive Directors	2023 £000	2022 £000
Paul Astruc (transferred from Executive Director on 6 th April 2023)	40	-
Robin Ashton	5	-
Simon Linares	69	58
Simon Baum (transferred to Executive Director on 30 th April 2023)	23	64
Michael Brierley	-	21
Andrew Neden (Chair)	113	98
Peter O'Donnell	69	59
Kavita Patel	59	53
Kerry Spooner	88	70
Total emoluments for services as directors	466	423

Simon Linares

Chair of the Remuneration Committee
6th March 2024

