



The  
Nottingham

## 2021 MEMBERS' NEWSLETTER

Including our summary financial statement  
and notice of AGM





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# YOUR BOARD OF DIRECTORS

AT 31 DECEMBER 2021

## Directors up for election/re-election

### Simon Baum



#### **Age 59 Date of appointment 18.06.18**

Simon joined the Board 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.

*"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."*

### Simon Linares



#### **Age 57 Date of appointment 01.12.19**

Simon joined the Board in 2019. Simon is also an Executive Mentor and Coach and Chairman of the charity Dreams Come True. He brings a wealth of commercial and people and development experience spanning a range of sectors, including FMCG, telecommunications and financial services. His most recent position was Group HR Director at Direct Line, where he led the HR, communications, public affairs and corporate social responsibility strategies. Prior to Direct Line, Simon headed up human resources 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 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."*

## Directors up for election/re-election (continued)

Andrew Neden

Chairman



### Age 59 Date of appointment 17.09.14

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

*"Whilst pressures on our business, on our staff and on our members have stayed at a high level this year, our long-term focus on our members' wider financial needs has not changed. My objective is to lead the Board in our strategic thinking so that we anticipate our members' future needs and to make the range of services offered through The Nottingham more accessible to more members. It has been particularly pleasing to see the investment in our digital channel and the launch of the Beehive Money app. If re-elected, I intend to continue to press forward this strategy, and ensure we continue our focus on the sustainability of the Society and sector."*

Peter O'Donnell



### Age 55 Date of appointment 01.01.21

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, RSA 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. Since 2016, Peter has been a Trustee and Chair of Audit Committee 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'm delighted to have completed my first year on The Nottingham Board. The business has a great history, purpose, and value set. Despite the challenging environment driven by the global pandemic, The Nottingham has continued to look after its customers and support its community. I'm very proud to be involved with such a great business, and if re-elected, will continue to work with the team to continue to build on such success."*

# YOUR BOARD OF DIRECTORS

AT 31 DECEMBER 2021

## Kavita Patel



### Age 45 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.

*"It is a pleasure and a privilege to serve as a director of The Nottingham. The Society's deep roots of mutuality and helping members save for and protect their financial futures remains very much at the forefront of everything we do. But we also remain committed to growing the membership, finding the right partners and embracing technology to be able to deliver services and accessibility to meet the future needs of our members. If re-elected, I look forward to continuing with this strategy and building on what we've already achieved."*

## Kerry Spooner



### Age 60 Date of appointment 01.09.16

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

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

## Departing Directors

### Michael Brierley



#### **Age 63 Date of appointment 13.07.20**

Mike joined the Board in July 2020 and has over 35 years' experience in Chief Financial Officer (CFO) roles within the financial services industry, most recently as CFO of Metro Bank plc where he helped lead the challenger bank from start up to listing from 2009 to 2018. He spent seven years at Capital One Europe based in Nottingham as CFO Europe, CFO UK and Chief Risk Officer Europe. He has also worked as CFO for Royal Trust Bank, Financial Controller at Industrial Bank of Japan, London Branch, CFO of Gentra Limited and Director Business Risk at Barclaycard. He is currently a Non-Executive Director at Admiral Group and chairs Admiral Financial Services Limited. Mike joined the Rose Theatre Trust as a Trustee and Director in September 2021. Mike is a Fellow of the Institute of Chartered Accountants in England and Wales. Mike is stepping down from the Board in 2022 and is not seeking re-election.

### David Marlow\*

### Chief Executive



#### **Age 56 Date of appointment 16.01.06**

David joined the Board in 2006 and became Chief Executive in 2011. 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 stepping down from his role and as a Director in 2022 and is not seeking re-election.

\*Executive Director

# YOUR BOARD OF DIRECTORS

AT 31 DECEMBER 2021



## Incoming Directors

Susan Hayes\*



### Age 54 Date of appointment To be confirmed

Sue has a Masters in Business Studies, diploma in marketing, diploma in management and both mortgage and financial planning qualifications. She specialised in customer value and pricing and has over 25 years of experience in the financial services sector. Sue is known for her ability to build fantastic teams and to deliver great propositions and experiences for customers. She has led product and analytics in two of the top four banks and also the second largest business bank during the financial crisis.

*"I wanted to join the Nottingham and the mutual sector as the purpose resonates entirely with my personal values and how I believe I can help. The Nottingham is already known for its forward-thinking approach. This attracted me specifically as the sector needs transformation, whilst keeping the best of what people like Samuel Fox established The Nottingham for, to help communities to save and to be able to own their own home! I am passionate about building great teams, focusing entirely on what members need for today and the future and creating real community and member value. The last five year strategy closes in 2022 and therefore this is timely to start the next five to ten year strategy process which aligns with the passing the baton of the Chief Executives. Covid-19 and so many technological, regulatory and data changes continue to change the landscape in which we operate. If elected, I will be focusing on a full strategic review designed to build on the best of The Nottingham and transforming what we need, in order to be a successful mutual for the next 170 years!"*

\*Executive Director

# NOTICE OF ANNUAL GENERAL MEETING 2022



**The annual general meeting of Nottingham Building Society will be held at Nottingham House, 3 Fulforth Street, Nottingham, NG1 3DL on Monday 25 April, 2022 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 2021.
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 Susan Elizabeth Hayes
  - b. to re-elect Andrew Frederick John Neden
  - c. to re-elect Simon Graydon Baum
  - d. to re-elect Simon Linares
  - e. to re-elect Peter O'Donnell
  - f. to re-elect Kavita Patel
  - g. to re-elect Kerry Madeline Spooner

as directors of the Society.

By order of the Board

**R Ewin,**  
**Senior Legal Counsel & Company Secretary**  
3 March 2022

## **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 2022

## 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 5pm on 21 April 2022. This is the voting date.

## 5. Voting qualifications

You can vote if you:

- a) are at least 18 years old on 25 April 2022; and
- b) (i) held shares to the value of not less than £100 in the Society on 31 December 2021 and have continued to hold shares at all times between 31 December 2021 and the voting date; or  
(ii) owed the Society not less than £100 in respect of a mortgage debt on 31 December 2021 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

As Covid-19 continues to affect us all, we have taken the decision in the interests of the safety of our members, 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 15 April.

## 8. 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

Against the backdrop of the challenges from the ongoing pandemic, the Society has continued its progress in the delivery of its unique member proposition and its journey into the digital world of financial services; whilst demonstrating its mutual ethos to members, colleagues and its communities.

Below are some of the key achievements and financial highlights of 2021:

GROUP PRE-TAX  
PROFIT OF **£15.1m;**  
**£7.4m** ON UNDERLYING  
BASIS

NET INTEREST  
MARGIN OF **1.24%**  
UP **17** BASIS  
POINTS FROM **1.07%**

PRESENT IN **48** LOCATIONS ACROSS **NINE** COUNTIES  
WITH A STRONG RETAIL FRANCHISE  
– TOTAL BRANCH BALANCES OF **£2.5 BILLION**

## STRONG CAPITAL POSITION

WITH CET I  
RATIO AT **16.5%** AND LEVERAGE  
RATIO OF **5.6%**

NET PROMOTER  
SCORE OF **71%** AND  
EMPLOYEE ENGAGEMENT  
SCORE OF **80%**

NEW BEEHIVE MONEY  
APP LAUNCHED  
LOOKING AFTER MORE  
THAN **55,000**  
LIFETIME ISA CUSTOMERS

GROSS MORTGAGE  
LENDING UP **13%** AT OVER **£550 MILLION**  
FOR 2021; RESULTING  
IN TOTAL ASSETS OF **£3.6 BILLION**

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

# SUMMARY FINANCIAL STATEMENT

## We are pleased to present our summary financial statement for the year ended 31 December 2021

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](http://www.thenottingham.com) from 24 March 2022.

### Summary directors' report – Introduction

Living through the pandemic over the past two years has been an unprecedented experience and 2021 has challenged us all, as the pandemic has dominated our lives for another 12 months. On the one hand, the fact that many of us have been vaccinated has allowed some normality to return and in July we saw a major easing of the national lockdown. However, we have also seen new variants emerge, resulting in waves of new cases and intermittent lockdowns causing continued restrictions in our normal lives. A prevailing sense of caution has led to changes in behaviour and the knock-on impacts of these have led to uneven and unexpected challenges for parts of the UK economy, for individuals and society at large. As a Society, we have also needed to continuously adapt to this uncertain environment and I would like to start my report by thanking all of our colleagues for their exceptional dedication and effort over this year, and throughout the ongoing pandemic, in meeting our members' needs whilst facing into their own professional and personal challenges.

This has been a real team effort and as an essential service provider, we should be proud that we have kept our network of branches open whenever possible. I would like to thank our frontline colleagues who have continued to maintain member services throughout the periods of lockdown and restrictions.

Fundamentally our three priorities have remained and will remain the same:

- Ensuring the wellbeing of colleagues;
- Protecting and serving our members; and
- Supporting our communities.

You can see throughout our summary financial statement how we've performed against those priorities, and also how we plan to continue to ensure that we can do this sustainably for the long-term. Deploying capital judiciously to serve members' interests and ensure that The Nottingham remains relevant to existing and future members remains a guiding principle of the Board, as we invest in our services and reinvent the Society for a more digital future.

### A year of continued low interest rates with emerging inflationary pressure

In economic terms, we have an unsustainable mixture of low interest rates and rising inflation. Continued government responses to the pandemic have created strong liquidity during 2021, but the medium-term implications of withdrawing these support mechanisms in an inflationary environment remain uncertain. The Board continues to monitor market and macroeconomic developments closely. In December, the Monetary Policy Committee (MPC) surprised the market with its first rate rise and a further rise followed in February. All signs indicate increasing interest rates in 2022, although the exact timing and quantum of any further increases continue to be unclear. Negative interest rates are now much less likely in the short to medium-term than when we entered 2021, however inflationary pressures mean that real interest rates could remain negative for some time.



A very competitive business environment with low base rates and high levels of liquidity available to those focused on the mortgage lending market (including the ring-fenced retail banks who benefit from both low cost of funds on their current accounts and greater market share and scale) has meant historically low interest rates have been available to borrowers throughout the year. Combined with the limited supply of housing stock for sale, and the impact of temporary stamp duty reductions, this has led to buoyant market conditions and continuing rising house prices.

The rates available in the mortgage market have a knock-on impact on what we can afford to pay savers. We have sought to pay what we can while maintaining a prudent margin so that we can continue to invest in the long-term sustainability of the Society.

### The ongoing pandemic

Despite entering 2021 in national lockdown, I doubt many of us would have predicted that we would end the year under the same threat, due to the Omicron variant. We have become accustomed to living with varying degrees of restrictions and controls, whilst maintaining the priorities of keeping our team members safe and continuing to serve our members.

Through the amazing commitment of our team members and the enduring support and understanding of our members, we have managed this well and I am enormously proud of that achievement.

We have not been immune from the challenges and sadness that the virus has brought but we have responded strongly, focusing on ensuring that we continue to serve our members, helping them to save, plan and importantly protect their futures. Whatever the next phase of the pandemic brings in 2022, we will continue to face it with the same stoicism and purpose that we have done for the past 21 months.

### Reinventing the Society

The rapidly changing world, exacerbated by the pandemic, has required us to reinvent the Society for that newly emerging world. In 2021, we continued our efforts to ensure that we have a proposition that is relevant to a broader community, delivered in the manner which members expect.

In the early part of the year, we completed a number of previously announced branch closures. These were conducted in a professional and sympathetic manner. You may recall that the closures focused on our significant concentration of branches in and around greater Nottingham. Despite closures always being regrettable, I am pleased to confirm that as we end 2021, the vast majority of members have chosen to stay with us. We are very grateful for their understanding and loyalty.

A significant focus for 2021 was to relaunch our Beehive Money digital platform as an app-led savings capability for younger savers looking to take advantage of the government tax-free and Lifetime ISA (LISA) savings regime. Our vision is to offer a market leading savings app that helps younger savers achieve their goals through saving and enabling access to first class independent advice on matters that are important to them.

We were delighted to launch our app to existing members in September and to the whole market at the end of November. This is a first for a UK Building Society offering a 'FinTech' standard savings capability, with access to independent mortgage advice; essential as around 80% of Beehive members are saving with us to buy their first home. I am delighted to say that at the end of 2021, we have over 55,000 members saving with us in Beehive Money. We are excited at the new opportunities for growth and innovation that Beehive Money brings us, along with a completely new cohort of younger savings members. In 2019 26% of savings members were under 40 years of age. That is now 39% and growing.

# SUMMARY FINANCIAL STATEMENT

As we developed the Beehive Money platform and saw the significant rise in members, especially those saving with us to buy their first home, it prompted us to look at our capacity and capability to deliver digital-led independent mortgage advice at scale in the years ahead. Following a review of our group in-house capability, we launched a formal process to find a strong digital-led partner for our mortgage advice offering.

Following a competitive bid process, we were delighted to announce a new partnership with Mortgage Advice Bureau (MAB) and Belvoir. Combining MAB's market leading mortgage network and digital capability with Belvoir's national high street based advisors, we agreed to sell our own mortgage broking business (Nottingham Mortgage Services) to Belvoir and have entered a long-term distribution agreement with MAB/Belvoir for the provision of independent mortgage advice. Many of our members continue to be served by their existing advisor whilst also giving us access to digital capability and significant advisor capacity to serve the growing number of Beehive members. Beehive members can access the advice they need to find the right mortgage for their first home direct through the Beehive Money app – a modern approach for today's first-time home buyer.

In the face of intense mortgage competition, we have continued to enhance and widen our mortgage offering. A series of improvements have been introduced, with several developments also in progress that include rewarding brokers for retaining Society mortgage customers, enhancements to make our Limited Company buy-to-let offering even more relevant to customers, as well as plans to enter the growing holiday let market. These enhancements are viewed as initial attempts to broaden our appeal as a lender with more to come in 2022 and beyond.

## A sustainable performance

Another priority in 2021 was to return to a strong level of financial performance that ensured we could continue to invest in and grow the Society in line with our long-term plans. Despite some significant headwinds, we have been very successful in meeting this objective.

In the face of intense competition and sub 1% mortgage pricing, we have managed the growth versus margin dynamic well. Overall, we increased our new mortgage applications by 22% over 2020 but by being selective in the areas we were active, and not being lulled into lending at rates we would not have been comfortable with, we increased our interest margin by 17bps to 1.24%. This has supported an increase in our net interest income of 13% to £45.9m. Overall, our underlying income in the year for the total Group, excluding gains from derivatives has risen 11% to £49m.

Despite the significant ongoing investment in the Society, we have continued to manage our costs well and have also benefited from the unwinding of some headwinds we experienced in 2020. Our strong focus on good credit quality was rewarded with the robust performance of our lending book, enabling us to release £1.4m of the impairment charge we made on a prudent basis last year. We have also benefited from the shift in market expectations of interest rates, which have moved from being potentially negative at the beginning of 2021 to an upward track, reflected in the Bank of England's MPC decision to increase rates in December and February to 0.5%.

Overall, this has delivered a total Group profit before tax of £15.1m and a profit after tax of £12.6m. A profit after tax ratio of 0.34% has returned us to a level that enables capital accretive growth and is a strong response to the deficit we ended up with last year.

## Quality and strength

The Society continues to enjoy high levels of financial strength and deliver high-quality outcomes to members. The strong performance we have delivered in 2021 only strengthens that position. We have replenished our capital levels, which were already significantly in excess of our regulatory requirements.

Our liquidity position remains robust with our liquidity coverage ratio standing at 216% supported by continued growth in our branch savings balances, despite the smaller number of branches and very positive growth in our digital balances which have increased by 47% during the year to £343m.

The release in impairment charge of £1.4m reflects the continued high quality of our lending book which, despite the continued uncertainty sees only 47 accounts three or more months in arrears at the end of the year.

Other measures of quality remain strong with our Net Promotor Score of 71 continuing to significantly exceed the financial services benchmark; our complaints ratio of 188 per 100,000 customers also remains at very low levels despite the challenging operating environment; and our employee engagement score of 80% is well ahead of the financial services benchmark and evidences the response we have had from team members to all we have tried to do to support them through these testing times.

## Board activity

The Board's primary role is to ensure that the Society protects the long-term interests of current and future members, which has been more complex and challenging over the past two years as a result of the pandemic. Operationally, the Board has had to adapt the way it conducts its business with many more virtual meetings being required due to Covid-19 restrictions. The Board has been closely involved during the year in overseeing the effective deployment and investment of capital in the ongoing reinvention of the Society.

## Board development

We were delighted to welcome Peter O'Donnell to the Board in January 2021. Peter stood down during the year as chief executive of Unum's UK business. His career in financial sector businesses includes senior finance roles at Prudential, RSA and Aviva.

We are very grateful to Michael Brierley for his stewardship of the Audit Committee over the past two years. He is not standing for re-election as a director and will step down from the Board at the end of the AGM to focus on increasing responsibilities in his other roles and family commitments.

As we announced in July, David Marlow is stepping down as Chief Executive during 2022. He took over in the aftermath of the financial crisis in 2011. The Society has grown both its capital base from £148m to £219m and its mortgage portfolio from £1.9 billion to £3.0 billion over that period and has done so in a measured and safe and secure way. Over that period we have made significant investments, both visible and invisible, in systems, processes and people. David is rightly proud of the readiness of the Society to face up to the continuing changes and the digital future.

# SUMMARY FINANCIAL STATEMENT

I am delighted that Sue Hayes is joining the Society as the new Chief Executive. She joins us from GB Bank after a career in retail financial services including time at Aldermore Bank as well as senior roles at HBOS, Santander and Barclays Bank. Her extensive knowledge of retail financial services will be critical in the next phase of our reinvention strategy.

She finds a Society ready for the future and ready to adapt to the many and accelerating changes we will face in the decade to come. We have anticipated and will continue to expect changes to customer expectations with increased digital adoption and reduced cash usage, changes to regulation with adoption of a strong and simple post-Brexit regime, yet continuing market and competitor pressures.

## A responsible society

With the seismic global changes comes a stronger focus on being a responsible organisation which embraces our responsibilities to our employees and members, as well as the communities and the environment in which we operate. As a mutual organisation we feel that responsibility even more keenly.

Throughout 2021 we have worked tirelessly to live up to this expectation. In our annual report you will find progress reports and commitments that we are making to our stakeholders, communities and to the environment.

Highlights include over £200,000 of donations made to worthy causes in our communities, over 1,000 hours of colleagues' time volunteered to make a difference and the launch of our Career Academy, in association with national partner Ever-Fi, to provide an employability programme for young people.

Towards the end of the year, we were delighted to launch the Samuel Fox Foundation, named after our founding Chairman and philanthropist. The foundation will focus on building skills and employability in our communities, with a particular focus on enabling young people to fulfil their potential and inspire their futures. We have already made several significant donations from the foundation. We are looking forward to the foundation playing a strong role in encouraging our communities to thrive in the years ahead.

COP26 brought the climate crisis into sharp focus during the year. This reaffirmed that the work we were carrying out to better understand our carbon footprint and then to reduce it, was essential. For the first time this year, our sustainability report outlines our approach to becoming a Net Carbon Zero organisation and includes several commitments, not least to reduce our scope 1 and 2 emissions by at least 10% by the end of 2022. We will continue to work on our plans over the next year or two to fulfil our obligations towards ensuring our climate can sustain the planet as it was intended.

## Outlook

Despite continued uncertainty, we enter 2022 financially strong and confident that the changes we are making to reinvent the Society are the right ones ensuring that we have a relevant and vibrant future. We can therefore move forward with a strong sense of confidence.

Areas of focus, other than continuing to protect our colleagues and to serve members through the pandemic, will be to continue to fashion our new approach to mortgage lending to reflect the changing landscape and to ensure we can continue to increase levels of lending at a yield we are comfortable with.



Having successfully relaunched Beehive Money, there is much to achieve to build on our strong start and develop the proposition further so that an increasing number of younger savers see Beehive Money as their primary source of support and advice to help them save, plan for, and protect their futures.

We will also ensure that our branch network continues to meet the needs of our traditional passbook-based savers; helping them to save, plan and protect their future. It will be important therefore that we continue to work effectively with our network of partners who enable us to deliver our unique proposition to members.

### **Thank yous**

During 2021, we have had to further adapt our business model and ways of working at short notice in response to evolving restrictions and our continuous assessment of risk. On behalf of the Board, I want to pay tribute again to the teams who have ensured that you, our members and customers, have been able to access the services you needed from us, whether colleagues have been working in the branches, in the office or from home.

I want to thank the Board for their support in addressing all the changes we have made in the development of, and execution of, our strategy.

I want to thank David for his steady, thoughtful and incisive leadership of the Executive team and the Society over the past 10 years.

Finally, I want to thank you, our members and customers, for the support you have shown us as we have worked through the restrictions and made tangible progress forward in our strategy of reinventing the Society.

**Andrew Neden**  
Chairman

3 March 2022

# SUMMARY FINANCIAL STATEMENT



## Group results for the year

|  | 2021<br>£m  | 2020<br>£m   |
|--|-------------|--------------|
| Net interest receivable  | 45.9        | 40.6         |
| Other income and charges   | 11.0        | 1.2          |
| Administrative expenses  | (44.1)      | (47.4)       |
| <b>Operating profit/(loss) before impairment, profit on disposal of property, plant &amp; equipment &amp; subsidiary undertaking</b> | <b>12.8</b> | <b>(5.6)</b> |
| Impairment release/(charge) – loans & advances   | 1.4         | (2.9)        |
| Profit on disposal of subsidiary undertaking   | 0.5         | -            |
| Profit on disposal of property, plant & equipment  | 0.4         | 0.1          |
| <b>Profit/(loss) for the year before taxation</b>  | <b>15.1</b> | <b>(8.4)</b> |
| Taxation   | (2.5)       | 1.2          |
| <b>PROFIT/(LOSS) FOR THE YEAR</b>  | <b>12.6</b> | <b>(7.2)</b> |

## Reconciliation of statutory profit/(loss) to underlying profit

|  | 2021<br>£m  | 2020<br>£m   |
|--|-------------|--------------|
| <b>Statutory profit/(loss) before taxation</b>       | <b>15.1</b> | <b>(8.4)</b> |
| Adjusted for:  |             |              |
| (Gains)/losses from derivative financial instruments | (7.9)       | 2.7          |
| Net strategic investment costs                       | 0.2         | 4.5          |
| Change in accounting estimate                        | -           | 1.6          |
| <b>UNDERLYING PROFIT BEFORE TAXATION</b>             | <b>7.4</b>  | <b>0.4</b>   |

## Group financial position at end of year

|   | 2021<br>£m     | 2020<br>£m     |
|---|----------------|----------------|
| <b>ASSETS</b>                           |                |                |
| Liquid assets                           | 562.5          | 592.2          |
| Loans and advances to customers         | 3,010.9        | 3,128.0        |
| Derivative financial instruments        | 26.1           | 0.8            |
| Fixed and other assets                  | 35.3           | 37.4           |
| <b>TOTAL ASSETS</b>                     | <b>3,634.8</b> | <b>3,758.4</b> |
| <b>LIABILITIES</b>                      |                |                |
| Shares                                  | 2,874.6        | 2,794.2        |
| Borrowings                              | 496.1          | 685.2          |
| Derivative financial instruments        | 6.5            | 32.5           |
| Other liabilities                       | 14.5           | 16.0           |
| Subscribed capital                      | 24.0           | 24.2           |
| Reserves                                | 219.1          | 206.3          |
| <b>TOTAL LIABILITIES &amp; RESERVES</b> | <b>3,634.8</b> | <b>3,758.4</b> |

## Summary of key financial ratios

|   | 2021<br>% | 2020<br>% |
|---|-----------|-----------|
| Gross capital as a percentage of shares & borrowings <sup>(Note 2)</sup>                    | 7.21      | 6.62      |
| Liquid assets as a percentage of shares & borrowings <sup>(Note 3)</sup>                    | 16.69     | 17.02     |
| Profit/(loss) for the year as a percentage of mean total assets <sup>(Note 4)</sup>         | 0.34      | (0.19)    |
| Management expenses as a percentage of mean total assets <sup>(Note 5)</sup>                | 1.19      | 1.25      |
| Management expenses as a percentage of mean total assets (Society only) <sup>(Note 5)</sup> | 1.17      | 1.15      |

## Approved by the Board on 3 March 2022 and signed on its behalf by:

**Andrew Neden**  
Chairman

**David Marlow**  
Chief Executive

**Michael Brierley**  
Chair of Audit Committee

### NOTES

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

# INDEPENDENT AUDITOR'S STATEMENT

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

We have examined the Summary Financial Statement of Nottingham Building Society for the year ended 31 December 2021 which comprises the 'Results for the year', 'Financial position at end of year' and 'Key financial ratios', comprising pages 15 and 16, and the directors' emoluments disclosures on pages 21 to 22.

## 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 2021.

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 31 December 2021 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

3 March 2022

# SUMMARY DIRECTORS' REMUNERATION REPORT

For the year ended 31 December 2021

## 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 2021.

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 2021.

In 2021, the Remuneration Committee membership was made up as follows:

|                      |   |
|----------------------|---|
| <b>Kerry Spooner</b> | Non-Executive Director and Chair of the Committee |
| <b>Simon Linares</b> | Non-Executive Director                            |
| <b>Andrew Neden</b>  | Non-Executive Director and Chairman of the Board  |
| <b>Kavita Patel</b>  | Non-Executive Director                            |

## 2021 performance and awards

The summary financial statement on pages 9 to 16 describes 2021 as a period of good performance during a continued period of economic uncertainty. The Nottingham is a top ten building society with total assets of £3.6 billion. The year has seen a positive trading performance with regard to mortgage lending and fee income and the Society has further progressed its strategic initiatives with the launch of its Beehive Money app and new partnership relationships. 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 2021. The deferred element of the 2017 Bonus Plan, was not paid out in 2021 as originally due, but given the 2021 performance, the Remuneration Committee has now reviewed and approved these deferrals for payment during 2022.

## 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

# SUMMARY DIRECTORS' REMUNERATION REPORT

- Remuneration is structured to strike the right balance between fixed and variable pay. Variable pay schemes are designed to incentivise and reward appropriate behaviour and performance, aligned with The Nottingham's position on risk; rewards are only attributed to the delivery of success and achievement of objectives.

## Recruitment policy for Executive Directors

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

## Service contracts

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

## Payment for loss of office of Executive Directors

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

## Other directorships

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

## Executive Directors' total remuneration

The total remuneration received by Executive Directors is detailed on pages 21 and 22. The information has been audited and shows remuneration for the years ending 31 December 2020 and 31 December 2021 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.

The salary of Executive Directors increased by 1% in 2021. This is in line with the wider Society, with the basic salary increase for colleagues ranging from 1% to 2.5%, with an average of 1.36%.

## Chief Executive Officer (CEO) pay ratio

The CEO pay ratio is presented as follows to promote transparency and encourage good governance. The Chief Executive is the highest paid person within the organisation, and this is compared with the average employee 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 |
|------|-----------------|--------|-----------------|
| 2021 | 23:1            | 17:1   | 10:1            |

| 2021               | 25th percentile | Median  | 75th percentile |
|--------------------|-----------------|---------|-----------------|
| Total remuneration | £19,545         | £25,409 | £43,517         |
| Salary             | £17,635         | £22,378 | £37,757         |

Employee data includes full time equivalent total remuneration for Society employees as at 31 December 2021.

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.

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 base salary. Pension contributions for new Executive Directors appointed post 1 January 2020 will be aligned with the contribution matrix for all employees.
- **Variable pay – Annual Bonus Plan.** Schemes are linked to the delivery of Society and personal objectives. 50% (60% for 2018 financial year and earlier) of the 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.

### 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.

# SUMMARY DIRECTORS' REMUNERATION REPORT

## Annual report on remuneration

### Executive Director remuneration

| Audited Society              | 2021<br>David<br>Marlow<br>£000 | 2021<br>Daniel<br>Mundy<br>£000 | 2021<br>Charles<br>Roe<br>£000 | 2021<br>Total<br>£000 |
|------------------------------|---------------------------------|---------------------------------|--------------------------------|-----------------------|
| <b>Fixed remuneration</b>    |                                 |                                 |                                |                       |
| Salary <sup>1</sup>          | 327                             | -                               | -                              | <b>327</b>            |
| Benefits                     | 10                              | -                               | -                              | <b>10</b>             |
| <b>Variable remuneration</b> |                                 |                                 |                                |                       |
| Annual bonus <sup>2</sup>    | 54                              | -                               | -                              | <b>54</b>             |
|                              | 391                             | -                               | -                              | <b>391</b>            |
| Pension contribution         | 49                              | -                               | -                              | <b>49</b>             |
|                              | <b>440</b>                      | <b>-</b>                        | <b>-</b>                       | <b>440</b>            |

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

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

<sup>1</sup> Daniel Mundy and Charles Roe ceased to be Executive Directors with effect from 31 December 2020 and 31 March 2020 respectively.

<sup>2</sup> 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.

## Annual report on remuneration (continued)

### Executive Director remuneration (continued)

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

| Executive Directors | Performance Year | Due 2021 <sup>1</sup><br>2017<br>£000 | Due 2022<br>2018<br>£000 | Due 2023<br>2019<br>£000 | Due 2025<br>2021<br>£000 | Total<br>Deferred<br>£000 |
|---------------------|------------------|---------------------------------------|--------------------------|--------------------------|--------------------------|---------------------------|
| David Marlow        |                  | 64                                    | 56                       | 37                       | 54                       | 211                       |
|                     |                  | <b>64</b>                             | <b>56</b>                | <b>37</b>                | <b>54</b>                | <b>211</b>                |

<sup>1</sup>Deferred payments for the 2017 performance year, which were due to be paid in March 2021 have been reviewed and approved for payment during 2022 by the Remuneration Committee.

Simon Taylor (who left the Society on 30 November 2018), received an outstanding deferred bonus of £47,000 in 2021. There are no further payments outstanding.

Daniel Mundy (who ceased to be an Executive Director on 31 December 2020), has three deferred payments remaining outstanding. £32,000 related to 2017 performance year, originally due in 2021; £42,000 for 2018 due in 2022; and £30,000 for 2019 due in 2023. These are subject to the achievement of the threshold criteria and Remuneration Committee approval.

### Non-Executive Director remuneration

| Audited Society                                   |                             | 2021<br>£000 | 2020<br>£000 |
|---|-----------------------------|--------------|--------------|
| Simon Baum  |                             | 60           | 59           |
| Michael Brierley                                  | (appointed 13 July 2020)    | 60           | 35           |
| John Edwards (Chairman until retirement)          | (retired 23 September 2020) | -            | 59           |
| Simon Linares                                     |                             | 45           | 45           |
| Andrew Neden                                      |                             | 90           | 73           |
| Peter O'Donnell                                   | (appointed 1 January 2021)  | 45           | -            |
| Kavita Patel                                      |                             | 45           | 45           |
| Kerry Spooner                                     |                             | 55           | 54           |
| <b>Total emoluments for services as directors</b> |                             | <b>400</b>   | <b>370</b>   |

On behalf of the Board,

#### Kerry Spooner

Chair of the Remuneration Committee

3 March 2022







# The Nottingham

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