Pillar 3 Report

31st December 2024

Nottingham Building Society

Contents

1. Summary

Overview

The disclosures in this document meet Nottingham Building Society's ('NBS' or 'the Society') obligations under Pillar 3 at 31st December 2024 and are presented in accordance with the Disclosure Capital Requirement Regulation ('CRR') Part of the Prudential Regulatory Authority ('PRA') Rulebook.

Summary of Key Metrics

The following table provides a summary of NBS's key metrics based on the transitional Capital Requirements Directive ('CRD') rules basis. Due to the immaterial difference between versions, the final rules basis has not been disclosed.

Template UK KM1: Key Metrics

		31st December 2024	30th June 2024	31st December 2023
	Available own funds (amounts)	**CRD Transitional**	**CRD Transitional**	**CRD Transitional**
1	Common equity tier 1(CET1) capital (£'m)	244.6	238.0	238.0
2	Tier 1 capital (£'m)	244.6	238.0	238.0
3	Total capital (£'m)	268.5	261.9	261.9
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount (£'m)	1,790.4	1,693.9	1,565.3
	Capital ratios *(as a percentage of risk-weighted exposure amount)*			
5	Common equity tier 1 ratio (%)	13.7	14.0	15.2
6	Tier 1 ratio (%)	13.7	14.0	15.2
7	Total capital ratio (%)	15.0	15.5	16.7
	Additional own funds requirements based on SREP *(as a percentage of risk-weighted exposure)*			
UK 7a	Additional CET1 SREP requirements (%)[1]	0.4	0.5	0.5
UK 7b	Additional AT1 SREP requirements (%)	-	-	-
UK 7c	Additional T2 SREP requirements (%)	-	-	-
UK 7d	Total SREP own funds requirements (%)	8.4	8.5	8.5
	Combined buffer requirements *(as a percentage of risk-weighted exposure amount)*			
8	Capital conservation buffer (%)	2.5	2.5	2.5
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a member state (%)	-	-	-
9	Institution specific countercyclical capital buffer (%)	2.0	2.0	2.0
UK9a	Systemic risk buffer (%)	-	-	
10	Global systemically important Institution buffer (%)	-	-	-
UK 10a	Other systemically important Institution buffer (%)	-	-	-
11	Combined buffer requirement (%)	4.5	4.5	4.5
UK 11a	Overall capital requirements (%)	12.9	13.0	13.0
12	CET1 available after meeting the total SREP own funds requirements (%)	5.3	5.5	6.7
	Leverage ratio			
13	Total exposure measure excluding claims on central banks (£'m)	4,983.9	4,448.6	4,120.9
14	Leverage ratio excluding claims on central banks (%)	4.9	5.3	5.8
	Liquidity coverage ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average) (£'m)	780.4	707.5	637.6
UK16a	Cash outflows - total weighted value (£'m)	485.0	446.9	411.3
UK16b	Cash inflows - total weighted value (£'m)	30.3	29.3	24.1
16	Total net cash outflows (adjusted value) (£'m)	454.7	417.6	387.2
17	Liquidity coverage ratio (%)	172.1	169.3	164.8

1 0.4% is equal to an £8m Fixed Pillar 2A add-on - This has been applied to CET1 Supervisory Review and Evaluation Process ('SREP') requirements.

Net Stable Funding Ratio does not apply to NBS as it is a Small Domestic Deposit Taker ('SDDT') which meets the retail deposit ratio condition set out in Chapter 5 of the Liquidity ('CRR') Part of the PRA Rulebook.

1. Summary (continued)

Overview of Movements

Own Funds

Total Capital increased by £6.6m in 2024 which is primarily a result of the Profit After Tax generated by the Society of £9.2m offset by an increase in intangible assets of £2.8m which are deducted from Capital. Further information can be found within the FY 2024 Annual Report and Accounts in relation to the underlying performance of the Society.

Risk Weighted Exposure Amounts

The risk-weighted exposure amount has increased by £225.1m (14.4%) during 2024 which is primarily due to the growth in the mortgage lending portfolio.

Capital Ratios

The Total Capital Ratio has decreased to 15.0% at 31st December 2024 (2023: 16.7%) which is primarily attributable to the growth in the mortgage lending portfolio noted above.

Buffer Requirements

The Combined Buffer requirement of 4.5% is unchanged from the position at 31st December 2023. The Countercyclical Buffer ('CCyB') rate is 2.0% and the Capital Conservation Buffer ('CCB') is 2.5%.

Leverage Ratio

Leverage Ratio measure excluding claims on Central Banks has fallen to 4.9% at 31st December 2024 (2023: 5.8%), driven by growth in the Society's mortgage lending portfolio. The Leverage Ratio has been calculated in accordance with the revised Leverage Ratio Framework, which came into effect on 1st January 2022.

Liquidity Coverage Ratio

The average Liquidity Coverage Ratio ('LCR') in 2024 has increased to 172.1% at 31st December 2024 (2023 average: 164.8%), due to a higher level of High Quality Liquid Assets ('HQLA') held over 2024.

IFRS 9 Transitional Arrangement

The classification, measurement, and impairment requirements of IFRS 9 'Financial Instruments' were adopted by the Society from 1st January 2018. The hedge accounting requirements of IFRS 9 has not been adopted for macro fair value hedge accounting, with the Society continuing to apply the requirements of IAS 39 to derivative financial instruments. The Society adopted IFRS 9 for the accounting of micro fair value hedge accounting of treasury assets in 2024, which was implemented after the Society's transition to IFRS 9.

The Society has recognised IFRS 9 transitional relief adjustments since 2020 to Expected Credit Loss ('ECL') provisions following the guidance issued during the Covid-19 pandemic period. As the IFRS 9 relief scheme finished in 2024, the Society will no longer recognise any Capital relief in future reporting periods.

As per the guidance in European Banking Authority's ('EBA') Article 473a, regarding transitional relief arrangements for the implementation of IFRS 9 ((EU) No 2020/873 (CRR Quick fix)), the following table discloses the Capital, Capital Ratios and the Leverage Ratio that NBS would have if it did not apply this Article.

Template IFRS 9 FL - Comparison of Institutions' Own Funds and Capital and Leverage Ratios with and without the Application of Transitional Arrangements for IFRS 9 or Analogous ECLs

	2024	2023
Available Capital (£'m)	**£'m**	**£'m**
Common Equity Tier 1 ('CET1') capital	244.6	238.0
CET1 capital as if IFRS 9 transitional arrangements had not been applied	243.9	236.5
Tier 1 capital	244.6	238.0
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	243.9	236.5
Total capital	268.5	261.9
Total capital as if IFRS 9 transitional arrangements had not been applied	267.8	260.4
Risk-Weighted Assets (£'m)		
Total risk-weighted assets	1,790.4	1,565.3
Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	1,789.7	1,565.3
Capital Ratios (%)		
Common Equity Tier 1 ratio	13.7%	15.2%
Common Equity Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	13.6%	15.1%
Tier 1 ratio	13.7%	15.2%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	13.6%	15.1%
Total capital ratio	15.0%	16.7%
Total capital ratio as if IFRS 9 transitional arrangements had not been applied	14.9%	16.6%
Leverage Ratio		
Leverage ratio total exposure measure (£'m)	4,983.9	4,120.9
Leverage ratio exposure measure as if IFRS 9 transitional arrangements had not been applied (£'m)	4,983.2	4,119.4
Leverage ratio (%)	4.9%	5.8%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	4.9%	5.7%

2. Disclosure Requirements

Legislative Framework

The CRR sets out Capital requirements and asks institutions to disclose risk management policies, procedures and performance, including the main risks faced by the Society.

The CRD incorporates three main pillars, being:

- **Pillar 1**: minimum regulatory Capital that firms are required to meet in relation to credit, market and operational risks;
- **Pillar 2**: requires firms to consider additional Capital against risks not covered in Pillar 1 through the assessment of Capital requirements through the Internal Capital Adequacy Process ('ICAAP') and the PRA's SREP. Pillar 2 Capital requirements include Capital buffers that can be utilised to absorb losses in the event of stressed conditions; and
- **Pillar 3**: requires firms to publicly disclose key information on their Capital, risk exposure, risk assessment processes and remuneration arrangements.

Basis and Frequency of Disclosures

This document presents the Society's 2024 Pillar 3 disclosures as at 31st December 2024 as laid out in the Disclosure (CRR) Part of the PRA Rulebook. NBS is authorised by the PRA (firm registration number 200785) and regulated by both the PRA and Financial Conduct Authority ('FCA').

Prior to presentation and attestation of NBS's 2024 Pillar 3 document the Society elected to become a Small Domestic Deposit Takers ('SDDT') entity. Following modification by consent the Society is eligible to benefit from the simplifications introduced under *CP4/23 - The Strong and Simple Framework: Liquidity and Disclosure requirements for Simpler-regime Firms,* with regards to Liquidity reporting and disclosures.

The Disclosure (CRR) Part of the PRA Rulebook on non-material, proprietary or confidential information permits institutions to omit one or more items where those items include information that is regarded as proprietary or confidential. No mandatory disclosures or references have been omitted on this basis with non-applicable reporting left blank.

Pillar 3 disclosures are based upon the Society's Balance Sheet at 31st December 2024, unless otherwise stated. The disclosure in relation to key metrics are published semi-annually in conjunction with the publication of the Interim Financial Report. All other disclosures have been published in conjunction with the Society's FY 2024 Annual Report and Accounts and in accordance with regulatory guidelines.

Scope of Application

The disclosure requirements in this document apply to NBS. The principal office is Nottingham House, 3 Fulforth Street, Nottingham, NG1 3DL.

The following companies are Special Purpose Vehicle ('SPV') established in connection with the Society's Wholesale Funding programmes. Although NBS has no direct or indirect ownership interest in these entities, they are accounted for as subsidiaries of NBS given the SPVs are principally engaged in providing funding to the Society, with the Society exposed to the rights of variable returns from its involvement (and it has the ability to affect those returns through its power over each entity).

Name	Nature of Business
Arrow Mortgage Finance No. 1 Limited	Secured Funding Vehicle
Lace Funding Holdings Limited	Intermediate Holding Company
Lace Funding 2025-1 PLC	Secured Funding Vehicle

There is no significant risk transfer associated with these securitisations and as such the SPVs are consolidated and included within the Society's disclosure.

On 5th February 2025, Lace Funding 2025-1 PLC raised £350m of funding in the Group's debut public Residential Mortgage-Backed Securities ('RMBS') issuance and on the 7th February 2025, the Society repaid the remaining £180 million of TFSME funding, reducing the amounts owed by the Society to £nil.

Future Developments

The Regulatory initiatives horizon continues to present a broad range of new legislation and requirements which aim to support the long-term competitiveness and growth of the UK economy. The Society closely monitors new regulatory developments that may impact business activities or plans and evaluates the impact on an ongoing basis. Since the global financial crisis, the Basel Committee on Banking Supervision ('BCBS') have been developing the Basel Framework to strengthen the regulation, supervision and risk management of banks and building societies. As the UK is a member of the BCBS, Basel 3.1 will take effect in the UK from 1st January 2027. The PRA's consultation, released on 30th November 2022, *CP16/22 – 'Implementation of the Basel 3.1 standards'*, introduces significant change proposals on the standardised approaches covering different exposure types, most notably for credit risk, the Credit Valuation Adjustment ('CVA') and operational risk.

2. Disclosure Requirements (continued)

On 5th December 2023, the PRA published its Policy *Statement PS15/23 – 'The Strong and Simple Framework'* finalising its proposed scope and criteria for SDDT clarifying the types of UK banks or building societies that would be subject to a simpler, but robust, set of prudential rules in the future. The aim is to simplify the prudential framework yet maintain resilience and reduce the barriers to growth for new competitors. Under PS15/23 the PRA introduced an Interim Capital Regime ('ICR') where eligible firms can apply for a modification by consent to remain on the existing Capital rules until the SDDT permanent risk-based Capital requirements become effective. However, on 17th January 2025 the PRA, in consultation with HM Treasury, decided to delay the implementation of Basel 3.1 in the UK by one year until 1st January 2027. Considering the delay to the implementation of Basel 3.1, the PRA confirmed that the ICR (which previously had a 28th February 2025 enrolment date) will be moved back, with further information provided in due course.

On 12th September 2024, the PRA released *CP7/24 – The Strong and Simple Framework: The simplified Capital regime for SDDTs*. This paper outlined proposals for Phase 2 of the Strong and Simple Framework, focusing on simplifying Capital and Liquidity requirements for SDDTs. The key proposals looked at simplification of the Capital requirements by streamlining all components of the Capital structure, including Pillar 1, Pillar 2A, buffers, and the calculation of regulatory Capital. These proposals aim to create a more straightforward and less costly Capital regime. The PRA also plan to introduce a Single Capital Buffer ('SCB') to further simply the Capital framework, which currently consists of CCyB and CCoB buffers. The Society will continuously assess emerging frameworks to identify and adopt the most appropriate approach.

Location and Verification

These disclosures and the Annual Report and Accounts are published on NBS's website (www.thenottingham.com).

The disclosures have been reviewed by both the Society's Board Risk Committee ('BRC') and Board Audit Committee ('BAC') respectively prior to being approved by the Board, with information being prepared by first line with oversight and review by second line. The disclosures are not subject to external audit; however, some of the information included within the disclosures also appears in the Society's Annual Report and Accounts for the year ended 31st December 2024, which is subject to external audit. Information has been sourced from the Society's Risk Policy Framework, other internal policies (including the People and Development Policy), Remuneration Committee ('RemCo') reports, Common Reporting ('COREP') returns and Financial Reporting ('FINREP') returns.

Macroeconomic Environment

As headline inflation has continued to fall, the Bank of England ('BoE') has responded with reductions in the Bank Rate. As wage growth continues, the combined effect of these trends is anticipated to continue to reduce pressure on cost-of-living for UK homeowners, with consequent reduction in inherent credit risk in retail mortgage portfolios.

The reducing interest rate environment does, however, give rise to downside risks of margin compression, and market risks due to uncertainty around the quantum and timing of rate changes.

In addition, heightened geopolitical uncertainty continues, with war persisting in Ukraine giving rise to significant global economic risks. This, added to changes in the US administration and signalled changes to US economic policy (i.e. a more protectionist stance, tariffs etc), gives rise to significant economic uncertainty.

Domestically, the new UK government has delivered its first Budget, with some significant changes, the economic impact of which have yet to be seen. In particular, changes to Stamp Duty on Buy To Let ('BTL') property could have an impact on demand in this sector, with increased employer National Insurance having the potential to impact unemployment, with consequent second order risks for the Society.

While changes to fiscal policy do give rise to some uncertainty, the new government has also delivered positive messages on its support of the mutuals sector and financial services more broadly, seeing the sector as a key driver of its growth agenda going forward.

As always, the Society remains mindful of these sources of economic uncertainty, and it continues to maintain significant surpluses of financial resources, both Capital and Liquidity, to navigate through any turbulence. NBS has historically had low levels of arrears and defaults, and its mortgage book has proved extremely resilient during economic turbulence over the past several years.

The Society remains ever vigilant, and undertakes regular stress-testing, conducts an annual ICAAP, regularly assesses the levels of provisions held against bad debts and sets a Capital appetite requirement at a level that is designed to be more than adequate to absorb credit losses should they arise. NBS maintains a strong Capital position relative to its regulatory Capital requirement (TCR plus combined buffers).

Lending decision-making is supported by models which are regularly reviewed and overseen as part of the governance framework to ensure they remain relevant and accurate in an uncertain macroeconomic environment.

The Society will continue to take a prudent approach both in its assessment of house prices and in its forecast of arrears levels. The NBS will also continue to monitor closely all relevant economic forecasts to ensure that all emerging risks and shifts in dynamics are considered.

3. Capital Requirements

Overview of Risk-Weighted Exposure Amounts

The Society's minimum Capital requirement under Pillar 1 is the total sum of its credit, market and operational risk Capital requirements. The total Capital requirement is derived by multiplying the corresponding risk weighted asset exposure by 8%. The Society does not have a trading book and only undertakes transactions in GBP.

Template UK OV1 – Overview of risk weighted assets

		Risk Weighted Exposure Amount ('RWEAs')		Total Own Funds Requirements
		a	b	c
		2024	2023	2024
		£'m	£'m	£'m
1	Credit risk (excluding CCR)	1,627.2	1,379.6	130.2
2	Of which the standardised approach	1,627.2	1,379.6	130.2
3	Of which the foundation IRB ('FIRB') approach	-	-	-
4	Of which slotting approach	-	-	-
UK 4a	Of which equities under the simple risk weighted approach	-	-	-
5	Of which the advanced IRB ('AIRB') approach	-	-	-
6	Counterparty credit risk - CCR	5.3	51.0	0.4
7	Of which the standardised approach	1.6	12.7	0.1
8	Of which internal model method ('IMM')	-	-	-
UK 8a	Of which exposures to a CCP	0.1	0.1	-
UK-8b	Of which credit valuation adjustment - CVA	3.5	38.2	0.3
9	Of which other CCR	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	13.0	9.9	1.0
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	13.0	9.9	1.0
19	Of which SEC-SA approach	-	-	-
UK 19a	Of which 1250%/ deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	-	-	-
21	Of which the standardised approach	-	-	-
22	Of which IMA	-	-	-
UK 22a	Large exposures	-	-	-
23	Operational risk	145.1	124.8	11.5
UK 23a	Of which basic indicator approach	145.1	124.8	11.5
UK 23b	Of which standardised approach	-	-	-
UK 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	1.1	1.6	0.1
29	**Total**	**1,790.4**	**1,565.3**	**143.2**

The Credit Valuation Adjustment ('CVA') is the market value of counterparty credit risk. A Capital requirement is recorded on an actual basis for CVA on the derivatives with the exposure value of these derivatives included in the Pillar 1 requirements.

The observed decrease in the Counterparty Credit RWEA is primarily attributable to the swap and collateralisation arrangements of the Society's bilateral securitisation vehicle, which has effectively mitigated our exposure.

4. Remuneration Policy

Remuneration Policy

The disclosures in this section have been prepared in accordance with the guidance set out in template UK REMA – Remuneration Policy.

Information Relating to the Bodies that Overseas Remuneration

The Society's Remuneration Committee ('RemCo') is responsible for overseeing matters related to remuneration. The Committee comprises a minimum of three Non-Executive Directors (one of whom acts as the Chair of the Committee) and the Chief Executive Officer ('CEO'), Chief People Officer ('CPO'), Company Secretary attend as required. There were three meetings held by the RemCo in 2024 with advice sought on the Medium Term Incentive Plan ('MTIP') from external consultants during the year in relation to the remuneration framework.

The Committee has delegated authority from the Board for setting remuneration for the Society's Chair, Executive Directors and Material Risk Takers ('MRT's) in accordance with the Principles and Provisions of the UK Corporate Governance Code ('Code') and other Remuneration Code staff in line with the PRA's Remuneration Code and to make recommendations to the Board on the Society's Remuneration Policy. The Board itself determines the remuneration of the Non-Executive Directors. The Committee reviews the design of all remuneration and incentive plans. For any such plans, the Committee determines each year whether awards will be made; and if so, the overall amount of such an award, the individual awards for Executive Directors, senior managers and MRT's and the performance targets used. The Remuneration Policy applies to the entirety of NBS's workforce.

Information Relating to the Design and Structure of the Remuneration System for Identified Staff

The Remuneration Policy is there to ensure that remuneration is 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. The Remuneration Policy is compiled by the CPO with input from the ExCo and is reviewed and approved by the RemCo and Board. The RemCo reviews the Society's Remuneration Policy annually, there were no material changes made in 2024.

Further details regarding the Remuneration Policy and the role of RemCo are set out in the Directors Remuneration Report in the FY 2024 Annual Report and Accounts which is published on NBS's website (www.thenottingham.com).

Information on how the Institution ensures that Staff in Internal Control Functions are Remunerated Appropriately

The individual performance objectives for Control Function employees are linked to delivering the objectives of the Control Function. Pay decisions for the Chief Internal Audit Officer ('CIAO') is made by the Chair of BAC and this role does not participate in the MTIP. Pay and bonus recommendations for the Chief Risk Officer ('CRO') and General Counsel are made by the CEO with reference to the Chair of the BRC. Remuneration for senior staff in Control Functions is directly overseen by RemCo. In all cases, remuneration packages are set based upon market data and recognising the specific skills which an employee brings to their role in order to attract and retain appropriately qualified and experienced staff, rewarding fairly whilst not compromising on independence.

Policies and Criteria Applied for the Award of Guaranteed Variable Remuneration and Severance Payments

The Society does not operate guaranteed variable remuneration. The Society's Severance Policy was developed by the People & Development Team and ensures all individuals are treated fairly and consistently throughout the process, in line with appropriate legislative requirements and any relevant Advisory, Conciliation and Arbitration Service ('ACAS') guidance. Any employee with less than 12-months' service will not receive a redundancy payment. The Society will make an enhanced lump sum redundancy payment to each redundant employee who has completed at least 12-months service. The minimum redundancy payment will be 6 weeks' pay, to include employees with between 12 and 24 months' service who are not covered by the statutory calculator. For employees who have completed at least 2 years' service, the basis of this calculation will normally be 2 x statutory redundancy payment. The maximum number of years' service available for calculation is 20 years. Severance payments for MRT's are approved by RemCo.

4. Remuneration Policy (continued)

Fixed Pay	
Basic Salary	Basic salary is set with reference to grade, market benchmarking and is performance driven. Grade is determined using the Willis Towers Watson global grading framework and salaries for roles are determined by using functional external market benchmark data.
Pensions	The Society contributes up to a maximum of 16% of salary or paid as cash allowance (dependent upon age of joining and period of time in the scheme) for members of the Society's Personal Pension Plan. The pension benefits relating to the Executive Directors are outlined in the 2024 Annual Report and Accounts.
Benefits	Benefits in kind include the provision of a car allowance, private medical insurance and death in service benefits.
Variable Pay	
Bonus	MRT's participate in two discretionary bonus schemes, the Annual Bonus Plan ('ABP') and MTIP. The ABP is based upon a modular scorecard approach derived from the Society's strategic goals and includes an assessment of effective risk management. The MTIP scheme is based upon three elements: • financial adequacy - achievement of a minimum level of adjusted underlying Profit Before Tax; • strategic indicators - relative position against a peer group of building societies for the following indicators: ▪ net interest margin; ▪ growth in total savings assets; and ▪ growth in total mortgage assets; • risk appetite - performance objectives were set at the start of performance period in 2024 within board risk appetite and regulatory requirements. Any payment is subject to achieving the same risk targets as the ABP for 2024 - 2026.

The Ratios between Fixed and Variable Remuneration Set

MRT's are defined by the Regulator as 'staff whose activities have a material impact on the firm's risk profile', this includes staff that perform significant influence functions, senior managers and risk takers, including Executive and Non-Executive Directors. Template UK REM5 sets out the quantitative remuneration for code staff in relation to their services for the Society for the year ended 31st December 2024.

Information Relating to the Ways in which Current and Future Risks are Taken into Account in the Remuneration Processes

The potential risk implications of remuneration is managed in a number of ways, including the core design of the ABP /MTIP and through risk management assessment for executive variable pay. The bonus scorecard is assessed by RemCo under delegated authority from the Board, against the overarching risk appetite set by the BRC. The 'safe and secure' objective assesses key risk metrics against the following measurements: member, physical, data, people and digital.

Additionally, the CRO and General Counsel compiles a risk management assessment prior to the release of payments under the Executive Bonus Plan. This details risk performance in relation to the following factors:

- A satisfactory individual performance rating, including compliance with the Senior Manager & Conduct Rules ('SM&CR') where appropriate; and
- Capital and Liquidity requirements are maintained within the BRC's approved Board Risk Appetite, in line with the Society's Risk and Governance Framework.

Information Relating to the Ways in which the Institution Seeks to Link Performance during a Performance Measurement Period with Levels of Remuneration

Performance criteria in the ABP is assessed against financial adequacy (level of profit), progress against strategic objectives (key business metrics) and individual performance (as measured in the end of year performance review). This determines individual bonuses to be paid and underperformance in relation to any of these measurements can reduce variable pay (including reducing to zero).

As a mutual, the Society does not issue shares on the London Stock Exchange. For this reason, the annual performance pay cannot be based upon Share Option Schemes or Share Incentive Plans. NBS operates an ABP/MTIP and does not have any instrument-related remuneration scheme in operation. The Society is a level three firm (with assets less than £15bn) and is therefore not subject to the rules on retained shares or other instruments and deferral of variable pay.

Description of the Ways in which the Institution Seeks to Adjust Remuneration to Take Account of Long-Term Performance

The ABP and MTIP includes deferral, malus and clawback provisions which can be applied in relation to performance assessments. For the Executive Team level there is a 3-year deferral of 50% of the ABP. The deferred element is paid in one payment and prior to release of the deferred payment, RemCo will review the threshold criteria and relevant strategic objectives to ensure these have all been met. The Society may, in its absolute discretion, at any time prior to payment of the deferred element (or during such longer period as may be required in order for the Society to comply with regulatory requirements applicable to it) reduce (including reducing to zero) the amount of the deferred element; and / or impose further conditions on the future payment of the deferred element. The Society may, in its absolute discretion, at any time prior to the seventh anniversary of the date on which the deferred element was paid to the Participant require the Participant to repay to the Society some or all of the payments already paid to them under either plan in any circumstances in which the Society considers it appropriate.

4. Remuneration Policy (continued)

Remuneration Award for the Financial Year

Template UK REM1 - Remuneration Award for the Financial Year

			a	b	c	d
			MB Supervisory Function	MB Management Function	Other Senior Management	Other Identified Staff
1	Fixed Remuneration	Number of identified staff	7	3	21	-
2		Total fixed remuneration (£'000)	489	1,064	3,715	-
3		Of which: cash-based	489	1,064	3,715	-
UK-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
UK-5x		Of which: other instruments	-	-	-	-
7		Of which: other forms	-	-	-	-
9	Variable Remuneration	Number of identified staff	-	3	9	-
10		Total variable remuneration (£'000)	-	122	452	-
11		Of which: cash-based	-	122	452	-
12		Of which: deferred	-	122	192	-
UK-13a		Of which: shares or equivalent ownership interests	-	-	-	-
UK-14a		Of which: deferred	-	-	-	-
UK-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
UK-14b		Of which: deferred	-	-	-	-
UK-14x		Of which: other instruments	-	-	-	-
UK-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total Remuneration (2 + 10)		489	1,186	4,167	-

4. Remuneration Policy (continued)

Deferred Remuneration

Template UK REM3 – Deferred Remuneration		a	b	c	d	e	f	g	h
		Total amount of deferred remuneration awarded for previous performance periods	**Of which due to vest in the financial year**	**Of which vesting in subsequent financial years**	**Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year**	**Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years**	**Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)**	**Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year**	**Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods**
1	MB Supervisory Function	-	-	-	-	-	-	-	-
2	Cash-Based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management Function	194	-	194	-	-	-	-	-
8	Cash-based	194	-	194	-	-	-	-	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other Senior Management	292	-	292	-	-	-	61	-
14	Cash-based	292	-	292	-	-	-	61	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms					-	-	-	-
19	Other Identified Staff	-	-	-	-	-	-	-	-
20	Cash-based	-	-	-	-	-	-	-	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total Amount	486	-	486	-	-	-	61	-

4. Remuneration Policy (continued)

Remuneration of Staff whose Professional Activities have a Material Impact on Institutions' Risk Profile

Template UK REM5 - Remuneration of Staff whose Professional Activities have a Material Impact on Institutions' Risk Profile

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory Function	MB Management Function	Total MB	Investment Banking	Retail Banking	Asset Management	Corporate Functions	Independent Internal Control Functions	All Other	Total
1	**Total Number of Identified Staff**										**31**
2	Of which: member of the MB	7	3	10							
3	Of which: other senior management				-	2	-	18	1	-	
4	Of which: other identified staff				-	-	-	-	-	-	
5	**Total Remuneration of Identified Staff (£'000)**	**489**	**1,186**	**1,676**	**-**	**616**	**-**	**3,326**	**225**	**-**	
6	Of which: variable remuneration	-	122	122	-	65	-	318	69	-	
7	Of which: fixed remuneration	489	1,064	1,554	-	551	-	3,008	156	-	

Template 'UK REM2 - *Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)'* has not been presented as there were no individuals that received special payments during the financial year.

Template 'UK REM4 - *Remuneration of EUR 1 million or more per year'* has not been presented as there were no individuals that were remunerated EUR 1 million or greater during the financial year.

5. Attestation

Attestation

The Directors confirm that, to the best of their knowledge, the Pillar 3 disclosure document for 31st December 2024 complies with the Disclosure (CRR) Part of the PRA Rulebook and has been prepared in accordance with internal control processes and policies.

Signed on behalf of the Board by:

Anthony Murphy
Chief Financial Officer
5th March 2025

6. Contact us

Contact us

If you would like further information regarding this document, please contact:

Company Secretary
Nottingham Building Society,
Nottingham House,
3 Fulforth Street,
Nottingham,
NG1 3DL

7. Glossary

Set out below are the definitions of the terms used within the Pillar 3 disclosure report to assist the reader and to facilitate comparison with other financial institutions:

Additional Tier 1 Capital ('AT1')	Capital that meets certain rules under CRD and which comprises the Society's PIBS but only under the transitional provisions.
Arrears	A member is in arrears when they are behind in meeting their contractual obligations with the result that an outstanding loan payment is overdue. The value of the arrears is the value of any payments that have been missed.
Basel III	Basel III sets out the details of strengthened global regulatory standards on bank Capital adequacy and Liquidity.
Capital Conservation Buffer ('CCoB')	A buffer to be held by all financial institutions which can be drawn down in times of stress.
Capital Requirements Directive ('CRD')	CRD is made up of the Capital Requirements Regulation ('CRR') and the 'CRD, outlining the Capital requirements framework and introduced Liquidity requirements, which regulators use when supervising firms.
Common Equity Tier 1 Capital ('CET1')	CET1 Capital consists of internally generated Capital from retained profits, other reserves less intangible assets and other regulatory deductions. CET1 Capital is fully loss absorbing.
Common Equity Tier 1 ratio	CET1 Capital as a percentage of risk weighted assets.
Counter Cyclical buffer ('CCyB')	An additional buffer to prevent excessive growth in domestic economies.
Counterparty Credit Risk	Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.
Credit Risk	This is the risk that a member or counterparty fails to meet their contractual obligations.
Derivative Financial Instruments	A derivative financial instrument is a contract between two parties whose value is based on an underlying price or index rate it is linked to, such as interest rates, exchange rates or stock market indices. The Society uses derivative financial instruments to hedge its exposure to interest rate risk.
Expected Credit Loss ('ECL')	The present value of all cash shortfalls over the expected life of the financial instrument. The term is used for accounting for impairment provisions under the new IFRS 9 standard.
Exposure	The maximum loss a financial institution might suffer if a borrower, counterparty or group fails to meet their obligations.
Fair value	Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Financial Conduct Authority ('FCA')	The statutory body responsible for conduct of business regulation and supervision of UK authorised firms.
IFRS 9	IFRS 9 'Financial Instruments' is the accounting standard applicable from 1 Jan 2018, which includes requirements for the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting.
Impairment	The term impairment is usually associated with a long-lived asset that has a fair market value less than the historical cost (or book value) of the asset.
Interest Rate Risk	The risk of loss due to a change in market interest rates. Interest rate risk can have an impact on Society's mortgages and savings products.
Internal Capital Adequacy Assessment Process ('ICAAP')	The Society's own assessment of the levels of Capital that it needs to hold in respect of its regulatory Capital requirements for risks it faces under a business as usual scenario including stress events.
Leverage Ratio	The ratio of Tier 1 Capital divided by the total exposures, which includes On and Off-Balance Sheet items.
Liquid Assets	Total of cash in hand, loans and advances to credit institutions, and debt securities.
Market Risk	The risk that movements in market risk factors, including foreign exchange rates, interest rates, credit spreads and member-driven factors will create potential losses or decrease the value of the Society Balance Sheet.
Material Risk Takers ('MRT')	A material risk taker is a staff member whose professional activities have a material impact on the risk profile of the Society.
MB Management function	The Management Body ('MB') that sets the Society's strategy, objectives, and overall direction, and which oversees and monitors management decision-making. This includes Executive Directors. As defined in UK REM1 – Remuneration awarded for the financial year'.
MB Supervisory function	The Management Body ('MB') acting in its role as overseeing and monitoring decision-making. This includes Non-Executive Directors. As defined in UK REM1 – Remuneration awarded for the financial year'.

Glossary (continued)

Member	A person who has a share investment or a mortgage loan with the Society.
Minimum Capital Requirement	The minimum amount of regulatory Capital that a financial institution must hold to meet the Basel III Pillar 1 requirements for credit, market, and operational risk.
Operational Risk	The risk of loss arising from inadequate or failed internal processes, people, and systems, or from external events.
Other Identified Staff	Natural persons (excluding Non-Executive Directors, Executive Directors, Executives, and relevant senior managers) whose professional activities have a material impact on the Society's risk profile. This includes other MRT's.
Other Senior Management	Natural persons who exercise executive functions within the Society and who are responsible and accountable to the management body, for the day-to-day management of the Society. This includes both Executive and relevant senior managers.
Pillar 1	The parts of CRD which set out the minimum Capital requirements for credit, market, and operational risk.
Pillar 2	Those aspects of CRD which set out the process by which the Society should review its overall Capital adequacy, and the processes under which the regulators / supervisors evaluate how well financial institutions are assessing their risks and take appropriate actions in response to the institutions' assessments.
Pillar 3	The part of CRD V governing the production of this document. It sets out information disclosures relating to risks, the amount of Capital required to cover these risks, and the approach to risk management.
Prudential Regulation Authority ('PRA')	The statutory body responsible for the prudential supervision of Banks, Building Societies, insurers, and small number of significant investment firms in the UK. The PRA is a subsidiary of the Bank of England.
Retail	The portion of any residential mortgage exposure above 80% LTV, as per CRR Article 125.
Risk Appetite	The articulation of the level of risk that the Society is willing to accept (or not accept) in order to safeguard the interests of the Society's members whilst also achieving business objectives.
Risk Weighted Assets ('RWA')	The value of assets, after adjustment, under the relevant Capital rules to reflect the degree of risk they represent.
Small Domestic Deposit Takers ('SDDT')	A financial institution classified by the PRA as a small, UK-focused deposit-taking firm. SDDTs typically operate with simpler business models and lower risk profiles, making them eligible for proportionate regulatory requirements under the PRA's Strong and Simple Framework.
Secured by Mortgages on Residential Property	Residential mortgages where LTV is less than or equal to 80%, as per CRR Article 125.
Securitisation	The process by which a group of assets (usually mortgage loans) is aggregated into a pool which is used to back the issuance of new securities. A company transfers assets to a SPV which secures funding backed by those assets. The Society has established a securitisation structure (using residential mortgages as assets) as part of its funding activities.
Shares	Funds deposited by a person in a retail savings account with the Society. Such funds are recorded as liabilities for the Society.
Special Purpose Vehicle ('SPV')	A legal entity (usually a limited company) created to fulfil narrow, specific or temporary objectives. In the context of the Society, the SPV is used in relation to securitisation activities.
Standardised Approach	The basic method used to calculate Capital requirements for credit risk. In this approach the risk weighting used in the Capital calculation is determined by specified percentages.
Tier 1 Capital	A component of regulatory Capital, it comprises CET1 and AT1.
Tier 1 Ratio	Tier 1 Capital as a percentage of RWAs.
Tier 2 Capital	Comprises the collective impairment allowance (for exposures treated on a Standardised basis), less certain regulatory deductions.
Total Capital Requirement ('TCR')	The total amount of Capital the regulator requires the Society to hold, which is made up of Pillar 1 and Pillar 2A Capital.

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