**THE NOTTINGHAM GROWS MEMBERSHIP IN A YEAR OF BUILDING A SOCIETY FOR THE FUTURE**

**Nottingham, UK,** embargoed until Friday 6th March - The Nottingham today presented its financial results for 2019, in a year that saw it continue to grow membership, whilst keeping an eye firmly on and investing for, the future.

**Key achievements and highlights of 2019:**

- 20,000 new members welcomed
- Branch savings balances up 2% to £2.4 billion and interest paid to savers up 12.8%
- High levels of member satisfaction endorsed by excellent Net Promoter Score of 77%
- Over half a million pounds worth of rewards enjoyed by members through its loyalty programme
- Completion of project to replace digital offering for online savers and mortgage brokers
- Total assets of £3.8 billion and gross mortgage lending in excess of £350 million
- Group underlying pre-tax profit of £10.0 million
- Arrears levels (0.15%) remain below a quarter of the industry average (0.72%)

Commenting on the results, David Marlow, Chief Executive Officer, said: "As we entered 2019 we were aware of a number of market and societal challenges that lay ahead. With that in mind it was important that our member-focused purpose: to help our members save, plan for and protect their financial futures, remained to the fore of our thinking and actions."

"A key part of this was continuing to grow our membership and last year we welcomed over 20,000 new members to the Society. In line with our purpose to help members save for their future goals, we grew branch savings balances by 2% to the £2.4 billion mark and despite ultra-low interest rates, we continued to reward savers, increasing the amount payable to members by 12.8% in the year."

"Through our unique whole-of-market mortgage advice arm, Nottingham Mortgage Services, we've enabled more homeowners and buyers to enjoy the best the mortgage market has to offer, increasing the number of members and customers using the service by more than 15%."

"Once again, we were delighted to reward our loyal members who let us help them plan and protect for the future, with over half a million pounds worth of cashback and discounts through our Member Rewards programme."

The increase in branch savings balances, growth of whole of market mortgage advice, and take up of loyalty rewards all signal a happy member base which is further demonstrated by its 2019 Net Promoter score of 77%, which is well ahead of the financial services average of 49%.

To protect the average rate the Society paid to savers in 2019 it took a conscious decision to reduce new mortgage lending and focus on retaining existing borrowers. Marlow addressed this; "Our planned reduction in new mortgage lending, in the face of falling market mortgage yields, was expertly managed to find what we felt was the right balance between the conflicting needs of our mortgage and savings members. We set ourselves a target to achieve 70% retention of existing borrowers choosing to stay with us when they get to the end of their promotional period, which was achieved. We also launched a number of exciting products, based on broker feedback including Retirement Interest Only and cashback mortgages, which paid out over £75k in cashback to homeowners last year alone."

As well as supporting existing members, the Society continued to invest in capability to attract future members. "Over the last few years, we have been consistent in prioritising the development of a strong digital capability to ensure that we can serve current and future members who increasingly want to deal with us in a digital and mobile-first world. Last year we completed the implementation of the Salesforce platform across all of our digital offerings and in the process delivered significant benefits in terms of ease of access and convenience for members."

In April this enabled the launch of the Society's Lifetime ISA (LISA) online application, giving savers the ability to open the government-backed savings account in under four minutes, which thousands of savers have taken advantage of. Then in November, its Mortgage Broker Portal went live, significantly improving its online mortgage decisioning and processing capability for the thousands of brokers that submit mortgage cases; reducing the time to get a decision in principle and apply for a mortgage from over two hours to just under 20 minutes.

"Whilst continuing to invest for the future, we have ensured that we take advantage of these new innovations and run the Society in an efficient and well controlled manner; we were therefore pleased to reduce our underlying administration expenses by 10% over the year."

Overall the Society delivered an underlying profit before tax of £10 million. "Our conscious decision to reduce mortgage lending, whilst protecting savings rates and continuing to invest strongly in our digital future has inevitably led us to operate at a reduced level of profit in 2019. The Board is very comfortable with this approach and we believe our performance reflects performances seen elsewhere in the current market climate."

As it looks to the future, the Society has also taken the opportunity to review two of its core markets, mortgages and estate agency, and as a result, has elected to re-evaluate some of the assets that it holds on its balance sheet. Marlow was frank that these steps pave the way for more freedom and flexibility, particularly in how we price mortgages in the future; "As the number of mortgage members retained at the end of their product term increases, our change in accounting estimate and resulting write down of the mortgage asset reflects our increasing conviction that no member should remain on our SVR for any meaningful period of time at the end of their product term. This step also reflects our intention to begin to refine the way we charge for mortgages over the next two years or so, as we carry out work to develop the capability to individually price each member's mortgage, based on their own distinct characteristics."

"We have benefitted strongly overall as a Society from the acquisition of estate agent Harrison Murray in 2013 not least in extending building society services to over 7000 new members and attracting £150m+ of savings balances, but the estate agency market itself has undertaken structural changes over the past 2-3 years; in terms of annual transaction numbers, the level of fees achievable and in extra costs arising from regulatory requirements. We have therefore deemed it prudent to write off the goodwill that sits on our balance sheet in relation to the historic acquisition of the estate agency."

Whilst both of these adjustments take the Society to a technical accounting loss for the year of £7.2m after tax, it is a strong affirmation of its financial strength, that despite these deductions, its core capital strength in the shape of the leverage ratio and CET1 ratio have both improved over the period.

In closing Marlow commented; “Our mutual status and ethos serve us well in times like these and we believe that through our hard work and the decisions we have taken during 2019, we are doing the right things to prepare the Society for a new era of financial services. The results we have seen in the first two months of 2020 are a strong endorsement of this as our membership continues to grow and we have seen a three-fold increase in the level of mortgage business received so far this year, compared to the same period in 2019.”

“In 2019 we have taken some big decisions to better support our members, whether that has been through significant investment in our digital future, which is beginning to deliver strong benefits or setting ourselves up to price mortgages more competitively for members. Add this to a range of new products and improvements we have planned for the next 12 months or so we are confident that we facing into this new future for financial services well equipped to enable our great team to help more and more members save, plan for and protect their financial futures.”

**ENDS**