

Nottingham Building Society - Interim results

Society uses financial strength to support members and communities through the pandemic

Nottingham, UK, Thursday 30th July 2020 - The Nottingham today presented its financial results for the first six months of 2020, a period in which its mutual ownership enabled it to support its members and communities in exceptional and uncertain times.

David Marlow, Chief Executive of The Nottingham, commenting on the results said; "In unprecedented times of national challenge like we are experiencing, it is right that organisations and firms come under intense pressure and scrutiny. We as a mutual, owned by our members, believe that we have stepped up and met those challenges; using our financial strength to support our members, stakeholders and the communities that we serve. Our main aim has been on ensuring that we play our full part in tackling this national crisis."

Supporting members through the pandemic

Initially the Society's focus was on providing continuity of service to members as the country went into total lockdown, providing access to their money and support for those in need through its branch network and contact centre. This was achieved with over 60 branches remaining open for essential transactions throughout the period of lockdown.

It then made the decision that, despite the Bank of England reducing Bank Base Rates to 0.1%, it would not reduce any savings rates for at least three months, believing that this was the right thing to do when its members were locked down and facing great uncertainty. It has gone on to announce it will continue to protect branch savings rates for a further three months, up to the end of September. For mortgage customers, arrangements were immediately introduced to allow borrowers to take a three month payment deferral on their mortgage. Although a very small number each year, the Society also introduced a moratorium on possession actions for those facing payment difficulties due to the pandemic, until at least the end of October.

In its CEO statement, the Society thanked its team members for their commitment and hard work responding to their designation as key workers, ensuring branches and support teams could remain open and operational throughout and confirmed that all team members had been paid in full, irrespective of their personal circumstances, even though a number were restricted from fulfilling their roles and responsibilities due to the lockdown.

In addition to its members and team, the Society sought to help the wider community by trebling its planned charitable donations for the first half to local causes including The Trussell Trust food banks, charity partner Framework and The Silver Line for Age UK, which is a support service to tackle loneliness amongst the elderly. The Society estimated that from a financial point of view, the total of the various strategic decisions made to support its members and communities is likely to exceed £3m by the end of the year.

David Marlow continued; "We believe the measures and support options we have implemented were the right thing to do, to be there for our members and communities at this most difficult time, irrespective of the cost. Our mutual ethos and financial strength, in the shape of our capital which has been built up for more than 160 years, has enabled us to deliver that support. Because of our strength, we also decided not to take available government support in the shape of furlough payments, as we are fortunate enough to be able to finance and support ourselves and members – strong evidence of the delivery of the mutual benefit."

Despite the operational challenges of the pandemic, the Society shared a number of positive trading updates from the first half of the year. Mortgage lending to June 2020 was up to £232m, a 24% increase on the same period last year and the balance sheet is growing again, albeit by a small amount. There was also a good reduction in the number of borrowers leaving, with redemptions down by 30% compared to the first half of 2019.

Branch savings balances continued to grow and are 4% up on a year ago, with that growth spread evenly over the year. In addition, the Society has almost 20,000 Lifetime ISA members, saving to buy their first home or for

retirement with the society, a number which is growing every week. A demonstration of how well received the Society's response to the pandemic has been by members is reflected in the Net Promoter Score, which stands at an incredible +78% - a resounding vote of confidence from its members that it continues to do the right thing.

All this affirms that its core savings and mortgage franchises are in good health, despite the challenging macro-economic conditions.

Looking to the future

Although it reported a fall in underlying performance before tax in the first half, from £4.9m profit in 2019 to £1.4m this year, the Society maintained assets totalling £3.8bn and has taken steps to ensure it can remain relevant and have a vibrant future in the new world that is emerging.

This includes the recent announcement that Belvoir Property Management will now provide estate agency and lettings services thanks to a new strategic alliance. As well as being a more cost-effective model, the alliance also brings benefits to members in the shape of nationally available discounts on estate agency and letting fees, along with a unique premises share arrangement that should enable both parties to continue to offer and potentially extend High Street services in the future.

The society's branch network, which has doubled in size to over 60 locations across nine counties in the past few years, has also been reviewed with an eye on long-term sustainability. Although the vast majority of locations achieved their commercial requirements and demonstrated that they deliver great value to members, a small number did not and the decision to close or merge these locations was made mid-year. It was announced alongside the strategic alliance that 15 branches would be impacted, with the majority being merged with a branch in very close proximity. For example, in Nottingham there will now be eight branches within a five mile radius of the City centre as opposed to 15.

Another consequence of the pandemic is a rise in consumer usage of digital channels and the increased resilience of firms able to serve customers in both a digital and face-to-face format. After successfully investing in developing stronger digital capabilities for members and brokers over the past couple of years, the Society will now increase investments in this area and plans to launch a new proposition for online savers in the first quarter of 2021, enabling it to grow and serve a broader age range and demographic of members in the years ahead.

As a consequence of all the actions to support members, the additional costs of responding to the national crisis and the investments to effectively equip the Society to compete in the new world, the Society expects to report a loss for the full year. However it reinforces that this is when its mutuality and financial strength can be used most effectively to benefit members, also enabling them to invest appropriately for the future without having to consider the interest of shareholders.

David Marlow concluded; "There is no doubt that 2020 will stand out as a unique and challenging year. As a mutual we have demonstrated that when confronted with such significant challenges, we can deploy our financial strength built up over more than 160 years to the benefit of our members.

"The next 12 months will continue to bring challenges as the full economic impact of the pandemic takes its toll but we remain in a good position to absorb these factors and invest in our future, whilst continuing to trade strongly in challenging economic conditions. We firmly believe that, despite the challenges of the past few months, we are very well-placed to fulfil our purpose of enabling a growing membership to save, plan for and protect their financial futures, whatever the circumstances."

For further information about this media release please contact: Senior Communications Manager, Natalie Fox on 07971 752941 or Natalie.fox@thenottingham.com.

Consolidated income statement for the six months ended 30 June 2020

	Period to 30 June 2020 (Unaudited) £m	Period to 30 June 2019 (Unaudited) £m	Year ended 31 Dec 2019 (Audited) £m
Interest receivable and similar income	36.2	41.9	84.0
Interest payable and similar charges	(15.7)	(18.7)	(37.9)
Net interest income	<u>20.5</u>	<u>23.2</u>	<u>46.2</u>
Fees and commissions receivable	2.5	3.1	6.2
Fees and commissions payable	(0.3)	(0.5)	(1.1)
Other income	-	-	0.2
Net losses from derivative financial instruments	(3.3)	(1.7)	(0.6)
Total net income	<u>19.4</u>	<u>24.1</u>	<u>50.8</u>
Administrative expenses	(18.2)	(18.8)	(36.5)
Depreciation and amortisation	(3.1)	(2.6)	(5.5)
Pension finance cost	-	-	(0.1)
Operating (loss)/ profit before impairment and change in EIR accounting estimate	(1.9)	2.7	8.7
Impairment charge - loans and advances	(2.7)	-	(0.4)
Impairment charge – goodwill	-	-	(4.0)
Change in EIR accounting estimate	-	-	(12.3)
(Loss)/profit before tax	<u>(4.6)</u>	<u>2.7</u>	<u>(8.0)</u>
Tax credit/(expense)	0.8	(0.6)	0.8
(Loss)/profit after tax for the financial period	<u>(3.8)</u>	<u>2.1</u>	<u>(7.2)</u>
Reconciliation of statutory (loss)/profit before taxation			
	Period to 30 June 2020 (Unaudited) £m	Period to 30 June 2019 (Unaudited) £m	Year ended 31 Dec 2019 (Audited) £m
Statutory (loss)/profit before taxation	(4.6)	2.7	(8.0)
Adjusted for:			
Losses from derivative financial instruments	3.3	1.7	0.6
Other income	-	-	(0.2)
Strategic investment costs	-	0.5	1.3
Impairment – goodwill	-	-	4.0
Change in accounting estimate	-	-	12.3
Underlying (loss)/profit before taxation	<u>(1.3)</u>	<u>4.9</u>	<u>10.0</u>
Impairment charges – loans & advances	3.3	-	0.4
Underlying profit before taxation before impairment charges on loans & advances	<u>1.4</u>	<u>4.9</u>	<u>10.4</u>

Consolidated statement of comprehensive income for the six months ended 30 June 2020

	Period to 30 June 2020 (Unaudited) £m	Period to 30 June 2019 (Unaudited) £m	Year ended 31 Dec 2019 (Audited) £m
(Loss)/profit for the period	(3.8)	2.1	(7.2)
Items that will not be re-classified to the income statement			
Remeasurement of defined benefit obligation	-	-	-
Tax on items that will not be re-classified	(0.1)	(0.1)	-
Items that may subsequently be re-classified to the income statement			
FVOCI reserve			
Valuation gains taken to reserves	0.4	0.9	0.7
Tax on items that may subsequently be re-classified	-	-	(0.1)
Other comprehensive income for the period net of income tax	0.3	0.8	0.6
Total comprehensive (expense)/income for the period	(3.5)	2.9	(6.6)

Consolidated statement of financial position as at 30 June 2020

	30 June 2020 (Unaudited) £m	30 June 2019 (Unaudited) £m	31 Dec 2019 (Audited) £m
Assets			
Liquid assets	666.2	580.9	615.1
Derivative financial instruments	1.5	1.5	2.0
Loans and advances to customers	3,152.1	3,339.3	3,161.4
Fixed and other assets	39.1	43.9	40.5
Total assets	3,858.9	3,965.6	3,819.0
Liabilities			
Shares	2,809.1	2,834.4	2,871.1
Borrowings	764.8	849.7	771.3
Derivative financial instruments	35.8	14.4	12.8
Other liabilities	12.0	16.5	12.9
Subscribed capital	24.5	24.9	24.7
Total liabilities	3,646.2	3,739.9	3,602.8
Reserves			
General reserves	212.7	225.8	216.6
Fair value reserves	-	(0.1)	(0.4)
Total reserves and liabilities	3,858.9	3,965.6	3,819.0

ENDS

Notes

- The financial information set out above, which was approved by the Board of Directors on 29 July 2020, does not constitute accounts within the meaning of the Building Societies Act 1986.
- The financial information for the year ended 31 December 2019 has been extracted from the Annual Report & Accounts for the year and on which the auditors have given an unqualified opinion.

Notes to editor

About The Nottingham

Founded in 1849, The Nottingham is a mutual building society owned by its members with a long and proud history of doing the right thing and helping communities prosper. Today, The Nottingham is a top ten building society operating online and via a network of 40 plus branches across nine UK counties.

The Society is well-known for providing a safe and secure place for people's savings and helping its members into their own homes. In addition to mortgage and saving products, it offers a variety of additional services through expert partners including whole-of-market mortgage advice provided by Nottingham Mortgage Services, estate agency and lettings provided by Belvoir Group and much more including funeral planning, financial advice and home insurance. Its range of services, alongside its commitment to providing expert advice, support the Society's purpose to help its members save, plan for and protect their financial futures.

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