

Friday 4 March 2022

THE NOTTINGHAM ANNOUNCES STRONG ANNUAL RESULTS AND SHARES WAYS IT'S BUILDING A RESPONSIBLE SOCIETY FOR THE FUTURE

The Nottingham today presented its 2021 financial results for the year ending 31 December. The Society reported a positive set of results achieved whilst navigating the challenges of the ongoing pandemic, with continued progress in the delivery of its digital journey, whilst demonstrating its mutual ethos to members, colleagues and communities.

Key achievements and financial highlights of 2021:

- Group pre-tax profit of £15.1m with underlying pre-tax profit of £7.4m
- Gross mortgage lending up 13% to over £550 million resulting in total assets of £3.6 billion
- Very low arrears levels (0.21%) that remain at a quarter of the industry average (0.83%¹)
- New Beehive Money app launched looking after more than 55,000 Lifetime ISA customers
- Branch savings balances of £2.5 billion across 48 high-street locations covering nine counties
- 85% of customers 'Highly Satisfied'
- Samuel Fox Foundation launched to support communities

One of the Society's priorities in 2021 was to return to a strong level of financial performance that ensured it could continue to invest in and grow in line with its long-term plans. Despite significant ongoing investment it delivered a robust profit before tax of £15.1m.

In the face of intense competition, the Society also continued to support its members with their home-buying ambitions by enhancing and widening its mortgage offering. Overall new mortgage applications rose by 22% on 2020 figures, supporting an increase in net interest income of 13% to £45.9m, with underlying income rising 11% to £49m.

Another key priority for the year was to launch the Society's very first app through its Beehive Money digital brand. As well as migrating over 50,000 savers from the NBS online platform over to Beehive Money, the app opening to new members in November last year. By the end of the year, over 55,000 Lifetime ISA members were saving with Beehive Money, with around 80% saving to buy their first home.

2021 also saw the Society take a new approach to offering its members mortgage advice through a partnership with Mortgage Advice Bureau (MAB) and Belvoir that combined MAB's market leading mortgage network and digital capability with Belvoir's high-street based advisors. Its building society customers can still speak to advisors at their local branch and Beehive members can access expert mortgage advice for their first home through the Beehive Money app's Marketplace service.

A responsible society

Throughout the pandemic and resulting societal changes came a stronger focus on organisations being responsible. This embraced the Society's commitment to do the right thing for colleagues, members and the communities it supports and as a mutual organisation, that commitment was felt even more keenly. Throughout 2021 the Society worked tirelessly to live up to this expectation.

Highlights include over £120,000² of donations made to charities and worthy causes across its communities and over 1,000 hours of colleagues' time volunteered to make a difference. Efforts were focused on supporting those arguably most impacted by the pandemic, young people. The Nottingham did this through the launch of its flagship Career Academy employability programme, in association with national partner EVERFI, to provide classroom resources to inspire young people's future and career journey. The programme combined with its ongoing projects and wider commitment to helping young people fulfil their potential, reached and impacted a significant amount of young people throughout the year.

¹ UK Finance Arrears on mortgages, number of months measure, UK; over 3 months in arrears ratio Q4 2021

² Excludes £100k donation to Samuel Fox Foundation

Towards the end of the year, the Samuel Fox Foundation was launched honouring the legacy of the Society's founder and keen philanthropist. The foundation will focus on building skills and employability in communities, with a particular focus on enabling young people to fulfil their potential and inspire their futures. In 2021 a number of donations were made from the foundation including £38,000 to Stonebridge City Farm as well as a number of food banks and local charities benefitting from its Christmas donations drive.

COP26 brought the climate crisis into sharp focus during the year which reaffirmed the Society's workstream and investment to better understand its carbon footprint, and take action, was justified. As well as committing to reduce scope 1 and 2 emissions by at least 10% by the end of 2022, the Society will continue to work on its plans over the next year or two to fulfil obligations towards first Carbon Neutral status then Net Zero.

Chief Executive Statement

David Marlow, Chief Executive Officer, commented on The Nottingham's 2021 performance: "Entering 2021, we had a number of key areas on which to focus our energies: the ongoing Covid-19 pandemic; the significant economic uncertainty brought about by a combination of the pandemic and Brexit; our intent to reinvent the Society for the emerging new world; continue to act as a responsible society accepting our responsibilities to stakeholders, communities and the environment; and to continue to grow membership, whilst delivering a level of financial performance that would sustain us for the future.

"Whilst the challenges of the pandemic remain, I am delighted to report good progress on the development and delivery of our strategy, as well as a return to strong financial performance providing the platform for continued investment and growth.

"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."

In relation to the Society's future, these results mark David Marlow's last official announcement before he steps down as Chief Executive. In closing, David said: "I am immensely proud of what we as a team have consistently achieved over many years and it has been an honour and privilege to serve our members over that period. The Nottingham will always have a special place in my heart, and I will continue to watch our continued progress with real interest and pride.

"My enormous gratitude and respect go to our colleagues and partners for their outstanding efforts in what has been another unique and challenging year. You have all been amazing. Finally, I'd like to thank our members for continuing to have faith and trust in us to help you save, plan, and protect your futures. I hope that continues for many years to come."

Sue Hayes is joining the Society as the new Chief Executive and will assume formal responsibility for the Society following the announcement of these results.

Financial Results

Consolidated income statement	2021	2020
Total Group Basis	£m	£m
Net interest income	45.9	40.6
Net fees & commissions receivable	3.1	3.7
Net underlying income	49.0	44.3
Management expenses	(43.0)	(41.1)
Impairment release/(charge) – loans & advances	1.4	(2.9)
Profit of disposal of property, plant & equipment	-	0.1
Underlying profit before tax	7.4	0.4
Gains/(losses) from derivative financial instruments	7.9	(2.7)
Net strategic investment costs	(0.2)	(4.5)
Change in accounting estimate	-	(1.6)
Reported profit/(loss) before tax	15.1	(8.4)
Tax (charge)/credit	(2.5)	1.2
Reported profit/(loss) after tax	12.6	(7.2)

Represents:

Profit/(loss) after tax – continuing operations	12.4	(7.0)
Profit/(loss) after tax – discontinued operations	0.2	(0.2)

The Board allocated resources and managed the business on a total Group basis during 2021. The mortgage broking business generated a £0.2m profit after tax in the year, until its disposal in July 2021.

Within the consolidated statutory financial statements, the mortgage broking business is reported as a discontinued operation.

**Consolidated income statement
for the year ended 31 December 2021**

	2021	2020
	£m	£m
Continuing Operations		
Interest receivable and similar income	64.4	68.8
Interest payable and similar charges	(18.5)	(28.2)
Net interest income	<u>45.9</u>	<u>40.6</u>
Fees and commissions receivable	3.0	2.1
Fees and commissions payable	(0.9)	(1.0)
Net gains/(losses) from derivative financial instruments	7.9	(2.7)
Total net income	<u>55.9</u>	<u>39.0</u>
Administrative expenses	(36.5)	(35.3)
Depreciation and amortisation	(6.8)	(9.1)
Operating profit/(loss) before impairment	<u>12.6</u>	<u>(5.4)</u>
Impairment release/(charge) - loans and advances	1.4	(2.9)
Profit on disposal of subsidiary undertaking	0.5	-
Profit on disposal of property, plant and equipment	0.4	0.1
Profit/(loss) before tax	<u>14.9</u>	<u>(8.2)</u>
Tax (charge)/credit	(2.5)	1.2
Profit/(loss) after tax for the financial year for continuing operations	<u>12.4</u>	<u>(7.0)</u>
Discontinued operations		
Profit/(loss) after tax for the financial year from discontinued operations	<u>0.2</u>	<u>(0.2)</u>
Profit/(loss) after tax for the financial year	<u>12.6</u>	<u>(7.2)</u>

**Consolidated statement of comprehensive income
for the year ended 31 December 2021**

	2021	2020
	£m	£m
Profit/(loss) for the financial year	12.6	(7.2)
Items that will not be re-classified to the income statement		
Remeasurements of defined benefit obligations	-	(3.9)
Tax on items that will not be re-classified	0.3	0.8
Items that may subsequently be re-classified to the income statement		
FVOCI reserve		
Valuation (losses)/gains taken to reserves	(0.3)	0.4
Tax on items that may subsequently be re-classified	0.2	-
Other comprehensive income/(expense) for the period net of income tax	<u>0.2</u>	<u>(2.7)</u>
Total comprehensive income/(expense) for the year	<u>12.8</u>	<u>(9.9)</u>

**Consolidated statement of financial position
as at 31 December 2021**

	2021	2020
	£m	£m
Assets		
Liquid assets	562.5	592.2
Derivative financial instruments	26.1	0.8
Loans and advances to customers	3,010.9	3,128.0
Fixed and other assets	35.3	37.4
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Total assets	3,634.8	3,758.4
Liabilities		
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
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Total liabilities	3,415.7	3,552.1
Reserves		
General reserves	219.2	206.3
Fair value reserves	(0.1)	-
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Total reserves attributable to members of the Society	219.1	206.3
Total reserves and liabilities	3,634.8	3,758.4

**Summary consolidated cash flow statement
for the year ended 31 December 2021**

	2021	2020
	£m	£m
Cash flows from operating activities	22.0	5.6
Changes in operating assets and liabilities	3.2	(46.0)
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Net cash generated from/ (used in) operating activities	25.2	(40.4)
Cash flows from investing activities	(117.2)	152.6
Cash flows from financing activities	(2.8)	(2.8)
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(Decrease)/ increase in cash and cash equivalents	(94.8)	109.4
Cash and cash equivalents at beginning of year	382.0	272.6
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Cash and cash equivalents at end of year	287.2	382.0

Notes

- The financial information set out above, which was approved by the Board of Directors on 3 March 2022, does not constitute accounts within the meaning of the Building Societies Act 1986.
- The financial information for the years ended 31 December 2021 and 31 December 2020 has been extracted from the Accounts for those years and on which the auditors have given an unqualified opinion.