The Nottingham

PILLAR 3 INTERIM DISCLOSURES

KEY METRICS

30 JUNE 2023

INTRODUCTION

1. Overview

The disclosures in this document meet the Society's obligations under Pillar 3, which applies to banks and building societies and complements the minimum capital requirements in Pillar 1 and the Society's specific capital requirements in Pillar 2.

1.1. Legislative framework

The Capital Requirements Regulations ('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 Capital Requirements Directive ('CRD') incorporates three main pillars, these are identified as:

- Pillar 1: minimum regulatory capital requirements 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 by the Society through the Internal Capital Adequacy Process ('ICAAP') and the Prudential Regulation Authority ('PRA') through the Supervisory Review and Evaluation Process ('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.

1.2. Basis and frequency of disclosures

This document presents The Nottingham's Pillar 3 key metrics as at 30th June 2023 as laid out in the Disclosure ('CRR') Part of the PRA's Rulebook. The Society is authorised by the PRA (firm registration number 200785) and regulated by the Financial Conduct Authority ('FCA').

The Society meets the criteria for being classified as a 'Small and Non-Complex' institution, therefore the key metrics disclosure template UK KM1 have been prepared in accordance with Article 447 of the PRA's Rulebook.

Article 432(2) 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.

The Pillar 3 disclosure is based upon the Society's Interim Financial Report for the six-month period ended 30th June 2023, unless otherwise stated. Pillar 3 disclosures are issued on a semi-annual basis in conjunction with the publication of the Interim Financial Report or the Annual Report and Accounts and in accordance with regulatory guidelines.

1.3. Scope of application

The disclosure requirements in this document apply to Nottingham Building Society ("The Nottingham", "the Society"). The principal office of the Society is Nottingham House, 3 Fulforth Street, Nottingham NG1 3DL.

The following company is a special purpose vehicle ('SPV') established in connection with the Society's securitisation programme. Although The Nottingham has no direct or indirect ownership interest in this company, it is accounted for as a subsidiary of Nottingham Building Society. This is because the SPV is principally engaged in providing a source of funding to the Society, which in substance means the Society is exposed to the rights of variable returns from its involvement in the SPV and has the ability to affect those returns through its power over the entity.

Name of SPV	Nature of business
Arrow Mortgage Finance No. 1 Limited	Secured Funding Vehicle

There is no significant risk transfer associated with the securitisation and as such the SPV is consolidated and included within the Society's disclosures.

1.4. Location and verification

This disclosure and the Interim Financial Report are published on The Nottingham's website (www.thenottingham.com).

The disclosures have been reviewed by both Board Risk Committee ('BRC') and Board Audit Committee ('BAC') prior to being approved by the Board. The disclosures are not subject to an external audit; however, some of the information included within the disclosures also appears in the Society's Interim Financial Report for the six months ended 30th June 2023.

KEY METRICS

2. Summary of key metrics

The following table demonstrates The Nottingham's key metrics based on the transitional CRD rules basis. Due to the immaterial difference between versions, the final rules basis has not been disclosed.

Template UK KM1: Key Metrics

		30 June 2023	31 December 2022	30 June 2022
	Available own funds (amounts)	**CRD V Transitional**	**CRD V Transitional**	**CRD IV Transitional**
1	Common equity tier 1(CET1) capital (£'m)	221.5	222.2	200.4
2	Tier 1 capital (£'m)	221.5	222.2	200.4
3	Total capital (£'m)	245.4	246.1	224.3
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount (£'m)	1,354.8	1,324.8	1,236.0
	Capital ratios *(as a percentage of risk-weighted exposure amount)*			
5	Common equity tier 1 ratio (%)	16.3	16.8	16.2
6	Tier 1 ratio (%)	16.3	16.8	16.2
7	Total capital ratio (%)	18.1	18.6	18.1
	Additional own funds requirements based on SREP *(as a percentage of risk-weighted exposure)*			
UK 7a	Additional CET1 SREP requirements (%)	0.6	0.6	0.8
UK 7b	Additional AT1 SREP requirements (%)	-	-	-
UK 7c	Additional T2 SREP requirements (%)	-	-	-
UK 7d	Total SREP own funds requirements (%)	8.6	8.6	8.8
	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 (%)	1.0	1.0	-
UK9a	Systemic risk buffer (%)	-	-	-
10	Global systemically important Institution buffer (%)	-	-	-
UK 10a	Other systemically important Institution buffer (%)	-	-	-
11	Combined buffer requirement (%)	3.5	3.5	2.5
UK 11a	Overall capital requirements (%)	12.1	12.1	11.3
12	CET1 available after meeting the total SREP own funds requirements (%)	7.8	8.2	7.4
	Leverage ratio			
13	Total exposure measure excluding claims on central banks (£'m)	3,769.3	3,575.6	3,413.6
14	Leverage ratio excluding claims on central banks (%)	5.9	6.2	5.9
	Additional leverage ratio disclosure requirements[1]			
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)			
UK 14b	Leverage ratio including claims on central banks (%)			
UK 14c	Average leverage ratio excluding claims on central banks (%)			
UK 14d	Average leverage ratio including claims on central banks (%)			
UK 14e	Countercyclical leverage ratio buffer (%)			
	Liquidity coverage ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average) (£'m)	638.3	645.3	573.0
UK16a	Cash outflows - total weighted value (£'m)	382.2	326.5	273.8
UK16b	Cash inflows - total weighted value (£'m)	18.6	16.0	16.0
16	Total net cash outflows (adjusted value) (£'m)	363.6	310.1	257.5
17	Liquidity coverage ratio (%)	177.3	212.2	221.8
	Net stable funding ratio[2]			
18	Total available stable funding (£'m)	2,527.3		
19	Total required stable funding (£'m)	3,589.4		
20	NSFR ratio (%)	142.1		

1 Additional Leverage Ratio disclosure is only reportable by globally systematically important institutions and therefore not applicable to the Society.
2 Net Stable Funding Ratio disclosures, as addressed by the PRA in PS22/21 – Implementation of Basel standards: Final rules and CP3/22 – Occasional Consultation Paper, are applicable from 2023 and are therefore disclosed on a prospective basis.

The Society continues to recognise the IFRS 9 transitional relief adjustment, as outlined in Article 473a ((EU) No 2020/873 (CRR Quick Fix)) in light of the Covid-19 pandemic, with the relief phased out to 31st March 2025. Only the transitional basis has been disclosed as there is no material difference between the final and transitional basis, which represents the IFRS 9 transitional relief adjustment of £1.7m.

The Leverage Ratio has been calculated in accordance with the UK's Leverage Ratio Framework changes which came into effect from 1 January 2022.

The Nottingham

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