

# 2018 MEMBERS' NEWSLETTER

INCLUDING OUR SUMMARY FINANCIAL  
STATEMENT AND NOTICE OF AGM



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## Executive summary

**The Society has continued to focus on the development of its strategy of rewarding our members for planning, protecting and saving for their future. We continue to deliver our 'all under one roof' advice and service offering through enthusiastic expert team members. We strive to be easy to deal with and to be known as a force for good in our heartland.**

Below are some of the key achievements and financial highlights of 2018:

- Strong retail franchise – total branch balances of £2.4 billion and up 13% in 2018;
- The Society welcomed over 25,000 new customers and is now present in 67 locations across 11 counties;
- Over 2,750 customers used our whole-of-market mortgage advice services in 2018;
- Net Promoter Score of 79%;
- Gross mortgage lending of over £800 million resulting in mortgage book growth of 4%;
- Total assets of £4.1 billion;
- Group pre-tax profit of £11.8 million;
- Strong capital ratios with Tier 1 ratio at 15.3% and leverage ratio of 5.1%; and
- Arrears levels remain very low at less than a quarter of industry average.

## We are pleased to present our summary financial statement for the year ended 31 December 2018

This financial statement is a summary of information in the audited annual accounts, the directors' report and annual business statement, all of which will be available to members and depositors free of charge on our website [www.thenottingham.com](http://www.thenottingham.com) from 25 March 2019.

### Summary directors' report

#### Market and economic background

I began my statement last year with some comments regarding the difficult December the UK had just experienced in Brussels regarding the Brexit agreement. 12 months further on, with March 29th almost upon us, it doesn't feel as if 2018 delivered any real progress in terms of the arrangements for our withdrawal from the EU, which are still not finalised.

Against this backdrop of continued uncertainty, the UK economy has begun to show signs of a slowdown with GDP growth in 2018 at a six year low of 1.4% in the ONS' first estimate, a fall from 1.8% in the previous year. Inflation has now fallen below the Bank of England's target of 2%, though employment remains at an all-time high.

Furthermore, these statistics mask a series of significant societal and economic shifts which, when combined with our currently assumed new status outside of the European Union, will undoubtedly deliver continued challenges and uncertainty for the UK over the coming years.

Consumer behaviour is undergoing one of the biggest shifts for over 50 years with high streets up and down the country suffering alongside a large number of established and reputable retailers. The increasing role of online and smartphones is changing the way we live and causing all consumer facing businesses to re-evaluate how they remain relevant for their customers in this emerging world.

Building societies, like all customer led organisations, are facing into these changes. For example, the way we buy and sell houses is beginning to change fundamentally, with shifting expectations around what good looks like for customers. However, the second half of the year has demonstrated that this is not a binary debate about online versus traditional players – in late 2018, a number of national online estate agencies went into administration, leaving thousands of homes unsold, despite the fact that vendors had already paid for the service.

As we progress through 2019, there is no doubt that if economic conditions tighten in the face of uncertain demand, alongside increasing societal changes in shopping and purchase habits, trading conditions will get more challenging.

We saw this beginning to emerge in the second half of 2018. As housing transactions stuttered, competition for mortgage lending increased significantly and some lenders were willing to provide mortgages at less than 1%. In response, we wisely elected to moderate our activity and slow down our lending plans. We do not believe it is sustainable to develop and grow the Society, as we have done so successfully in recent years, if yields on mortgages, which are used to pay our savers and run the Society, are 1% or less. This is a clear demonstration of our mutual ethos of running this Society for the long term benefit of all its members, whilst managing short term turbulence in trading conditions.

Whilst we remain vigilant for any opportunities that may arise as a consequence of these difficult trading conditions, we believe that the next 12-18 months will be characterised as difficult and uncertain. Margins for all societies will fall and housing transactions are likely to be flat at best. We therefore expect a period when our income profile will not be growing in the way that it has done so over the past five years.

However, as we have said previously, we remain confident in our strategy, recognising that in the years ahead it will be more important than ever for our members to plan for, and protect, their financial futures. Our unique proposition and continued investment in digitalisation will make The Nottingham more relevant to all age ranges, irrespective of the short term trading conditions.

#### Serving and rewarding our members

Over recent years we have championed the role of branches in the delivery of our unique proposition and finished 2017 by opening seven new branches in Cambridgeshire, Lincolnshire and Norfolk. I am pleased to report that we have continued to see our members taking advantage of our enlarged network. Savings balances in branches increased in 2018 by 13% and have now reached almost £2.4 billion; up from just over £1 billion in 2013. We have been very pleased with the performance of our seven new branches with balances achieved of almost £100 million and over 5,000 new members welcomed. This is ahead of our expectations. We now have £0.5 billion of balances in our new branches which have opened between 2013 and 2017. We continue to attract new members, with over 25,000 joining us in 2018. This included new LISA customers, as we became only the second provider to offer a Cash Lifetime ISA, giving our members an opportunity to save for their first home and receive up to a £1,000 bonus every year from the Government. We are excited about the opportunity to grow a new section of our membership in 2019, particularly when we offer our LISA account online for the first time through our new innovative savings platform.

Members continued to benefit from our unique member rewards scheme which is designed to reward members, with cashback and discounts for planning and protecting their financial futures – in 2018 members benefited to the tune of just under £0.5 million. Members also continue to increase their use of our unique whole-of-market mortgage advice service through Nottingham Mortgage Service ('NMS'), with a record number benefiting from our advice in 2018. Over the past five years we have helped almost 12,000 customers find the right mortgage for them, from across the market. This is set to grow further as increasing numbers of members remortgage through the service – in fact in 2018, over 30% of our total business was for existing NMS customers taking a new deal.

In December we were excited to launch our concept branch in new premises at Newark. There are a number of new innovations which we expect to be popular with members including individual seated booths for transacting, no more standing at the counter and the introduction of a new community area which provides facilities and technology for community groups to take advantage of. We will be reviewing the results and findings closely before commencing a broader rollout of our new approach to branch advice and service.

Continued excellence in advice and service from our team members has enabled us to continue to deliver world class levels of customer service. We have maintained our Net Promoter Score of 79%, which is some way ahead of the financial service average of 49%. We were also very pleased to note that The Nottingham was announced as one of the firms with the lowest level of complaints across the entire financial services industry, according to official FCA figures, for the first half of 2018.

This message was endorsed to me and my senior colleagues by our members as we embarked on a number of member roadshows across our branch network in 2018. These events are important in confirming that we are consistently meeting our high service standards and to give members the opportunity to let us know what good looks like for them and how we could further improve our service. My thanks go to all our members who take the time to join us on these events and provide their feedback.

## Our performance

Following a strong first half of the year for lending, changing market conditions led to us temper our plans for the remainder of 2018.

We ended the year by growing our mortgage book by 4% to £3.5 billion; this was supported by gross lending of £834 million and over £600 million of existing customers switching to new terms with us at the end of their current deal. Whilst gross lending was not at the record level of the previous year, our capability to retain customers supported the good overall growth of the mortgage book.

As a mutual, we benefit from the ability to plan for the long term in the best interests of the Society's members. As such we do not need to strive to maximise profit but continue to operate and develop the Society in a sustainable manner. This is well demonstrated in our financial performance for 2018, where we have grown net interest income, in the year by 4%. However, we have seen the anticipated impact of our investment plans for the Society's future as we report a profit before tax of £11.8 million, which is down £2.7 million or 19% on 2017. This is despite managing administration expenses to an increase of just £1.7 million (4%) over the period. Overall this has enabled us to reduce our management expense ratio, which has fallen slightly in 2018 to 1.09%. In the coming period, we expect to need to continue to closely manage our mix of investment and administrative expenses, to strike the right balance for our members. We believe that this is the right approach to secure the future capability and sustainability of the Society, as we respond to significant shifts in customer behaviour and expectations.

## Quality and strength

As always, the Society has continued to maintain a high level of financial strength underpinned by strong capital, liquidity and high credit risk standards. Our performance in 2018 has sustained our strong capital levels at a leverage ratio of 5.1%, as well as maintaining appropriate levels of high quality liquidity. Despite increased competition, we have maintained our high standard of credit assessment and this is reflected in our market leading credit quality. Under the new IFRS 9 provisioning methodology, we have seen a small release of provisions for losses related to our lending this year. This is underpinned by the fact that from over 26,000 mortgage accounts, we only have 42 which are three months or more in arrears, remaining at an almost de minimis level for a book of this size. All evidencing the financial strength of the Society.

## Operational excellence

If we are to maintain our current standards and develop our proposition and service so that it remains relevant to existing and prospective new members, we must continue to invest in, and develop, the capability of the Society to ensure that we meet our members needs now and in the future.

In 2018, we have embarked on an extensive programme of digital development to ensure that in the future our members can benefit from an engaging and innovative online offering, which seamlessly integrates with our face-to-face service, ultimately offering the best of both worlds.

# SUMMARY FINANCIAL STATEMENT

In December, we were proud to announce the launch of 'Beehive Money'; our first large scale implementation of our new internet platform capability delivered in partnership with Salesforce – a global leader in digital customer relationship management. All existing online savers have now been moved over to Beehive Money, which offers a speedier, simpler, and more intuitive way to save money online.

In 2019 we aim to move our mortgage intermediary broker application system onto the new platform and, in doing so, radically reduce the time it takes to apply for, and receive, a decision in principle from us. We will also introduce the opportunity for our LISA savings customers to apply for and conduct their account online as well as in branch, and ultimately offer all Society savings customers the opportunity to operate their savings accounts online in addition to in-branch. At present they must choose one or the other.

In addition to launching our new concept branch in Newark, we have also been investing in technology across our branch network to provide quicker access to advice and support. We have installed a high definition video capability across our branch network, which enables us, to offer customer interviews in branch with one of our specialists, wherever they may be, across our branch network or at our head office in Nottingham. The dual screen technology, supported by network printing, allows continuous dialogue with one of our advisors whilst also being able to present all relevant details to customers. Initial customer reaction to this new innovation has been excellent and it has significantly reduced the need to make an appointment with one of our specialist mortgage advisers. This is another example of how we can maximise the utilisation of our branch network as an advice and service hub.

## Board

Reflecting the pace of change within the Society and in general, the Board has continued to evolve during the year.

Simon Baum joined us as a Non-Executive Director in June. Simon joins us following a successful career in retail banking where he specialised in credit risk and risk management at a range of firms including Experian, PwC, Alliance & Leicester plc, Santander UK plc and Nationwide Building Society. Simon has already brought his wide and extensive experience to bear to the benefit of the Society as Chair of our Board Risk Committee – I welcome Simon to our Board.

Following almost eight successful years as Chief Operating Officer, Simon Taylor left the Society to pursue new challenges. Simon was an integral part of the executive team that has grown and developed the Society; almost doubling our assets and taking our branch network from 34 branches over four counties to 67 covering 11 counties. We thank him for his contribution and wish him well for the future.

Charles Roe joined us in April as Chief Risk Officer from Grant Thornton LLP where he was a Director in their Regulatory Financial Services practice. Prior to that Charles was at the FSA/FCA where he undertook a number of senior supervisory roles including Head of Department for the Insurance Broking and Mortgage and Building Society sectors. Charles has established himself strongly in his first few months with the Society and we were delighted to appoint him as an Executive Director of the Society in January 2019.

After having served the Society loyally for 13 years, I am sorry to announce that Jane Kibbey, our Senior Independent Director and Vice Chair will be retiring from the Board when her period of office expires at the AGM in April.

Jane has served the Society and Board tirelessly over what has been a significant period of change and success. During her tenure she has, at various points, been a member of all four Board sub-committees; most notably as Chair of the Remuneration Committee from 2015 to 2017. She has consistently championed the voice of the member, ensuring that we have maintained world class service levels over many years and consistently delivered great value to our growing membership.

Since succeeding Keith Whitesides as Senior Independent Director and Vice Chair, Jane has continued to support me with her wise counsel and effervescent enthusiasm for The Nottingham and its mutual values. We all wish Jane our very best wishes for the future and a long and happy retirement, whilst committing to maintain her enthusiasm and focus on delivering value to our members through our unique proposition. Thank you Jane for your support and guidance, you will be missed by all of us.

## Supporting our communities

One of the four pillars upon which we base the Society is how we support our communities through our Doing Good Together initiative. I am pleased and proud that we have continued to do this through a wide range of activities all aimed to support one of our charitable themes of homelessness, employability and financial awareness.

Our Grants for Good scheme provided £32,000 to a whole range of groups, supporting over 3,000 people across Nottinghamshire, Leicestershire, Lincolnshire, Norfolk and South Yorkshire – our grant programme has now distributed over £170,000 in the past seven years.

We also continued to commit strongly to our charity partnership in 2018. 250 students at more than 15 schools and colleges have benefited from our support of the great work carried out by Young Enterprise to ignite commercial and entrepreneurial skills in teenagers. 300 students have also benefited from our Money Academy sessions, designed to help with personal money management.

We have sponsored and participated in three Sleep Out events in support of Framework this year – supporting 500 fundraisers to fund the rough sleeper hotline and support the charity's off the street campaign. We have also supported 50 local up and coming athletes through our support of the charity SportsAid, some of whom have gone on to represent Great Britain at a range of international events.

Of course our staff continued to do fantastic things. Volunteering for a whole range of charitable activities in support of our charity partners and a significant amount of fundraising for Macmillan, Help for Heroes, MND, Homestart, Stonebridge City Farm and Second Helpings. As ever, my gratitude and immense respect go to all our team members who selflessly gave their time and financial support to such a wide range of deserving causes.

## Summary and outlook

2019 will undoubtedly be a year of uncertainty for us all. We continue to believe that our unique proposition, if delivered brilliantly and continually evolving to match those changing expectations, will remain as popular as ever with our growing membership.

We are committed to creating the ideal hybrid of traditional service and advice with digital accessibility and innovation. That will enable us to help our growing membership plan for their financial futures more effectively and efficiently. We aim to do this by continuing to focus on serving and rewarding membership and having strong financial adequacy, whilst being reputable and resilient to all market conditions and supporting the communities in which we serve.

I would once again like to thank all our team members at The Nottingham and my colleagues on the Board for their enduring enthusiasm and commitment to developing our strategy and serving our members.

Finally I would like to thank our members who continue to support loyally the Society.

**John Edwards**  
Chairman

14 March 2019

# SUMMARY FINANCIAL STATEMENT

Results for the year	2018 £m	2017 £m
Net interest receivable	50.2	48.3
Other income and charges	5.1	7.0
Administrative expenses	(43.4)	(41.3)
Impairment losses	(0.2)	1.3
Provisions	0.1	(0.8)
<b>Profit for the year before taxation</b>	<b>11.8</b>	<b>14.5</b>
Taxation	(2.4)	(3.0)
<b>PROFIT FOR THE YEAR</b>	<b>9.4</b>	<b>11.5</b>

Financial position at end of year	2018 £m	2017 £m
<b>ASSETS</b>		
Liquid assets	506.9	494.9
Mortgages	3,502.9	3,368.8
Derivative financial instruments	8.2	7.3
Fixed and other assets	35.6	29.4
<b>TOTAL ASSETS</b>	<b>4,053.6</b>	<b>3,900.4</b>

<b>LIABILITIES</b>		
Shares	2,869.2	2,595.4
Borrowings	918.0	1,042.3
Derivative financial instruments	5.9	9.9
Other liabilities	12.6	14.5
Subscribed capital	25.1	25.6
Reserves	222.8	212.7
<b>TOTAL LIABILITIES &amp; RESERVES</b>	<b>4,053.6</b>	<b>3,900.4</b>

Summary of key financial ratios	2018 %	2017 %
Gross capital as a percentage of shares & borrowings <sup>(Note 2)</sup>	6.55	6.55
Liquid assets as a percentage of shares & borrowings <sup>(Note 3)</sup>	13.38	13.60
Profit for the year as a percentage of mean total assets <sup>(Note 4)</sup>	0.24	0.31
Management expenses as a percentage of mean total assets <sup>(Note 5)</sup>	1.09	1.10
Management expenses as a percentage of mean total assets (Society only) <sup>(Note 5)</sup>	0.95	0.92

## NOTES

- The summary financial statement is prepared on a Group basis.
- The gross capital ratio measures the proportion which the Group's capital bears to the Group's shares and borrowings. The Group's gross capital consists of subscribed capital plus reserves. Capital provides a financial cushion against difficulties which might arise in the Group's business and therefore protects investors.
- The liquid assets ratio measures the proportion which liquid assets held in the form of cash, short term deposits and investments bears to the Group's shares and borrowings. As liquid assets are by their nature readily realisable, this assists the Group in its cash management and enables the Group to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.
- The ratio of profit for the year as a percentage of mean total assets measures the proportion which the profit after taxation for the year bears to the average balance of the total assets during the year. The ratio is similar to a company's return on assets. The Group needs to generate a reasonable level of profit each year in order to maintain its capital ratios at a suitable level to protect investors.
- The ratio of management expenses as a percentage of mean total assets measures the proportion which administrative expenses as reported in this document (which includes depreciation and amortisation) bear to the mean of total assets in accordance with the Accounts Regulations.

Approved by the Board of directors on 14 March 2019 and signed on its behalf by:

John Edwards  
Chairman

David Marlow  
Chief Executive

Daniel Mundy  
Finance Director

# INDEPENDENT AUDITOR'S STATEMENT

## Statement of the Auditors to the Members and Depositors of Nottingham Building Society

We have examined the summary financial statement of Nottingham Building Society for the year ended 31 December 2018 which comprises the 'Results for the year', 'Financial position at end of year' and 'Key financial ratios', comprising page 6, and the directors' emoluments disclosures on pages 10 and 11.

This statement is made solely to the Society's members and depositors of Nottingham Building Society, as a body, in accordance with Section 76 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members and depositors as a body, for our audit work, for this statement, or for the opinions we have formed.

## Respective responsibilities of directors and auditor

The directors are responsible for preparing the summary financial statement, within the Members' Newsletter, in accordance with the Building Societies Act 1986, which includes information extracted from the Annual Report and Accounts and the auditable part of the Directors' Remuneration Report of Nottingham Building Society for the year ended 31 December 2018.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Summary Financial Statement with the full annual financial statements, the Directors' Remuneration Report and the Directors' Report, and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and the regulations made thereunder.

## Basis of opinion

Our examination involved agreeing the balances disclosed in the Summary Financial Statement to the Annual Report and Accounts. Our audit report on the Society's Annual Report and Accounts and the auditable part of the Directors' Remuneration Report describes the basis of our opinion on those financial statements and the auditable part of that report.

## Opinion

In our opinion the Summary Financial Statement is consistent with the full annual financial statements, the Summary Directors' Report and the Directors' Remuneration Report of Nottingham Building Society for the year ended 31 December 2018 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made thereunder.

**Ernst & Young LLP**  
Registered Auditors  
Leeds

14 March 2019



# SUMMARY DIRECTORS' REMUNERATION REPORT

For the year ended 31 December 2018

## Statement by the Chair of the Remuneration Committee

On behalf of the Committee, I am pleased to present the annual directors' remuneration report, which sets out the remuneration policy, and details of the directors' remuneration in the year to 31 December 2018.

Nottingham Building Society is committed to best practice in its remuneration of directors. This report explains how The Nottingham applies the relevant principles and requirements of the remuneration regulations and Codes. The report has two sections:

- The Remuneration Policy which sets out the Society's remuneration policy for directors; and
- The Annual Remuneration Report which outlines how the policy was implemented in 2018.

There were no changes to the Remuneration Committee membership in 2018. Members of the Remuneration Committee during the period were:

<b>Kerry Spooner</b>	Non-Executive Director and Chair of the Committee
<b>John Edwards</b>	Chairman of the Board
<b>Andrew Neden</b>	Non-Executive Director and Chair of the Audit Committee

## 2018 performance and awards

The summary financial statement on pages 2 to 6 describes 2018 as a year of continued strong strategic progress in a very competitive and uncertain environment. The Nottingham is now the eighth largest building society with total assets of £4.1 billion. The year has seen good trading performance with regard to mortgage lending and increased assets in the year. The 'Member Rewards' programme continues to engage membership. There has also been continued growth in the area of branch savings balances, which now stand at £2.4 billion. We have also ensured that sufficient profit has been generated to cover our regulatory capital requirements and continue to invest in the Society, whilst maintaining competitive levels of return for our savers.

In the 2018 performance year, there has been continued focus on sustainability for The Nottingham and its members. The overall asset size has grown by 3.9%, total savings balances by 11% and the branch network now stands at 67 locations across 11 counties.

It is in this context that the payments to Executive Directors have been determined and are detailed in this report.

The Directors Annual Bonus Plan - the Directors received 40% of the total bonus payment for 2018 following the end of the performance year with 60% being deferred for three years and subject to malus<sup>1</sup> and clawback rules in line with Regulatory best practice.

The 2015 -2017 LTI payments made to directors during 2018 reflect the significant progress made over the period with regard to the key measures of cost income ratio, profit after tax ratio against the comparator peer group and delivery of strategic objectives. This represents settlement of the final LTI scheme and all future variable pay will be through the Directors' Annual Bonus Plan only.

In November 2018, Simon Taylor, the Group's Chief Operating Officer, left the business after almost eight years with the Society. This follows a wider restructure of the Board and Executive Committee construct as outlined by the Chairman on page 4.

During 2018, at the Remuneration Committee's request, a review of the fixed and variable pay arrangements for the Executive Directors and senior leadership was undertaken. The review had the objectives of determining appropriate levels of total reward and variable pay in line with a mutual ethos and current market data as well as delivering a simple reward structure for the Society. External advisers were appointed to support the review with job evaluation, reward benchmarking and providing best practice advice on the make-up and structure of remuneration in financial services outside of London and in the mutual building society sector in particular. The recommendations of the review were considered and accepted by the Committee in December 2018 and planning for implementation in the 2019 performance period is underway.

## Remuneration policy

The Nottingham's Remuneration Policy reflects its objectives for good governance, appropriate risk management and acting in the long term best interests of members.

The policy is there to ensure that:

- Remuneration should be sufficient to attract, reward, retain and motivate high quality leaders and employees to run The Nottingham successfully, delivering value for our members whilst avoiding paying more than is necessary for this purpose in line with our mutual ethos;

and

- Remuneration is structured to strike the right balance between fixed and variable pay. Variable pay schemes are designed to incentivise and reward appropriate behaviour and performance, aligned with The Nottingham's position on risk; rewards are only attributed to the delivery of success and achievement of objectives.

## Recruitment policy for Executive Directors

The Nottingham's approach to recruitment is to pay no more than is necessary to attract appropriate candidates to the role across the business, including Executive roles. Any new Executive Director's remuneration package will be consistent with our remuneration policy as outlined in this report.

Any payments made to Executive Directors on joining The Nottingham to compensate them for forfeited remuneration from their previous employer will be compliant with the provisions of the Remuneration Code and will be approved by the Remuneration Committee.

## Service contracts

All Executive Directors, in line with best practice, have contracts on a 12 months 'rolling' basis requiring 12 months' notice by the Society to terminate and 6 months' notice by the individual.

## Payment for loss of office of Executive Directors

Any compensation in the event of early termination is subject to Remuneration Committee recommendation and Board approval. Pension contributions cease on termination under the rules of the pension scheme.

## Other directorships

None of the Executive Directors currently hold any paid external directorships. David Marlow is a member of the FCA Small Business Practitioners Panel for which he receives a fee of £10,000 per annum.

## Executive Director's total remuneration

The total remuneration received by Executive Directors is detailed on pages 10 and 11. The information has been audited and shows remuneration for the years ending 31 December 2017 and 31 December 2018 as required under the Building Societies (Accounts and Related Provisions) Regulations 1998.

The remuneration of Executive Directors is considered annually by the Remuneration Committee attended by The Nottingham's Chief Executive, who (except in respect of his own remuneration) makes recommendations regarding executive pay and agreed recommendations are referred to the Board.

The Chief Executive is the Society's most highly paid employee and no employee earns more than any Executive Director.

The main elements of remuneration for Executive Directors are as follows. Full details of the different components of Executive Director remuneration are outlined in the directors' remuneration report in the Annual Report and Accounts.

- **Basic salary** – Fixed remuneration set to attract and retain executives of appropriate calibre and experience. Basic salary is assessed by reference to roles carrying similar responsibilities in comparable organisations. A comparator group is used that consists of executive director positions within building societies of a similar size and complexity.
- **Benefits and pension** – In line with market practice and includes a car allowance and private medical insurance. Executive Directors are invited to join the Society's defined contribution pension plan, or, as an alternative be provided with an equivalent cash allowance. The individuals receive a pension contribution of 15% of basic salary.
- **Variable pay – Executive Bonus Plan.** The scheme is linked to the delivery of Society and personal objectives. On target rewards 30% of basic salary with up to a maximum of 50% payable. 60% of the award is deferred over a three year period and payment is subject to meeting future Society and individual performance threshold criteria.
- **Variable pay – Legacy Long Term Incentive (LTI).** The final legacy LTI scheme, linked to the delivery of Society and personal objectives, was payable in 2018. On target rewards of 20.2% of basic salary up to a maximum of 30%.

## Non-Executive Directors

The Chairman and other Non-Executive Directors each receive an annual fee reflective of the time commitment and responsibilities of the role. Fees for Non-Executive Directors are set by reference to benchmark information from a building society comparator group, agreed with the Board and take into consideration the principles underpinning the annual Society salary review.

The Non-Executive Directors' fees are reviewed by the Chairman together with the Executive Directors before recommendations are referred to the Board. Remuneration of the Chairman is considered by the Remuneration Committee together with the Society's Chief Executive without the Chairman being present.

Non-Executive Directors do not receive variable pay or pensions in order to encourage their independence.

Non-Executive Directors are reimbursed for reasonable expenses incurred during the course of their work on the Society's business.

# SUMMARY DIRECTOR'S REMUNERATION REPORT

## Annual report on remuneration

### Executive Director remuneration

Audited Society	2018 David Marlow £000	2018 Daniel Mundy £000	2018 Ashraf Piranie £000	2018 Simon Taylor £000	2018 Total £000	2017 David Marlow £000	2017 Daniel Mundy £000	2017 Ashraf Piranie £000	2017 Simon Taylor £000	2017 Total £000
<b>Fixed remuneration</b>										
Salary <sup>1</sup>	306	236	-	493	1,035	296	161	96	223	776
Benefits <sup>2</sup>	10	9	-	8	27	10	55	2	9	76
<b>Variable remuneration</b>										
Annual bonus <sup>3</sup>	37	28	-	-	65	43	21	-	31	95
Long term incentive plans <sup>4</sup>	58	-	-	43	101	60	-	-	47	107
	411	273	-	544	1,228	409	237	98	310	1,054
Pension contribution	46	35	-	32	113	44	24	5	33	106
	<b>457</b>	<b>308</b>	<b>-</b>	<b>576</b>	<b>1,341</b>	<b>453</b>	<b>261</b>	<b>103</b>	<b>343</b>	<b>1,160</b>

The directors are able to sacrifice elements of their salary and variable pay. All figures disclosed in the table above are presented pre-sacrifice.

<sup>1</sup> Simon Taylor left the Society on 30 November 2018. His 2018 salary includes £232,000 for contractual payment in lieu of notice and an ex-gratia payment of £80,000 made in lieu of the 2018 annual bonus, holiday pay and in recognition of his commitment and service to the Society. The 2017 salary of Ashraf Piranie includes £60,000 for an ex-gratia payment made in lieu of notice, holiday pay and in recognition of his commitment and service to the Society.

<sup>2</sup> The 2017 benefits of Daniel Mundy include £48,000 for payments agreed under his contract of employment to enable his relocation to the East Midlands area.

<sup>3</sup> The annual bonus figure reflects the amount awarded in the year which is not subject to deferral and is the total paid. The remaining 60%, which is subject to deferral and the achievement of threshold criteria, will be disclosed in the year of payment.

<sup>4</sup> Legacy LTI Scheme now fully paid out.

The unpaid deferred elements of the annual bonus scheme are as follows:

Executive Directors	Performance Year	Due 2019 £000	Due 2020 £000	Due 2021 £000	Due 2022 £000	Total Deferred £000
David Marlow	2015	53	-	-	-	53
	2016	-	47	-	-	47
	2017	-	-	64	-	64
	2018	-	-	-	56	56
		<b>53</b>	<b>47</b>	<b>64</b>	<b>56</b>	<b>220</b>
Daniel Mundy	2017	-	-	32	-	32
	2018	-	-	-	42	42
		-	-	<b>32</b>	<b>42</b>	<b>74</b>
Simon Taylor	2015	38	-	-	-	38
	2016	-	33	-	-	33
	2017	-	-	47	-	47
	2018	-	-	-	-	-
		<b>38</b>	<b>33</b>	<b>47</b>	<b>-</b>	<b>118</b>
		<b>91</b>	<b>80</b>	<b>143</b>	<b>98</b>	<b>412</b>

Simon Taylor will receive outstanding deferred elements to be paid when due, in line with the terms of the annual bonus scheme. This is subject to achievement of the threshold criteria and Remuneration Committee approval.

## Non-Executive Director remuneration

<b>Audited Society</b>		<b>2018 £000</b>	<b>2017 £000</b>
Simon Baum	(appointed 18 June 2018)	35	-
John Edwards (Chairman)		71	68
Jane Kibbey (Vice-Chairman from 29 March 2017)		45	44
Andrew Neden		50	47
Kavita Patel		39	37
Kerry Spooner		47	40
Guy Thomas		-	23
Keith Whitesides (Vice-Chairman until retirement)		-	10
<b>Total emoluments for services as directors</b>		<b>287</b>	<b>269</b>

On behalf of the Board of Directors,

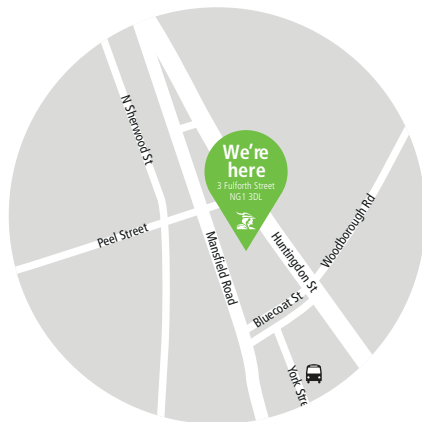
**Kerry Spooner**

Chair of the Remuneration Committee

14 March 2019

# NOTICE OF ANNUAL GENERAL MEETING 2019

The annual general meeting of Nottingham Building Society will be held at Nottingham House, 3 Fulforth Street, Nottingham, NG1 3DL on Wednesday, 24 April, 2019 at 6.30 p.m. for the following purposes:



1. To receive the auditor's report.

## Ordinary Resolutions

2. To receive the directors' report, annual accounts and annual business statement for the year ended 31 December 2018.
3. To consider and, if thought fit, pass an ordinary resolution to re-appoint Ernst & Young LLP as auditors until the conclusion of the next annual general meeting.
4. To consider and, if thought fit, approve the report of the directors' on remuneration.

## Election of Directors

5. To consider and if thought fit:
  - a. to elect Simon Graydon Baum
  - b. to elect Charles Hamilton Roe
  - c. to re-elect John Stephen Edwards
  - d. to re-elect David John Marlow
  - e. to re-elect Daniel William Mundy
  - f. to re-elect Andrew Frederick John Neden
  - g. to re-elect Kavita Patel
  - h. to re-elect Kerry Madeline Spooner

as directors of the Society.

By order of the Board

**S Bolton, Secretary**

14 March 2019

## Notes

1. These notes form part of the notice of meeting.

## 2. Re-election/Election of Directors

The Board is committed to complying with best practice in corporate governance and all directors are submitted for election at the annual general meeting (the 'AGM') in accordance with the UK Corporate Governance Code.

Non-Executive Directors can serve up to a maximum of three three-year terms. Any extension must be approved annually, subject to rigorous review, and be explained giving due consideration to the continuing independence and objectivity of the Non-Executive Director.

The Nominations Committee makes recommendations for the Board concerning the re-appointment of any Non-Executive Director at the conclusion of their specified term of office, having due regard to their performance and ability to continue to contribute to the Board in light of knowledge, skills and experience required.

## 3. Rules

Copies of the Society's Rules may be obtained from the principal office or the Society's website.

#### 4. Proxies

If you are unable to attend and vote at the meeting, you may appoint a proxy to attend and vote for you either by using the enclosed proxy voting form or by completing it online. You may appoint the chairman of the meeting or anyone else as your proxy. Your proxy does not have to be a member of the Society. Your proxy may vote for you at the meeting but only on a poll. A poll is a formal written vote; for example, the election of directors will be by poll. Your proxy may speak at the meeting and may demand or join in demanding a poll.

You may instruct your proxy how to vote at the meeting. Please read the instructions on the proxy voting form.

To be valid, proxy voting forms must be signed and returned (or submitted electronically) so as to reach ERS no later than midnight on 20 April 2019.

#### 5. Voting qualifications

You can vote if you:

- a) are at least 18 years old on 24 April 2019; and
- b) (i) held shares to the value of not less than £100 in the Society on 31 December 2018 and have continued to hold shares at all times between 31 December 2018 and the voting date; or  
(ii) owed the Society not less than £100 in respect of a mortgage debt on 31 December 2018 and owe the Society not less than £100 in respect of a mortgage debt on the voting date; and
- c) are the only or the first named account holder in our records for the relevant share or mortgage account.

The 'voting date' referred to above is:

- a) 20 April 2019 if you are voting by proxy (whether using the enclosed form or completing it online); or
- b) 24 April 2019 if voting in person at the meeting.

6. In addition, **you can vote only once** as a member, irrespective of the number of mortgage and savings accounts you hold and whether you hold accounts in different capacities (for example, on your own behalf and as a trustee).

#### 7. Identification

- a) We ask shareholding members attending the meeting to produce their passbooks or other evidence of membership.
- b) We ask borrowing members attending the meeting to have their account number available as evidence of membership.
- c) If you are appointing a proxy, other than the chairman of the meeting, to attend the meeting and vote on your behalf, please make sure that your proxy brings an appropriate form of identification to the meeting.

# YOUR BOARD OF DIRECTORS

at 31 December 2018

## Directors up for election/ re-election

John Edwards

Chairman



**Age 63 Date of appointment 01.02.12**

John joined the Board in February 2012 and was appointed Chairman in May 2014. In his executive career, he held a number of roles at a CEO level in the insurance and investment sector, retiring in 2009 from Lloyds Banking Group where he was CEO of their international financial services division. He was the senior independent Non-Executive Director of the LV Group until September 2015 and is currently a Non-Executive Director of Saga Services Ltd and GreyCastle Life Reinsurance (SAC) Ltd.

**"Last year, I stated how privileged I feel to serve as Chairman and also referred to The Nottingham's deeply rooted customer-focused culture. During 2018, the Society has attracted more savers, particularly in our branches, advised more customers than ever before regarding their mortgages and other financial needs and has continued to open new branches. If re-elected, I would be proud to continue to serve as your Chairman ensuring that the Society continues to deliver value to its growing membership base in a safe and secure way."**

Simon Baum



**Age 56 Date of appointment 18.06.18**

Simon joined the Board in June 2018. Simon has spent over 30 years specialising in risk management within the financial services arena, holding several senior positions at Experian, Alliance & Leicester and Santander, both within the UK and overseas. His previous roles include Director of Mortgage Risk at Santander.

**"It is a both a pleasure and a privilege to be a director of The Nottingham. In uncertain times, our Society has continued to maintain a strong focus on ensuring that it delivers its strategic objectives whilst protecting both members' interests and financial resources. If elected I look forward to continuing this effort to ensure that the long-term sustainability of the Society is preserved."**

David Marlow\* ACIB

Chief Executive



**Age 53 Date of appointment 16.01.06**

David joined the Board in 2006 and became Chief Executive in 2011. Prior to his appointment as Chief Executive, David held the post of Retail Director. He has over 30 years' experience drawn from a number of senior roles in the financial services industry. Before joining The Nottingham, David held a number of senior posts in retail banking at Alliance & Leicester Plc, including Director of Current Accounts & Savings and Managing Director Alliance & Leicester Direct. He is currently a member of the Building Societies Association Council representing the Midlands and West Regional Association, which he chairs, and also represents building societies on the FCA's Small Business Practitioners Panel. He is a director of Nottingham Property Services Ltd, Nottingham Mortgage Services Ltd, Harrison Murray Ltd and HM Lettings Ltd.

**"I am proud to lead the team at The Nottingham who work hard every day to deliver our unique mutual brand of advice, choice, service and value to members across our heartland. We are committed to supporting and rewarding our growing membership to plan for and protect their financial futures. If re-elected I undertake to continue to build on the progress of recent years delivering excellent customer service to members and ensuring the Society has a relevant, sustainable proposition to continue to flourish."**

## Directors up for election/ re-election (continued)

**Daniel Mundy\*** BA (Hons)

Finance Director



**Age 42 Date of appointment 19.04.17**

Daniel joined the Board in April 2017 as Finance Director. He has over 20 years' experience in the finance services industry and prior to joining The Nottingham held a number of senior roles in retail banking organisations, which include Co-operative Bank, Nationwide, Santander, Yorkshire Building Society and the Financial Services Authority. Daniel is responsible for Finance, Treasury and Credit Risk along with delivery of the Group strategy and business planning activities. He is a director of Nottingham Property Services Ltd, Nottingham Mortgage Services Ltd, Harrison Murray Ltd and HM Lettings Ltd.

**"It is a privilege to be a director of The Nottingham, a trusted mutual focused on doing the best for our membership. If re-elected, I look forward to continuing to contribute to the delivery of our unique proposition in the interests of all members."**

**Andrew Neden** MA, FCA



**Age 56 Date of appointment 17.09.14**

Andrew joined the Board in 2014. He is a Chartered Accountant with over 35 years' experience in financial services in the UK and overseas. After a number of years running KPMG's UK financial sector transaction services team, he was the global Chief Operating Officer for KPMG's financial services business. Current directorships include the Wesleyan Assurance Society and ABC International Bank Plc; he chairs the Audit Committee for both organisations. He also chairs Aetna Insurance Company Limited.

**"It continues to be a pleasure to serve as a director of the Society. Despite pressures on margins and returns we focus on our members' wider financial needs and implement a strategy to make the range of services we offer more accessible to more members. If re-elected I intend to continue to press forward this strategy, and also ensure we maintain the long term sustainability of the Society and sector."**

**Kavita Patel**



**Age 42 Date of appointment 01.01.17**

Kavita joined the Board at the beginning of 2017. She is a partner and Head of Investment Funds at the law firm, Shakespeare Martineau. Kavita has a wealth of experience advising clients in the financial services arena both in the retail and institutional space on corporate, regulatory and governance matters.

**"I consider it a great privilege to be a director of The Nottingham. Our Society is a strong, prudent mutual, firmly rooted in its expanding heartland. Our strategy remains focused on our members' wider financial needs, being accessible both in branch and through the use of technology, as well as delivering exceptional customer service. If re-elected I look forward to continuing this focus and ensuring our members' interests are at the heart of everything we do."**

\*Executive Director



# YOUR BOARD OF DIRECTORS

at 31 December 2018

## Directors up for election/ re-election (continued)

Charles Roe\*

Chief Risk Officer



**Age 53 Date of appointment 16.01.19**

Charles joined The Nottingham in April 2018 and became a member of the Board in January 2019. Prior to joining The Nottingham he was a director in the Regulatory Financial Services Practice at Grant Thornton LLP and worked for the FCA/FSA for 11 years, undertaking a number of senior supervisory roles including Head of Department for the mortgage sector. His early financial career began in the East Midlands with Standard Chartered Bank. As Chief Risk Officer, he is responsible for the design and implementation of the Society's Risk Management Framework, ensuring it correctly controls, identifies and provides assurance over key risks across the organisation.

**"Being asked to join The Nottingham's Executive team as Chief Risk Officer is an honour. If elected, I look forward to working with colleagues across the business to ensure our unique heritage is maintained and our member proposition is delivered to the benefit of all members."**

Kerry Spooner LLB (Hons)



**Age 57 Date of appointment 01.09.16**

Kerry joined the Board in September 2016. Kerry had 10 years of financial services experience in the building society sector before joining the Board. She acted as a Non-Executive Director at two other building societies and has experience as Vice Chair, Senior Independent Director and Chair of Remuneration Committee. Prior to that Kerry worked as a solicitor for 20 years, the last nine years as a corporate finance partner of the international law firm Allen & Overy LLP. Kerry is also a Non-Executive Director of Scotiabank Europe plc.

**"Our Society is a strong, prudent mutual firmly rooted in its expanding heartland. We put our members at the forefront of everything we do. If elected I look forward to continuing this focus and to contributing to the future success of our Society."**

## Retiring Directors

Jane Kibbey BSc, MCIPD



**Age 68 Date of appointment 01.05.06**

Jane joined the Board in 2006. She has a wealth of experience gained in financial services and human resources. Jane has worked in a range of high profile companies, retiring as Group Human Resources Director for Prudential Plc, a role she held for nine years.



 [thenottingham.com](http://thenottingham.com)  
 0344 481 4444

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