30 June 2015

Interim Financial Report

The Nottingham

Bringing your finances closer to home

Contents

IFRS results

This interim Financial Report for the six months ended 30 June 2015 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (FCA) and with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union (EU). The Interim Financial Report should be read in conjunction with the Annual Report & Accounts for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Forward looking statements

Certain statements in this Interim Financial Report are forward looking. The Society, defined in this Interim Financial Report as Nottingham Building Society and its subsidiary undertakings, believes that the expectations reflected in these forward looking statements are reasonable based on the information available at the time of the approval of this report. However we can give no assurance that these expectations will prove to be an accurate reflection of actual results; because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward looking statements. We undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

Chief Executive introduction

I am pleased to present the results for the six months ended 30 June 2015 as we continue to develop our unique proposition combining service, advice, value and choice to an increasing number of customers across our heartland. This has resulted in continued strong financial performance for the first half of the financial year, increasing our membership and heartland presence, whilst further investing in our Society for the future.

Key performance highlights include:

- Group pre-tax profit at £9.3m, up from £8.9m at June 2014, and resulting in profit after tax ratio of 0.40%;
- Branch retail balances up by 7% to £1.6 billion;
- Gross mortgage lending of £268m;
- Arrears levels remain low at 0.34% of total mortgage book;
- Net interest margin of 1.49%;
- Strong capital ratios with a common equity tier 1 ratio of 15.9% and leverage ratio at 5.1%;
- Cost to income ratio of 62.2%;
- Net promoter score of 74%;
- Opening of 4 new branch locations;
- Society's credit rating with Moody's upgraded to Baa1 from Baa2.

Your Society

A key feature of our strategy is to provide our members with access to first class building society services, whole of market mortgage and financial advice and estate agency services all under one roof from a source that they can trust; something that is increasingly hard to find today on high streets across our heartland.

This unique proposition from a UK building society makes us increasingly relevant to a much broader proportion of our heartland population and has played a key part in increasing our heartland based membership. This progress is best demonstrated by the popularity of our four newest locations: Ashbourne, Matlock, Harpenden and St. Albans, which have all opened in the first six months of this year. In fact over the past two years we have increased our number of high street building society locations by over 30% and now have 45 branches offering building society services with whole of market mortgage and financial planning advice to our members and new customers, with a further 11 locations currently offering estate agency services only.

In the first half of this year, the level of branch based retail savings balances have increased by a further 7% and are now in excess of £1.6 billion; an increase of more than 50% since the beginning of 2013, when we began increasing our heartland footprint. Our unique proposition and brand of service is valued by our customers and this is not only demonstrated in the rising savings balances, increased membership and activity levels in our branches but also in our independently run customer satisfaction programme which looks specifically at the levels of advocacy amongst our customers. This is best demonstrated by our net promoter score, which currently stands at 74% and is more than double the average for the financial services sector overall at 30%.

Our performance

Since 2010, the Group has successfully grown its balance sheet by more than 35%, one of the largest levels of growth in the sector. This has been achieved whilst ensuring that we effectively balance the conflicting needs of our savings and mortgage customers and to only lend if we achieve our required risk adjusted return on capital, within our risk appetite. As we entered 2015, the Board assessed that in the current market environment, with a large number of mortgage products priced below 2%, it was not appropriate to continue our sector leading growth performance and whilst we do expect to further increase our balance sheet in 2015, at the half year point it is broadly similar in size to that at the end of 2014. However in a further demonstration of the effectiveness of our strategy to be more relevant to more heartland customers, we have provided mortgage advice and support to over 30% more customers in the first six months of this year, compared to the same period in 2014.

If we are to meet the increasing demands of our customers and attract new ones to the Group, it is essential that as we grow and expand we continue to invest in our systems, people and capability. Reflecting this, our capital expenditure continues to be relatively high at £1.5 million, or 9% of our total expenditure. In the second half of the year we expect to continue to develop and invest in our infrastructure, as well as implement a number of staff development initiatives as we work hard to make The Nottingham an employer of choice in our trading area.

The Board takes very seriously its responsibility to ensure the Group operates in a safe and secure manner, meeting all of its regulatory requirements and acting in line with our mutual ethos. We are happy therefore to report strong pre-tax profits of £9.3m in the first six months of this year, a level of post tax profitability at 0.40% of mean assets which is towards the top range of our appetite. Our resultant strong capital base enables us to continue to invest accordingly to strengthen the Society's offering and make us more relevant to more potential members now and in the future. This strong performance has also been reflected in The Nottingham's credit rating. Following a review of the UK banking sector by Moody's The Nottingham was one of only 3 institutions to have their credit rating upgraded with the rating now one notch up at Baa1.

We are pleased with our strategic progress and are confident that our good performance in the first six months of 2015 will allow us to continue to grow and expand the business and deliver sustainable value to our customers through the second half of the year and beyond. The low interest rate environment is likely to remain with us for some time yet and this will continue to challenge us to strike the appropriate balance between our savers and borrowers in an extremely competitive market, with mortgage rates now at an all time low. We remain committed to the belief that it is essential for the Society to differentiate strongly from the big banks through focusing on providing customers with expert advice on their financial affairs supported by a high customer service ethos.

David Marlow
Chief Executive

Interim business and financial review

for the period ended 30 June 2015

Income statement

Overall, the Group reported a pre-tax profit of £9.3m for the first six months of 2015, an increase of 4% against our performance in the first half of 2014 (June 2014: £8.9m).

As expected the Group's interest margin has fallen marginally from 1.56% at December 2014 to 1.49% for the six months to June 2015 as the competitive nature of the mortgage market continues to reduce mortgage yields in the new business market. Despite the fall in interest margin, the Group's net interest income increased by 6% to £24.3m against June 2014 and reflects the timing of the prior year balance sheet growth.

Net fee income, including mortgage related product fees, estate agency and lettings fees totalled £4.4m for the first six months of 2015 (June 2014: £5.1m). Uncertainty around the outcome of the general election resulted in a lower than expected level of housing market activity and as a consequence lower mortgage and estate agency business volumes, which contributed to the reduction in fee income in the first half of the year. However reduced estate agency administrative expenses over the same period have mitigated against the overall impact on profits.

The Group's cost income ratio has improved to 62.2% and the management expense ratio has reduced to 1.11% for the period to the 30 June 2015, compared to 1.17% for the 2014 full year. Total administrative expenses for the Group have increased by 7% to £16.4m at June 2015 and reflects the costs associated with investment in the opening of four new branches during the period as well as further strategic investment in marketing to raise the Group's regional profile. This included our first TV advertisement campaign for many years and continued investment in our systems and people.

Impairment charge for loans and advances to customers remains low at £0.1m for the first six months of the financial year (six months to 30 June 2014: £0.1m), reflecting the continued strong performance of the Society's mortgage book.

The provision for liabilities and charges reflects the £1.5m current year estimated charge for the FSCS levy (June 2014: £1.8m). There have been no further costs relating to other customer redress provisions incurred during the first half of 2015.

Balance sheet

Overall at £3.25 billion, the Group's total assets have remained consistent with the position at the end of 2014.

Total mortgage balances have fallen by 0.6% to £2.7 billion, with gross lending in the period totalling £268 million as management has focused on maintaining a sustainable interest margin over chasing growth. Mortgage lending remains concentrated in prime high quality mortgage assets with residential mortgages accounting for 74% of the total mortgage book and residential lending primarily focused in the 60% - 80% LTV category. The Secured Business Lending (SBL) book reduced further in line with our plans to £74m.

Retail savings are the cornerstone of our funding requirements and despite the benign interest rate environment, the Society has continued to offer competitive savings products to members. Although total savings balances reduced marginally to £2.5 billion at the 30 June 2015, the Society's strong branch franchise continues to attract customers, with branch balances growing by 7%. The remainder of the Society's funding requirements is obtained from a combination of the traditional wholesale funding market and participation in the Funding for Lending Scheme. The wholesale funding ratio at 16.7% has increased from 15.1% at December 2014.

The Group has continued to maintain a strong liquidity position with a liquid assets ratio of 17.1% (31 December 2014: 16.8%).

Our arrears performance remains at sector leading levels with only 78 accounts out of a total of nearly 23,000 being 3 months or more in arrears, resulting in an arrears ratio of 0.34% compared to 0.38% at 31 December 2014. The level of repossessions in the first half of the year also continues to remain at a low level, with 5 cases recorded (year to 31 December 2014: 15 cases). We continue to support our customers who encounter financial difficulties, taking individual circumstances into account and agreeing tailored actions, whilst carefully monitoring the situation of the account status. At 30 June 2015, we had 179 customers receiving some sort of forbearance compared to 166 at 31 December 2014. Total impairment provisions are £4.9m at 30 June 2015, compared to £4.8m at 31 December 2014. This equates to 0.18% of the total mortgage book and remains unchanged from 31 December 2014.

Regulatory capital

Regulatory capital is measured on a Society only basis.

Capital comprises the Society's general reserve and subscribed capital provided through Permanent Interest Bearing Shares (PIBS). Capital is held to ensure the business can achieve its current and future plans, to provide a buffer against unexpected losses and to ensure that the minimum regulatory requirement is always met. The Society continues to focus on maintaining strong capital ratios with which to protect our members' interests. One measure of capital strength is the Society's Common Equity Tier 1 (CET1) ratio. CET1 capital is the strongest form of capital and comprises the Society's general reserves.

The Society has a Common Equity Tier 1 capital ratio as at 30 June 2015 of 15.9% (30 June 2014: 14.1%; 31 December 2014: 15.1%) and a leverage ratio under the final rules of 5.1% (30 June 2014: 4.4%; 31 December 2014: 4.9%).

Interim business and financial review
for the period ended 30 June 2015

Outlook

With the general election resulting in an unexpected outright majority for the Conservative party, we can potentially look forward to a period of greater political stability. The UK economy is continuing to improve with clear indications that modest growth is now reasonably well embedded.

On the housing market, the concerns of a price bubble expressed a year ago have dissipated somewhat in the face of the regulatory action to curb higher loan to value lending. However, with the removal of election uncertainty, a continued shortage of housing supply, improving household finances and a competitive mortgage market the consensus view is that house price gains of between 5% and 10% could be seen by year end.

With these competing economic pressures, the low interest rate environment is forecast to remain for the remainder of the year and will require the Group to remain watchful to ensure we continue to maintain an appropriate balance between savers and borrowers. The Group remains prudent in its assumptions and remains well positioned to navigate our members through a rising interest rate environment in the medium and long term.

The Group has a successful track record of delivering strong performance, security and value to its members and we expect this to continue in the second half of the year.

Principal risks and uncertainties

The Disclosure and Transparency Rules (DTR 4.2.7R) require that a description of the principal risks and uncertainties are given in the Interim Financial Report for the remaining six months of the financial year.

The principal risks and uncertainties affecting the Group were reported on pages 26 to 29 of the Annual Report and Accounts for the year ended 31 December 2014. These risks are categorised as credit, market, liquidity and funding, operational and business risk, which are common to most financial services firms in the UK. These risks continue to affect the Group as at 30 June 2015 and there have been no material changes to the Group's approach to risk management during the first half of the year.

The improvements seen in the UK economy through 2014 have continued into 2015 with GDP now above pre-crisis levels and optimism for the prospects of the UK economy reportedly at an all-time high. Notwithstanding this improvement, some of the risks previously identified remain evident and these risks and uncertainties, and how the Group is looking to mitigate them, are summarised below:

Funding for lending

The introduction of the Funding for Lending Scheme (FLS) and the Help to Buy Scheme in 2013 have continued to provide strong stimulus to the mortgage market which has led to a fall in new business market rates for both mortgages and savings. A further extension of FLS by HM Treasury in 2014 has lengthened the period this stimulus will have on both the mortgage and savings markets. The uncertain impact of FLS on the overall cost of funding and ultimately its withdrawal will need to be managed closely by the Society.

Competition and margin

Margin earned on core mortgage lending products may be reduced through increasing competition in an already highly competitive marketplace. This constraint is also exacerbated should interest rates remain at a lower level for longer than expected. The Society has clear risk-adjusted return thresholds which have to be met, and will adjust its growth plans to ensure it continues to deliver a long term sustainable return on its lending.

Housing market

The Group's business model has very close links to the housing market and therefore a downturn in the UK economy accompanied by challenging housing market conditions would have an adverse impact on the Group's performance. The Board actively monitors performance of the estate agency and lending activity and will respond accordingly to any impact of volatility or downturn in the market.

Retail lending impairments

The level of retail lending impairments has continued to remain benign with the number of arrears cases falling again from prior years. Although arrears are expected to remain stable while interest rates remain low, the Society will need to remain vigilant over the medium term with the pace of future increases in interest rates potentially putting borrowers under additional financial pressure. The majority of the Society's customers are currently on fixed rate mortgages and would therefore not be immediately impacted by changes in interest rates. Management has conducted stress testing on the book to gauge the impact of higher interest rate costs on our borrowers and are confident that our customers are well placed to manage these rising costs.

Whole of market mortgage advice service

The Group launched whole of market mortgage advice in 2014 and the experience in this area gained over a number of years through its broking service Nottingham Mortgage Services, places the Group in a good position. In addition the Group has strong governance and resources in place to ensure fair customer outcomes. The risk of lower sales of its own mortgage products is mitigated by a strong link with intermediaries through excellent service and clarity on lending policy and criteria. This initiative also provides the Society with a clear picture of the mortgage market and any potential future risks.

Eurozone stability

The Eurozone continues to remain fragile with ongoing political tensions and social unrest from austerity measures, the Greek financial crisis and the UK's reform-or-exit threat. Any further adverse development, if accompanied by a loss of confidence, is likely to have a large impact on the UK economy. Although the Group has no direct exposure to any Eurozone countries, the contagion or ripple risks to the domestic economy and consumer confidence would have an impact on the markets in which the Group operates in and would require the Group to respond effectively.

Buy to let mortgage market

Following the Chancellor's summer budget, a number of changes to the reliefs available to buy to let investors have been proposed. This may cause uncertainty in the buy to let market and management will carefully monitor the situation to respond accordingly.

Condensed consolidated income statement

for the period ended 30 June 2015

	Notes	Period to 30 June 2015 (Unaudited) £m	Period to 30 June 2014 (Unaudited) £m	Year ended 31 December 2014 (Audited) £m
Interest receivable and similar income	4	47.9	49.6	100.7
Interest payable and similar charges	5	(23.6)	(26.7)	(51.8)
Net interest income		24.3	22.9	48.9
Fee and commissions receivable		4.5	5.4	10.7
Fees and commissions payable		(0.1)	(0.3)	(0.4)
Net gains from derivative financial instruments		0.2	0.5	0.2
Total net income		28.9	28.5	59.4
Administrative expenses	6	(16.4)	(15.3)	(33.0)
Depreciation and amortisation		(1.6)	(1.7)	(3.9)
Finance cost		-	-	(0.2)
Impairment losses on loans and advances	11	(0.1)	(0.1)	(1.3)
Provisions for liabilities – FSCS levy	12	(1.5)	(1.8)	(1.8)
Provisions for liabilities – Other	12	-	(0.7)	(1.2)
Loss on disposal of property, plant and equipment and intangible assets		-	-	(0.6)
Profit before tax		9.3	8.9	17.4
Tax expense	7	(2.8)	(1.9)	(3.5)
Profit after tax for the financial period		**6.5**	**7.0**	**13.9**

Profit for the financial period arises from continuing operations.

Both the profit for the financial period and total comprehensive income for the period are attributable to the members of the Society.

Condensed consolidated statement of comprehensive income

for the period ended 30 June 2015

	Period to 30 June 2015 (Unaudited) £m	Period to 30 June 2014 (Unaudited) £m	Year ended 31 December 2014 (Audited) £m
Profit for the financial year	6.5	7.0	13.9
Items that will not be re-classified to the income statement			
Remeasurement of defined benefit obligation	-	-	(2.5)
Tax on items that will not be re-classified to the income statement	-	-	0.5
Items that may subsequently be re-classified to the income statement			
Available-for-sale reserve			
Valuation (losses)/ gains taken to reserves	(0.2)	-	0.8
Tax on items that may subsequently be re-classified to the income statement	-	-	(0.2)
Other comprehensive expense for the period net of income tax	**(0.2)**	**-**	**(1.4)**
Total comprehensive income for the period	**6.3**	**7.0**	**12.5**

Condensed consolidated statement of financial position

as at 30 June 2015

	Notes	30 June 2015 (Unaudited) £m	30 June 2014 (Unaudited) £m	31 December 2014 (Audited) £m
Assets				
Cash in hand		1.0	1.1	1.4
Loans and advances to credit institutions	8	369.7	303.9	343.5
Debt securities	9	143.2	146.4	165.8
Derivative financial instruments		8.1	22.1	9.9
Loans and advances to customers	10	2,699.2	2,571.9	2,718.3
Other assets		3.6	4.0	2.5
Property, plant and equipment		13.0	13.6	12.5
Intangible assets		8.6	10.5	9.2
Deferred tax assets		2.5	1.9	2.7
Total assets		**3,248.9**	**3,075.4**	**3,265.8**
Liabilities				
Shares		2,511.2	2,429.7	2,575.4
Amounts owed to credit institutions		280.1	207.3	264.2
Amounts owed to other customers		209.0	215.5	189.2
Debt securities in issue		12.5	4.5	3.5
Derivative financial instruments		9.7	5.6	13.6
Other liabilities and accruals		4.3	4.8	5.5
Current tax liabilities		2.5	1.9	1.4
Deferred tax liabilities		0.8	0.7	0.9
Provisions for liabilities	12	3.2	3.4	1.8
Retirement benefit obligations		5.9	4.3	6.6
Subscribed capital	13	26.3	26.1	26.6
Total liabilities		**3,065.5**	**2,903.8**	**3,088.7**
Reserves				
General reserves		183.2	171.8	176.7
Available-for-sale reserves	14	0.2	(0.2)	0.4
Total reserves attributable to members of the Society		**183.4**	**171.6**	**177.1**
Total reserves and liabilities		**3,248.9**	**3,075.4**	**3,265.8**

Condensed consolidated statement of changes in members' interests

for the period ended 30 June 2015

	General reserve	Available-for-sale reserves	Total
	£m	£m	£m
Balance as at 1 January 2015 (Audited)	176.7	0.4	177.1
Profit for the period	6.5	-	6.5
Other comprehensive income for the period (net of tax)			
Net losses from changes in fair value	-	(0.2)	(0.2)
Total other comprehensive expense	-	(0.2)	(0.2)
Total comprehensive income/(expense) for the period	6.5	(0.2)	6.3
Balance as at 30 June 2015 (Unaudited)	**183.2**	**0.2**	**183.4**
Balance as at 1 January 2014 (Audited)	164.8	(0.2)	164.6
Profit for the period	7.0	-	7.0
Other comprehensive income for the period (net of tax)			
Net gains from changes in fair value	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income for the period	7.0	-	7.0
Balance as at 30 June 2014 (Unaudited)	**171.8**	**(0.2)**	**171.6**
Balance as at 1 January 2014 (Audited)	164.8	(0.2)	164.6
Profit for the year	13.9	-	13.9
Other comprehensive income for the period (net of tax)			
Net gains from changes in fair value	-	0.6	0.6
Remeasurement of defined benefit obligation	(2.0)	-	(2.0)
Total other comprehensive (expense)/income	(2.0)	0.6	(1.4)
Total comprehensive income for the period	11.9	0.6	12.5
Balance as at 31 December 2014 (Audited)	**176.7**	**0.4**	**177.1**

Condensed consolidated cash flow statement

for the period ended 30 June 2015

	Period to 30 June 2015 (Unaudited)	Period to 30 June 2014 (Unaudited)	Year ended 31 December 2014 (Audited)
	£m	**£m**	**£m**
Cash flows from operating activities			
Profit before tax	9.3	8.9	17.4
Depreciation and amortisation	1.6	1.7	3.9
Loss on disposal of property, plant and equipment	-	-	0.6
Interest on subscribed capital	1.0	1.0	2.0
Net losses on disposal and amortisation of debt securities	(0.3)	(0.6)	(1.2)
Increase in impairment of loans and advances	0.1	0.1	0.9
Total	11.7	11.1	23.6
Changes in operating assets and liabilities			
Decrease/(increase) in prepayments, accrued income and other assets	0.7	(3.4)	(4.3)
(Decrease)/increase in accruals, deferred income and other liabilities	(4.0)	(2.1)	5.4
Decrease/(increase) in loans and advances to customers	19.0	(100.6)	(234.0)
(Decrease)/increase in shares	(64.2)	110.3	256.8
Increase/(decrease) in amounts owed to other credit institutions and other customers	35.7	(47.0)	(15.9)
Decrease/ (increase) in loans and advances to credit institutions	12.1	7.4	(16.1)
Increase/ (decrease) in debt securities in issue	9.0	(9.0)	(9.9)
(Decrease) in retirement benefit obligation	(0.7)	(0.3)	(0.4)
Taxation paid	(1.5)	(1.3)	(3.8)
Net cash generated by/(used in) operating activities	**17.8**	**(34.9)**	**1.4**
Cash flows from investing activities			
Purchase of debt securities	(78.6)	(63.5)	(107.8)
Disposal of debt securities	101.4	65.3	90.4
Purchase of property, plant and equipment	(1.5)	(1.2)	(1.7)
Disposal of property, plant and equipment	-	-	1.1
Purchase of intangible assets	(0.2)	(0.4)	(0.8)
Net cash generated by/ (used in) investing activities	**21.1**	**0.2**	**(18.8)**
Cash flows from financing activities			
Interest paid on subscribed capital	(1.0)	(1.0)	(1.9)
Net increase/ (decrease) in cash and cash equivalents	**37.9**	**(35.7)**	**(19.3)**
Cash and cash equivalents at start of period	318.6	337.9	337.9
Cash and cash equivalents at end of period	**356.5**	**302.2**	**318.6**

Notes to the interim financial report

1 Reporting period

These results have been prepared as at 30 June 2015 and show the financial performance for the period from, and including, 1 January 2015 to this date.

2 Basis of preparation and changes to the Group's accounting policies

Basis of preparation

This condensed consolidated financial report for the six months ended 30 June 2015 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (FCA) and with IAS 34 Interim Financial Reporting as adopted by the EU. The interim financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Annual Reports & Accounts for the year ended 31 December 2014, which have been prepared in accordance with IFRS as adopted by the EU.

The Group accounts consolidate the assets, liabilities and results of the Society and all its subsidiary companies.

The accounting policies adopted by the Group in the preparation of its 2015 Interim Financial Report are consistent with those disclosed in the Annual Report & Accounts for the year ended 31 December 2014. There were no new accounting policies and new standards or interpretations effective as of 1 January 2015 which were not previously adopted.

Going concern

Details of the Group's objectives, policies and processes for managing its exposure to liquidity, credit, market, operational and business risks are contained in the Risk Management Report of the 2014 Annual Report and Accounts. Taking these objectives, policies and processes into account alongside the current economic and regulatory environment, the directors confirm they are satisfied the Group has adequate resources to continue in business for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing this interim financial information.

Significant accounting judgement and estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event, or actions, actual results ultimately may differ from these estimates. Those items where management are required to make critical accounting estimates remain unchanged from the year ended 31 December 2014, and details are provided on page 44 of the 2014 Annual Report and Accounts.

3 Segmental reporting

Nottingham Building Society and its subsidiaries are all UK registered entities. The Group operates throughout the UK and reports through three operating segments, consistent with the internal reporting provided to the Board:

- **Building Society** – provides mortgages, savings, third party insurance and investments. Includes all income and costs associated with Nottingham Building Society.
- **Estate Agency** – provides estate agency and letting services. Includes all income and costs associated with Nottingham Property Services Ltd, Harrison Murray Ltd and HM Lettings.
- **Mortgage Broking** – provides whole of market mortgage broking services. Includes all income and costs associated with Nottingham Mortgage Services Ltd and TMAC Ltd.

	Building Society	Estate Agency	Mortgage broking	Consolidation adjustments	Total
Six months to 30 June 2015 (unaudited)	**£m**	**£m**	**£m**	**£m**	**£m**
Net interest income	24.3	-	-	-	24.3
Total net income	25.7	2.8	0.4	-	28.9
Profit/(loss) before tax	9.6	(0.3)	-	-	9.3

	Building Society	Estate Agency	Mortgage broking	Consolidation adjustments	Total
Six months to 30 June 2014 (unaudited)	**£m**	**£m**	**£m**	**£m**	**£m**
Net interest income	22.9	-	-	-	22.9
Total net income	24.8	3.4	0.3	-	28.5
Profit/(loss) before tax	9.1	(0.1)	(0.1)	-	8.9

Notes to the interim financial report

3 Segmental reporting (continued)

Year to 31 December 2014 (audited)	Building Society £m	Estate Agency £m	Mortgage broking £m	Consolidation adjustments £m	Total £m
Net interest income	48.9	-	-	-	48.9
Total net income	51.7	7.0	0.7	-	59.4
Profit/(loss) before tax	17.5	0.1	(0.1)	(0.1)	17.4

4 Interest receivable and similar income	Period to 30 June 2015 (Unaudited) £m	Period to 30 June 2014 (Unaudited) £m	Year ended 31 December 2014 (Audited) £m
On loans fully secured on residential property	50.1	51.8	105.3
On other loans	1.3	1.3	2.7
On debt securities	0.6	0.8	1.5
On liquid assets	0.9	0.8	1.7
On derivatives hedging of financial assets	(5.0)	(5.1)	(10.5)
	47.9	49.6	100.7

5 Interest payable and similar charges	Period to 30 June 2015 (Unaudited) £m	Period to 30 June 2014 (Unaudited) £m	Year ended 31 December 2014 (Audited) £m
On shares held by individuals	20.4	24.3	46.4
On deposits and other borrowings	2.7	2.2	4.8
On subscribed capital	1.0	1.0	2.0
On derivatives hedging of financial liabilities	(0.5)	(0.8)	(1.4)
	23.6	26.7	51.8

6 Administrative expenses	Period to 30 June 2015 (Unaudited) £m	Period to 30 June 2014 (Unaudited) £m	Year ended 31 December 2014 (Audited) £m
Staff costs			
Wages and salaries	9.0	7.9	16.6
Social security costs	0.7	0.6	1.1
Other pension costs	0.4	0.3	0.9
	10.1	8.8	18.6
Operating lease rentals	0.5	0.4	0.9
Other administrative costs	5.8	6.1	13.5
	16.4	15.3	33.0

Notes to the interim financial report

7 Tax expense	Period to 30 June 2015 (Unaudited) £m	Period to 30 June 2014 (Unaudited) £m	Year ended 31 December 2014 (Audited) £m
Profit before tax	9.3	8.9	17.4
Tax calculated at UK standard rate of 20.25% (30 June 2014: 21.5%; 31 December 2014: 21.5%)	1.9	1.9	3.8
Expenses not deductible for corporation tax	0.4	-	0.1
Losses brought forward	-	-	(0.1)
Adjustment for prior years	0.5	-	(0.3)
Tax expense	2.8	1.9	3.5

The effective tax rate for the six month period ended 30 June 2015 is 30.1% (30 June 2014: 21.5%; 31 December 2014: 20.1%). This differs from the standard rate of corporation tax in the UK due to the impact of disallowable expenditure, deferred tax movement and adjustments for prior years.

8 Loans and advances to credit institutions	30 June 2015 (Unaudited) £m	30 June 2014 (Unaudited) £m	31 December 2014 (Audited) £m
Repayable on call and short notice	347.5	296.1	312.2
Placements with credit institutions	8.0	5.0	5.0
Included within cash and cash equivalents	355.5	301.1	317.2
Other loans and advances to credit institutions	14.2	2.8	26.3
	369.7	**303.9**	**343.5**

9 Debt securities	30 June 2015 (Unaudited) £m	30 June 2014 (Unaudited) £m	31 December 2014 (Audited) £m
Movement on debt securities during the year may be analysed as follows:			
At 1 January	165.8	147.6	147.6
Additions	79.0	64.1	107.8
Disposals and maturities	(101.4)	(65.3)	(90.4)
Net (losses)/gains from changes in fair value recognised in other comprehensive income	(0.2)	-	0.8
At end of period	**143.2**	**146.4**	**165.8**

10 Loans and advances to customers	Note	30 June 2015 (Unaudited) £m	30 June 2014 (Unaudited) £m	31 December 2014 (Audited) £m
Loans fully secured on residential property		2,622.2	2,504.4	2,635.1
Other loans		73.9	78.7	76.0
		2,696.1	2,583.1	2,711.1
Provision for impairment losses on loans and advances	11	(4.9)	(4.0)	(4.8)
		2,691.2	2,579.1	2,706.3
Fair value adjustment for hedged risk		8.0	(7.2)	12.0
		2,699.2	**2,571.9**	**2,718.3**

Notes to the interim financial report

11 Provision for impairment losses on loans and advances

Impairment provisions have been deducted from the appropriate asset values on the condensed consolidated statement of financial position.

	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)	31 December 2014 (Audited)
Impairment charge/ (credit) for the period:	**£m**	**£m**	**£m**
Loans fully secured on residential property	0.1	0.2	(0.4)
Other loans fully secured on land	-	(0.1)	1.7
	0.1	0.1	1.3
Impairment provision at the end of the period:			
Loans fully secured on residential property	1.0	1.3	0.9
Other loans fully secured on land	3.9	2.7	3.9
	4.9	4.0	4.8

12 Provisions for liabilities

	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)	31 December 2014 (Audited)
	£m	**£m**	**£m**
At 1 January	1.8	1.8	1.8
Charge for the period	1.5	2.5	3.0
Provision utilised	(0.1)	(0.9)	(3.0)
	3.2	**3.4**	**1.8**

During the period, further provision was made in respect of FSCS totalling £1.5 million (30 June 2014: £1.8 million; 31 December 2014 £1.8 million). As at 30 June 2015, a provision of £2.7 million (30 June 2014: £3.1million; 31 December 2014: £1.2 million) was held for amounts payable to the Financial Services Compensation Scheme (FSCS).

Included above are also other provisions totalling £0.5 million (30 June 2014: £0.3 million; 31 December 2014: £0.6 million) made in respect of circumstances that may give rise to various customer claims, including claims in relation to previous sales of payment protection insurance and endowment policies. It is expected that the liability will predominately crystallise over the next 12 to 24 months. During the period, the Group raised no further charge (30 June 2014: £0.7 million; 31 December 2014: £1.2 million).

13 Subscribed capital

	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)	31 December 2014 (Audited)
	£m	**£m**	**£m**
7.875% sterling permanent interest bearing shares	23.9	23.9	23.9
Fair value adjustment for hedged risk	2.4	2.2	2.7
	26.3	**26.1**	**26.6**

The subscribed capital was issued for an indeterminate period and is only repayable in the event of the winding up of the Society. PIBS holders do not have any right to a residual interest in the Society and as such the PIBS have been classified as a debt instrument rather than equity.

14 Available-for-sale reserves

	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)	31 December 2014 (Audited)
	£m	**£m**	**£m**
At 1 January	0.4	(0.2)	(0.2)
Net (loss)/gain from changes in fair value	(0.2)	-	0.6
	0.2	**(0.2)**	**0.4**

Amounts within the available-for-sale reserve are transferred to the income statement upon the disposal of debt securities.

Notes to the interim financial report

15 Financial instruments

Classification & Measurement

A financial instrument is a contract that gives rise to a financial asset or financial liability. Nottingham Building Society is a retailer of financial instruments, mainly in the form of mortgages and savings products. The Group uses wholesale financial instruments to invest in liquid assets, raise wholesale funding and to manage the risks arising from its operations.

Financial assets and liabilities are measured on an on-going basis either at fair value or at amortised cost. The tables below analyse the Group's assets and liabilities by financial classification:

	As at 30 June 2015 (Unaudited)					
Carrying values by category	**Held at amortised cost**		**Held at fair value**			
	Loans and receivables	Financial assets and liabilities at amortised cost	Available-for-sale	Derivatives designated as fair value hedges	Unmatched derivatives	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Financial assets						
Cash in hand	-	1.0	-	-	-	1.0
Loans and advances to credit institutions	369.7	-	-	-	-	369.7
Debt securities	-	-	143.2	-	-	143.2
Derivative financial instruments	-	-	-	8.0	0.1	8.1
Loans and advances to customers	2,699.2	-	-	-	-	2,699.2
Other assets	-	27.7	-	-	-	27.7
	3,068.9	**28.7**	**143.2**	**8.0**	**0.1**	**3,248.9**
Financial liabilities						
Shares	-	2,511.2	-	-	-	2,511.2
Amounts owed to credit institutions	-	280.1	-	-	-	280.1
Amounts owed to other customers	-	209.0	-	-	-	209.0
Debt securities in issue	-	12.5	-	-	-	12.5
Derivative financial instruments	-	-	-	9.6	0.1	9.7
Other liabilities	-	16.7	-	-	-	16.7
Subscribed capital	-	26.3	-	-	-	26.3
	-	**3,055.8**	**-**	**9.6**	**0.1**	**3,065.5**

	As at 30 June 2014 (Unaudited)					
Carrying values by category	**Held at amortised cost**		**Held at fair value**			
	Loans and receivables	Financial assets and liabilities at amortised cost	Available-for-sale	Derivatives designated as fair value hedges	Unmatched derivatives	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Financial assets						
Cash in hand	-	1.1	-	-	-	1.1
Loans and advances to credit institutions	303.9	-	-	-	-	303.9
Debt securities	-	-	146.4	-	-	146.4
Derivative financial instruments	-	-	-	21.4	0.7	22.1
Loans and advances to customers	2,571.9	-	-	-	-	2,571.9
Other assets	-	30.0	-	-	-	30.0
	2,875.8	**31.1**	**146.4**	**21.4**	**0.7**	**3,075.4**
Financial liabilities						
Shares	-	2,429.7	-	-	-	2,429.7
Amounts owed to credit institutions	-	207.3	-	-	-	207.3
Amounts owed to other customers	-	215.5	-	-	-	215.5
Debt securities in issue	-	4.5	-	-	-	4.5
Derivative financial instruments	-	-	-	5.1	0.5	5.6
Other liabilities	-	15.1	-	-	-	15.1
Subscribed capital	-	26.1	-	-	-	26.1
	-	**2,898.2**	**-**	**5.1**	**0.5**	**2,903.8**

Notes to the interim financial report

15 Financial instruments (continued)

Classification & Measurement (continued)

Carrying values by category	As at 31 December 2014 (Audited) Held at amortised cost: Loans and receivables	Held at amortised cost: Financial assets and liabilities at amortised cost	Held at fair value: Available-for-sale	Held at fair value: Derivatives designated as fair value hedges	Held at fair value: Unmatched derivatives	Total
	£m	£m	£m	£m	£m	£m
Financial assets						
Cash in hand	-	1.4	-	-	-	1.4
Loans and advances to credit institutions	343.5	-	-	-	-	343.5
Debt securities	-	-	165.8	-	-	165.8
Derivative financial instruments	-	-	-	9.8	0.1	9.9
Loans and advances to customers	2,718.3	-	-	-	-	2,718.3
Other assets	-	26.9	-	-	-	26.9
	3,061.8	**28.3**	**165.8**	**9.8**	**0.1**	**3,265.8**
Financial liabilities						
Shares	-	2,575.4	-	-	-	2,575.5
Amounts owed to credit institutions	-	264.2	-	-	-	264.2
Amounts owed to other customers	-	189.2	-	-	-	189.2
Debt securities in issue	-	3.5	-	-	-	3.5
Derivative financial instruments	-	-	-	13.5	0.1	13.6
Other liabilities	-	16.2	-	-	-	16.2
Subscribed capital	-	26.6	-	-	-	26.6
	-	**3,075.1**	**-**	**13.5**	**0.1**	**3,088.7**

Fair values of financial assets and liabilities carried at amortised cost

The table below analyses the book and fair values of the Group's financial instruments held at amortised cost:

	30 June 2015 (Unaudited) Book value £m	30 June 2015 (Unaudited) Fair value £m	30 June 2014 (Unaudited) Book value £m	30 June 2014 (Unaudited) Fair value £m	31 Dec 2014 (Audited) Book value £m	31 Dec 2014 (Audited) Fair value £m
Financial assets						
Cash in hand	**1.0**	**1.0**	1.1	1.1	1.4	1.4
Loans and advances to credit institutions	**369.7**	**369.7**	303.9	303.9	343.5	343.5
Loans and advances to customers	**2,699.2**	**2,728.7**	2,571.9	2,584.5	2,718.3	2,732.1
Other assets	**27.7**	**27.7**	30.0	30.0	26.9	26.9
Financial liabilities						
Shares	**2,511.2**	**2,511.1**	2,429.7	2,427.8	2,575.4	2,593.1
Amounts owed to credit institutions	**280.1**	**280.5**	207.3	207.3	264.2	264.2
Amounts owed to other customers	**209.0**	**209.6**	215.5	215.9	189.2	194.1
Debt securities in issue	**12.5**	**12.5**	4.5	4.5	3.5	3.5
Other liabilities	**16.7**	**16.7**	15.1	15.1	16.2	16.2
Subscribed capital	**23.9**	**32.2**	23.9	30.3	23.9	30.5

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair value of the financial assets and liabilities above has been calculated using the following valuation methodology:

a) Cash in hand – Level 1
The fair value of cash in hand and deposits with central banks is the amount repayable on demand.

b) Loans and advances to credit institutions – Level 2
The fair value of overnight deposits is the amount repayable on demand. The estimated fair value of loans and advances to credit institutions is calculated based on discounted expected future cash flows.

The estimated fair value of fixed interest bearing debt is based on its active market price as at the period end.

Notes to the interim financial report

15 Financial instruments (continued)

Fair values of financial assets and liabilities carried at amortised cost (continued)

c) Loans and advances to customers – Level 3

Loans and advances are recorded net of provisions for impairment together with the fair value adjustment for hedged items as required by IAS39. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received taking account of expected prepayment rates.

Estimated cash flows are discounted at prevailing market rates for items of similar remaining maturity. The fair values have been adjusted where necessary to reflect any observable market conditions at the time of valuation.

d) Shares, deposits and borrowings – Level 3

The fair value of shares and deposits and other borrowings with no stated maturity is the amount repayable on demand.

The fair value of fixed interest bearing deposits and other borrowings without a quoted market price is based on expected future cash flows determined by the contractual terms and conditions discounted at prevailing market rates for items of similar remaining maturity.

e) Debt securities in issue – Level 2

The fair value is calculated using a discounted cash flow model. Expected cash flows are discounted at prevailing market rates for items of similar remaining maturity.

f) Subscribed capital – Level 1

The estimated fair value of fixed interest bearing debt is based on its active market price as at the period end.

Fair values of financial assets and liabilities carried at fair value

The table below summarises the fair values of the Group's financial assets and liabilities that are accounted for at fair value, analysed by the valuation methodology used by the Group to derive the financial instruments fair value:

30 June 2015 (Unaudited)	Level 1	Level 2	Level 3	Total Fair Value
	£m	£m	£m	£m
Financial assets				
Available-for-sale - Debt securities	125.1	18.1	-	143.2
Derivative financial instruments - Interest rate swaps	-	8.1	-	8.1
	125.1	**26.2**	**-**	**151.3**
Financial liabilities				
Derivative financial instruments - Interest rate swaps	-	(9.7)	-	(9.7)
	-	**(9.7)**	**-**	**(9.7)**

30 June 2014 (Unaudited)	Level 1	Level 2	Level 3	Total Fair Value
	£m	£m	£m	£m
Financial assets				
Available-for-sale - Debt securities	105.2	41.2	-	146.4
Derivative financial instruments - Interest rate swaps	-	22.1	-	22.1
	105.2	**63.3**	**-**	**168.5**
Financial liabilities				
Derivative financial instruments - Interest rate swaps	-	(5.6)	-	(5.6)
	-	**(5.6)**	**-**	**(5.6)**

31 December 2014 (Audited)	Level 1	Level 2	Level 3	Total Fair Value
	£m	£m	£m	£m
Financial assets				
Available-for-sale - Debt securities	132.5	33.3	-	165.8
Derivative financial instruments - Interest rate swaps	-	9.9	-	9.9
	132.5	**43.2**	**-**	**175.7**
Financial liabilities				
Derivative financial instruments - Interest rate swaps	-	(13.6)	-	(13.6)
	-	**(13.6)**	**-**	**(13.6)**

Notes to the interim financial report

15 Financial instruments (continued)

Valuation techniques
The following is a description of the determination of fair value for financial instruments which are accounted for at fair value using valuation techniques.

The fair value hierarchy detailed in IFRS 13: 'Fair Value Measurement' splits the source of input when deriving fair values into three levels, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly
- Level 3 – inputs for the asset or liability that are not based on observable market data

The main valuation techniques employed by the Group to establish the fair value of the financial instruments disclosed are set out below:

Debt securities
- Level 1 – Market prices have been used to determine the fair value of listed debt securities
- Level 2 - Debt securities for which there is no readily available traded price are valued based on the 'present value' method. This requires expected future principal and interest cash flows to be discounted using prevailing LIBOR yield curves. The LIBOR yield curves are generally observable market data which is derived from quoted interest rates in similar time bandings which match the timings of the cash flows and maturities of the instruments.

Transfers between fair value hierarchies

Transfers between fair value hierarchies occur when either it becomes possible to value a financial instrument using a method that is higher up the valuation hierarchy or it is no longer possible to value it using the current method and it must instead be valued using a method lower down the hierarchy. There have been no transfers during the current or previously reported periods.

Interest rate swaps
The valuation of interest rate swaps is also based on the 'present value' method. As the Society's derivative positions are collateralised, expected interest cash flows are discounted using the prevailing SONIA yield curves. The SONIA yield curves are generally observable market data which is derived from quoted interest rates in similar time bandings which match the timings of the interest cash flows and maturities of the instruments. All swaps are collateralised and therefore no adjustment is required for credit risk in the fair value of derivatives.

Credit risk

The Group's maximum credit risk exposure is detailed in the table below:

	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)	31 December 2014 (Audited)
	£m	£m	£m
Credit risk exposure			
Cash in hand	1.0	1.1	1.4
Loans and advances to credit institutions	369.7	303.9	343.5
Debt securities	143.5	146.1	165.3
Derivative financial instruments	8.1	22.1	9.9
Loans and advances to customers	2,691.2	2,579.1	2,706.3
Total statement of financial position exposure	3,213.5	3,052.3	3,226.4
Off balance sheet exposure – mortgage commitments	92.0	143.2	57.8
Total	**3,305.5**	**3,195.5**	**3,284.2**

a) Loans and advances to credit institutions, debt securities and derivative financial instruments

The percentage of these exposures (including cash in hand and balances with the Bank of England) that are rated A or better by Moody's credit ratings at 30 June 2015 is 98% (30 June 2014: 99%; 31 December 2014: 99%). The remaining balance relates to investments in unrated Building Societies.

The Group has no exposure to foreign exchange risk as all instruments are denominated in Sterling.

There are no impairment charges against any of the Group's treasury assets at 30 June 2015 (30 June 2014: £nil; 31 December 2014: £nil).

Notes to the interim financial report

15 Financial instruments (continued)

Credit risk (continued)

b) Loans and advances to customers

Loans and advances to customers are predominately made up of retail loans fully secured against UK residential property of £2,622.2 million, split between residential and buy-to-let loans with the remaining £73.9 million being secured on commercial property. The Group operates throughout England & Wales with the portfolio spread throughout the geographic regions.

Retail loans

Loans fully secured on residential property are split between residential and buy-to-let. At 30 June 2015, the average LTV of retail mortgages is 54% (30 June 2014: 55%; 31 December 2014: 53%).

The table below provides information on retail loans by payment due status:

	30 June 2015 (Unaudited)	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)	30 June 2014 (Unaudited)	31 December 2014 (Audited)	31 December 2014 (Audited)
Arrears analysis	**£m**	**%**	**£m**	**%**	**£m**	**%**
Not impaired:						
Neither past due or impaired	2,603.1	99.28	2,484.2	99.19	2,613.2	99.17
Past due up to 3 months but not impaired	12.3	0.47	13.5	0.54	13.6	0.52
Past due over 3 months but not impaired	3.2	0.12	1.8	0.07	4.5	0.18
Possessions	0.1	-	0.2	0.01	-	-
Impaired:						
Not past due	0.6	0.02	-	-	0.6	0.02
Past due up to 3 months	1.2	0.05	2.2	0.09	1.9	0.07
Past due 3 to 6 months	0.6	0.02	1.8	0.07	0.6	0.02
Past due over 6 months	0.9	0.03	0.6	0.02	0.6	0.02
Possessions	0.2	0.01	0.1	0.01	0.1	0.00
	2,622.2		**2,504.4**		**2,635.1**	

Secured Business Loans

Secured Business Loans (SBL) are primarily made available to Small and Medium sized enterprises for either owner occupied or investment property purposes. Loans are also only granted against the 'bricks and mortar' of the property and not against working capital or machinery etc.

The average LTV of secured business loans is 63% (30 June 2014: 63%; 31 December 2014: 63%).

The table below provides information on SBL by payment due status:

	30 June 2015 (Unaudited)	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)	30 June 2014 (Unaudited)	31 December 2014 (Audited)	31 December 2014 (Audited)
Arrears analysis	**£m**	**%**	**£m**	**%**	**£m**	**%**
Not impaired:						
Neither past due or impaired	66.6	90.12	71.9	91.36	68.3	89.77
Past due up to 3 months but not impaired	0.7	0.95	1.6	2.03	1.1	1.41
Past due over 3 months but not impaired	0.3	0.41	1.1	1.40	0.4	0.56
Possessions	0.6	0.81	-	-	0.4	0.58
Impaired:						
Not past due	3.7	5.01	2.4	3.05	3.3	4.37
Past due up to 3 months	0.2	0.27	0.2	0.25	0.9	1.16
Past due 3 to 6 months	0.4	0.54	0.1	0.13	0.3	0.45
Past due over 6 months	0.2	0.27	-	-	-	-
Possessions	1.2	1.62	1.4	1.78	1.3	1.70
	73.9		**78.7**		**76.0**	

Notes to the interim financial report

15 Financial instruments (continued)

Credit risk (continued)

b) Loans and advances to customers (continued)

Forbearance

Where appropriate for customers' needs, the Group applies a policy of forbearance and may grant a concession to borrowers. This may be applied where actual or apparent financial stress of the customer is considered to be short term with a potential to be recovered. A concession may involve reduced payments, capitalisation of arrears or mortgage term extension.

All forbearance arrangements are formally discussed with the customer and reviewed by management prior to acceptance of the forbearance arrangement. By offering customers in financial difficulty the option of forbearance the Society potentially exposes itself to an increased level of risk through prolonging the period of non-contractual payment and/or potentially placing the customer into a detrimental position at the end of the forbearance period. Regular monitoring of the level and different types of forbearance activity are reviewed by management and reported to the board.

At 30 June 2015, there were 151 forbearance cases within the “Not impaired” category of retail loans (30 June 2014: 173; 31 December 2014: 149) and 4 cases within the “Not impaired” category of SBL loans (30 June 2014: 8; 31 December 2014: 4).

The percentage of residential mortgage balances that have been subject to forbearance is 0.4% at 30 June 2015 (30 June 2014: 0.5%; 31 December 2014: 0.4%). For Secured Business Loans, the percentage is 5.6% (30 June 2014: 5.6%; 31 December 2014: 3.1%).

Responsibility statement

The directors confirm that this Interim Financial Report has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The interim management report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the Interim Financial Statements, as required by the Disclosure and Transparency Rules (DTR 4.2.7). The principal risks and uncertainties continue to be those reported within the Risk Management Report starting on page 26 of the 2014 Annual Report and Accounts and those detailed on page 6 of this Interim Financial Report.

A full list of the Board of directors can be found in the 2014 Annual Reports and Accounts, to which there have been no amendments since 1 January 2015.

Signed on behalf of the Board by

David Marlow
Chief Executive

Ashraf Piranie
Deputy CEO and Finance Director

30 July 2015

Independent review report to Nottingham Building Society

Introduction

We have been engaged by the Society to review the set of condensed consolidated financial statements in the Interim Financial Report for the six months ended 30 June 2015, which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Members' Interests, Condensed Consolidated Cash Flow Statement and the related explanatory notes 1 to 15. We have read the other information contained in the Interim Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated financial statements.

This report is made solely to the Society, in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The Interim Financial Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Financial Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the Annual Report and Accounts of the Society are prepared in accordance with IFRSs as adopted by the European Union. The set of condensed consolidated financial statements included in this Interim Financial Report has been prepared in accordance with International Accounting Standard 34,'Interim Financial Reporting', as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Society a conclusion on the set of condensed consolidated financial statements in the Interim Financial Report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland), 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might by identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the set of condensed consolidated financial statements in the Interim Financial Report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Leeds

30 July 2015

Other information

The Interim Financial Report information set out in this document is unaudited and does not constitute accounts within the meaning of section 73 of the Building Societies Act 1986.

The financial information for the year ended 31 December 2014 has been extracted from the Annual Report and Accounts for that year. The Annual Report and Accounts for the year ended 31 December 2014 have been filed with the Financial Conduct Authority (formerly the Financial Services Authority). The Auditors' report on these Annual Report and Accounts was unqualified.

A copy of the Interim Financial Report is placed on the website of Nottingham Building Society, at www.thenottingham.com. The directors are responsible for the maintenance and integrity of the information on the Society's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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