The Nottingham

INTERIM FINANCIAL REPORT

30 JUNE 2023

PERFORMANCE HIGHLIGHTS

3,630
New mortgage customers
(2022: 2,396) ↑

£457.1m
Gross new lending
(2022: £252.5m) ↑

£35.4m
Total interest paid to savers
(2022: £7.5m) ↑

67.0%
Net promoter score
(2022: 67.9%) →

4.8☆
Trustpilot score
(2022: 3.1) ↑

817
Colleague volunteering hours
(2022: 317) ↑

£3.3bn
Total mortgage assets
(2022: £2.9bn) ↑

18bps
ECL coverage ratio
(2022: 10bps) ↓

£3.1bn
Total savings balance
(2022: £3.0bn) ↑

2.0%
Underlying net interest margin
(2022: 1.5%) ↑

64.4%
Underlying cost to income ratio
(2022: 75.4%) ↑

£13.7m
Underlying profit before tax
(2022: £7.3m) ↑

16.3%
CET1 ratio
(2022: 16.2%) ↑

5.9%
Leverage ratio
(2022: 5.9%) →

177.3%
Average LCR
(2022: 221.8%) ↓

The Key Performance Indicators ('KPI') disclosed above are based on the positions at 30th June or for the six month period ended 30th June, unless otherwise stated. The average Liquidity Coverage Ratio ('LCR') is a 12-month average for the period ended 30th June.

↑ Positive movement | ↓ Adverse movement

CONTENTS

IFRS RESULTS

This Interim Financial Report for the six months ended 30th June 2023 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority ('FCA') and with UK adopted International Accounting Standard ('IAS') 34 Interim Financial Reporting. The Interim Financial Report should be read in conjunction with the Annual Report and Accounts for the year ended 31st December 2022, which have been prepared in accordance with UK adopted IAS.

FORWARD LOOKING STATEMENTS

Certain statements in this Interim Financial Report are forward-looking, based on current expectations, assumptions and forecasts made relating to the future financial position. All forward-looking statements involve risk and uncertainty as they relate to future events and circumstances that are out of the control of the Society, including (but not limited to) UK domestic and global economic and business conditions; market-related risks such as changes in interest rates or inflation; risks concerning borrower credit quality; delays in implementing proposals; the policies and actions of regulatory authorities; and the impact of tax or other legislation in the UK where the Society operates. The Society, defined in this Interim Financial Report as Nottingham Building Society and its subsidiary undertaking, 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; given these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

The Society undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

CHIEF EXECUTIVE INTRODUCTION

A POSITIVE START TO 2023

I am delighted to report our interim financial results for 2023. Since joining the Society in Spring 2022, my focus has been to ensure that we embrace the great things built over decades, and to position our Society strongly for the benefit of our members into the future.

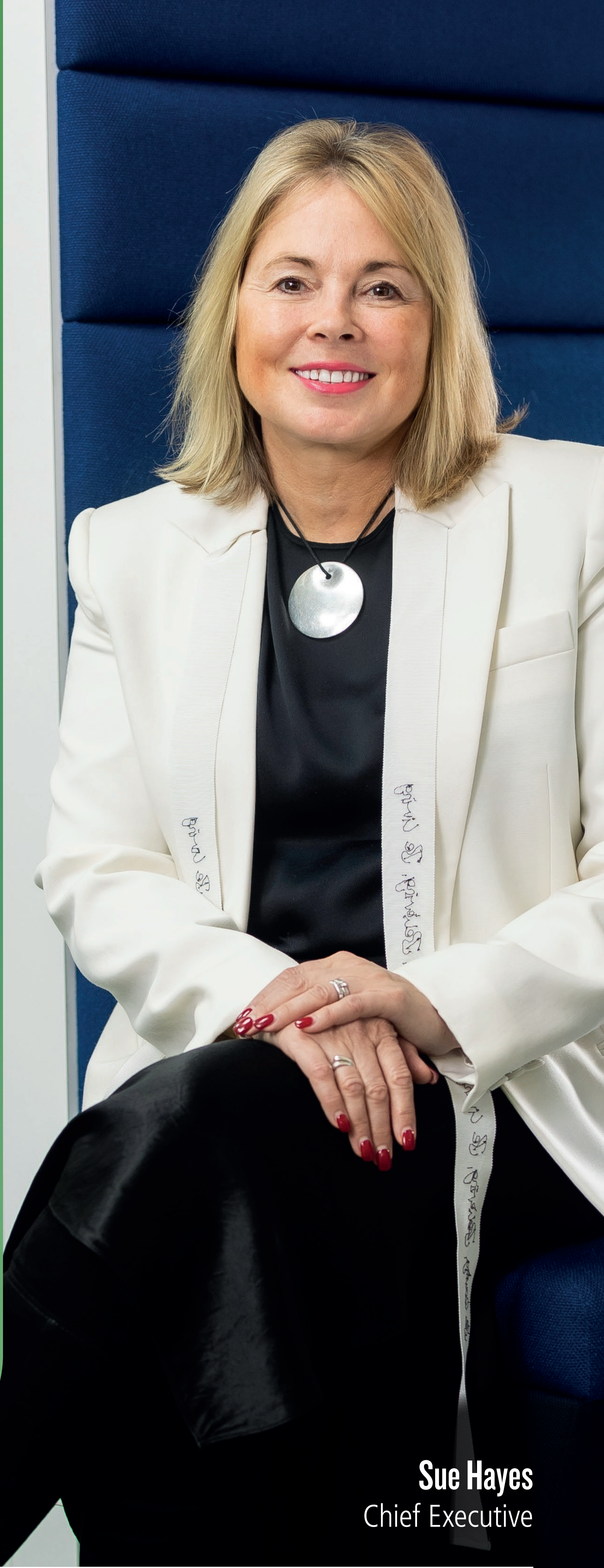
To do this, we need to keep the best of our history, modernise and improve the services that our customers value, and at the same time deliver the longer-term change and transformation needed to ensure that the Society is successful in the future. I am delighted to report that we are making good progress in delivering our plans.

I am pleased to present our financial performance for the first six months of this year, with underlying profit before tax of £13.7m (2022: £7.3m) and a 10.3% increase in mortgage balances compared with the same period last year. Our total assets are £3.9bn, an increase of 4.8%. Rising interest rates have of course supported our financial performance and we have passed on a significant proportion of these increases to savings members and will continue to do so. You can read more detail on this in the Interim Business and Financial Review section on page 5.

As a mutual our members are at the heart of our purpose and I am proud that we have been able to support them in navigating the challenges of the cost-of-living crisis and rising base rates, passing on interest rates as quickly as we can to savers and being one of the first to sign up to the new "Mortgage Charter". Our Society remains in a strong financial position, and the rates we offer are supportive of savers and borrowers. I am hugely appreciative of the great work of our committed colleagues who look after our members and customers every day in our branches and in our head office.

THE EXTERNAL ECONOMIC ENVIRONMENT

The economic landscape in the UK continues to present challenges. During the first six months we have experienced continued base rate increases and higher levels of inflation impacting our customers and members. We also saw some instability within the banking sector internationally which thankfully has not directly impacted the UK retail banking market. We operate from a position of financial strength and will continue to adopt a future focused approach to benefit a strong society which rewards its members, colleagues and the communities in which we operate.



Sue Hayes
Chief Executive

CHIEF EXECUTIVE INTRODUCTION

SUPPORTING OUR CUSTOMERS

As interest rates have continued to rise, we have focused on paying savers the best rates we can whilst doing what we need to strengthen the Society. We paid a total of £35.4m in interest to savers during the first six months (2022: £7.5m). Our range of savings options helps customers looking to save for their first home through LISA products as well as ISAs and a range of traditional savings products and we have sought to provide attractive and good value rates across the range.

We helped 3,630 (2022: 2,396) customers either take out a mortgage with us for the first time or move to a new mortgage. We have measures in place to support those members who may be in need of assistance through these difficult times. For mortgage customers, we have a range of support measures to help those who may be looking for help and were one of the first to commit to the new "Mortgage Charter". We have not seen a significant increase in our level of arrears over this period.

4.8☆

Trustpilot score

(2022: 3.1) ↑

Improving our customer experience is a key focus and our measures tell us that high numbers of members are willing to recommend us to others. I have been delighted to see progress in our Trustpilot rating, increasing to 4.8 and continued strong performance in our Net Promoter Scores of 67.0% at 30th June 2023 (2022: 67.9%). We are also focusing on gaining a deeper understanding of our customers and members so that in future we can ensure our mortgage products and services will help make borrowing easier to access to those who currently find it harder to do so for lifestyle or career choices.

Whilst it is heartening to be able to provide better returns to savers, we are also very aware of the increasing costs for our mortgage holders on their rates, and that everyone has been impacted by the rising cost-of-living crisis. We believe, the purpose of a mutual is to be there in times of difficulty and therefore, we will continue to support all our existing members during this challenging time as well as helping those people who wish to join The Nottingham through their home ownership journey.

DELIVERING OUR STRATEGIC TRANSFORMATION

Our strategy builds on The Nottingham's 170-year heritage looking after savers and helping people own their own homes while also seeking to address the challenges some aspiring homeowners face. Our goal is to ensure that we continue to serve our members and customers as best we can while at the same time, develop our Society to make it sustainable for the future so we can serve future generations and communities. We are making significant progress and continue to seek member and broker feedback on this!

Our priorities for this year are threefold:

- Firstly to **gain deep insight into our new customer segments and focus on all our customer experiences**

We highlighted in the 2022 accounts our new purpose which is 'together we fight for the extra ordinary to own their own home'. We have been developing the platform to deliver this across all areas of people, research, technology, data, credit and process. Our purpose is for those people who, through changing demographics and employment will find it more difficult to own their own home. We have been improving both our understanding of those customers and the data, analytics and people to be able to meet their needs – essentially combining our mutual roots with a contemporary approach. We will begin to deliver on this in the second half of 2023.

3,630

New mortgage customers

(2022: 2,396) ↑

CHIEF EXECUTIVE INTRODUCTION

- Secondly, **maximise the potential of our people and strategic partners**

As a mutual with a real purpose, we can both attract and retain great people, but we also need to create strategic partnerships if we are to be the best we can. We made some great progress in 2022 and we continue to build on this capability for the benefit of the organisation and its members in 2023.

- Thirdly, **making sure we are doing the things which will significantly improve the foundations of our business and enable innovation to serve the customers of tomorrow.** Doing 'the big things that matter' to our members today and to the strength and relevance of the organisation for the future'.

During the first six months we have invested significantly in our technology and IT systems to ensure that our systems remain secure and robust. We planned to enhance 3 key areas, and all of these are on track. Once we have delivered these, we will continue the transformation journey with a further 6 areas identified for investment.

In parallel, there has been significant regulatory change and a key focus across the first six months of 2023, has been to ensure we are able to meet with the Consumer Duty regulations which begin at the end of July.

We are also working to improve our mortgage customer and broker experience and have **achieved a significant reduction in the time it takes for us to process mortgage applications and make an offer to customers.** We have significantly improved all of the metrics to check progress on this so we know we are on the right path but clearly this is an ongoing journey. Whilst we have much more to do in this space, I am very pleased with the progress we are making.

PEOPLE AND PARTNERSHIPS

We have continued to invest in our team to ensure we meet the new demands of a mutual in today's market and I have made some significant new appointments to my Executive Team as well as recognising some great internal talent. In March I was delighted to welcome Anthony Murphy as our new Chief Financial Officer and Praven Subbramoney has joined us as our new Chief Lending Officer. Praven has both extensive experience of lending and on digital and data transformation and Anthony has extensive experience as a finance professional in both mainstream and challenger banks.

We are also delighted that our partnership with Generation Home has had such a successful start. Generation Home shares our goal of making home ownership achievable for everyone, and we look forward to delivering on those goals during the second half of this year. We have provided them with funding [of up to £600m] to enable their lending to customers and I am happy to update that this partnership has begun very positively, with gross lending balances at 30th June amounting to £147.0m.

SUPPORTING OUR COMMUNITIES

As a mutual building society, our role in supporting local communities represents a key element of our plans.

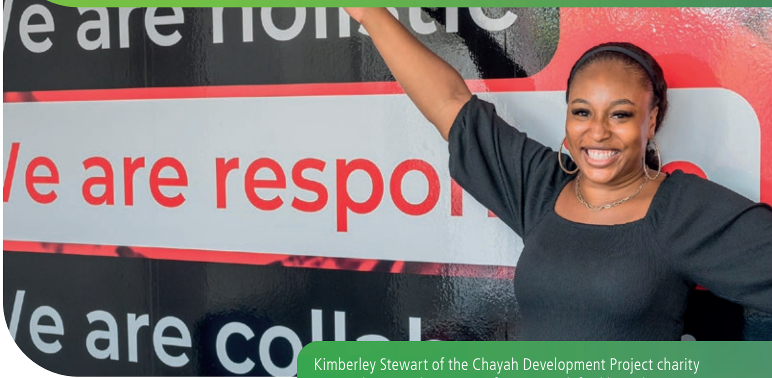
Throughout the first six months **we have delivered a community impact programme that saw 817 hours volunteered to community projects and charities** by our teams in Nottingham and across our branch network. We are committed to making a difference and in 2023 we are looking at how we help tackle the issue of homelessness initially within the Nottingham area.

We were delighted to offer the use of our former branch premises in Stapleford to local charity Chaya Development Project. This charity helps prevent homelessness through a range of support services and plays an important role in the local community.

In April we made a financial donation of £20,000 to support the relief operation following the earthquake in Turkey and Syria.

The more successful our strategy going forward the more benefit we intend to provide to our members and communities.

817 Volunteering hours (2022: 317) ↑



Kimberley Stewart of the Chayah Development Project charity enjoys their new base in our former Stapleford branch

OUTLOOK

We expect our positive financial performance to continue which will enable us to support customers through the impacts of rising interest rates. Our financial performance also allows us to invest over the next 2-3 years in our core technology systems and data capabilities to compete as both a relevant and modern building society and to meet new regulatory demands robustly. We will continue to monitor the impact of higher base rates on our mortgage book and to take a prudent approach to financial management, while focusing on innovation in our products and propositions.

Finally, as we move into the second half of this year, I would like to thank our excellent and hardworking colleagues who deliver for our customers every day, and our members for their loyal custom and continued support. I would also like to thank the Board for their wisdom, support and counsel.

Susan Hayes
Chief Executive | 26th July 2023

INTERIM BUSINESS AND FINANCIAL REVIEW

A POSITIVE START TO 2023

Firstly, I am extremely proud to present The Nottingham's financial results for the six month period ending 30th June 2023. It is an honour to join a business with such an established history and clear purpose; since my arrival in March, I have been hugely impressed by the strategic vision and look forward to contributing to the Society's future journey.

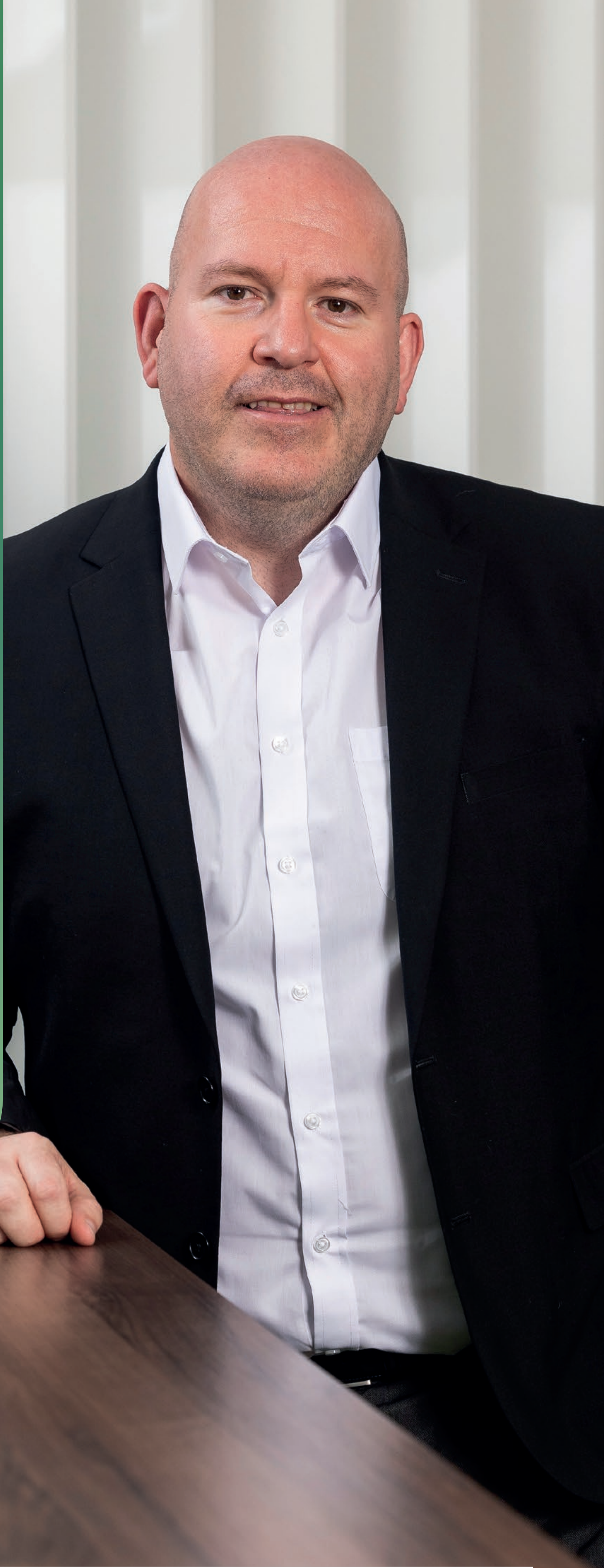
BASIS OF PREPARATION

The Board monitors both reported and underlying profit before tax. Reported profit includes items that the Board does not believe fully reflect underlying business performance and therefore underlying profit is also used to measure performance.

We measure our performance against our strategic drivers using a number of KPIs, including both financial and non-financial measures. The H1 2023 KPIs referenced below are for the six month period ended 30th June unless otherwise stated.

The Group continues to exclude gains / losses from derivative financial instruments and changes to accounting estimates from its underlying performance as well as net strategic investment costs, when applicable, supporting the reinvention of the Society and those which are not ongoing in nature, such as asset disposals.

The results of the performance reported as at 30th June relate fully to continuing operations.



Anthony Murphy
Chief Financial Officer

INTERIM BUSINESS AND FINANCIAL REVIEW

KEY HIGHLIGHTS

- Group Pre-tax Profit of £11.7m (2022: £11.3m); £13.7m (2022: £7.3m) on an Underlying Profit basis;
- Total Mortgage Assets growing by 10.3% to £3,251.7m (30th June 2022: £2,947.7) since June 2022;
- Underlying Net Interest Margin increased to 2.0% (2022: 1.5%);
- Underlying Cost : Income Ratio improving to 64.4% (2022: 75.4%);
- Arrears levels stable, evidencing strong asset quality, albeit Expected Credit Loss ('ECL') Coverage Ratio has increased to 18bps to reflect external environment (2022: 10bps);
- Strong liquidity and funding position, demonstrated by an average LCR of 177.3% (2022: 221.8%); and
- Robust capital position with CET 1 Ratio at 16.3% (2022: 16.2%) and Leverage Ratio of 5.9% (2022: 5.9%)

FINANCIAL & BUSINESS REVIEW

The first half of 2023 has been another productive period for the Society. Our strong financial performance from 2022 has continued with the business generating growth in its mortgage assets and increasing underlying profitability.

In line with other businesses the Society is not isolated from the macroeconomic environment, with base rate increases, elevated inflation and other factors impacting The Nottingham. That said, we operate from a position of financial strength and will continue to adopt a cautious approach to ensure we can best serve our members, colleagues and communities in which we operate.

Against this challenging outlook we will continue to be proactive in the way risks are managed over the short to medium-term, whilst balancing the interests of our savings and mortgage members through this period of rising interest rates. Further, it is crucial we keep in view the impact of the evolving economic and regulatory environment over the longer term and what it may mean for the Society's business model and strategy.

INCOME STATEMENT

On a statutory basis, the Group reports a **Profit Before Tax** of £11.7m compared to £11.3m in the six month period to June 2022. The Group generated an **Underlying Profit Before Tax** of £13.7m in H1 2023, versus £7.3m in the same period in 2022.

The Group's **Underlying Net Interest Income** increased to £39.3m for the six months to June 2023 from £28.2m in the comparative period. This performance has been aided by growth in mortgage assets (via both the Society's direct channels and originations via the Generation Home Forward Flow), whilst accelerated interest rate increases has led to additional Treasury and Swap Income.

Net Interest Margin also increased to 2.0% for the six months to June 2023, from 1.5% for the first half of 2022 and 1.7% for full year 2022. Alongside higher lending margins and optimised Balance Sheet management, funding costs have been on an upward trajectory given the increased rate environment and the Society's commitment to ensuring depositors are rewarded appropriately for placing their funds with The Nottingham. Across the retail savings market, we have continued to offer competitive rates to our members as the Bank of England Base Rate increased with our commitment to 'passing back' to members on a timely basis.

We have grown savings balances to £3,141.9m (30th June 2022: £2,986.8m) by offering competitive products both online and via our branch network, in order to fund our purpose **'together we fight for the extra ordinary to own their own home'.**

In line with our overarching transformation strategy, we are investing for the long-term benefit of The Nottingham and its members, with major enhancements across technology, infrastructure and operational resilience. Further, we are strengthening capabilities across both our people and propositions so that we are well positioned to deliver the service that our members and partners value.

Financial Performance **Total Group Basis**	**June 2023 £m**	**June 2022 £m**	**December 2022 £m**
Underlying net interest income	39.3	28.2	62.8
Net fees & commissions receivable	0.9	1.1	1.6
Underlying net income	**40.2**	**29.3**	**64.4**
Management expenses*	(25.9)	(22.1)	(47.0)
Impairment (expense) / credit – loans & advances to customers	(0.6)	0.1	(2.2)
Underlying profit before tax	**13.7**	**7.3**	**15.2**
(Losses) / gains from derivative financial instruments	(3.0)	4.0	10.2
Net strategic investment costs	-	-	(5.0)
Change in accounting estimates	1.0	-	(1.5)
Profit before tax	**11.7**	**11.3**	**18.9**
Tax expense	(2.6)	(1.6)	(3.1)
Profit after tax	**9.1**	**9.7**	**15.8**

* Management expenses consists of administrative expenses, depreciation and amortisation, less net strategic investment costs and the change in accounting estimates relating to depreciation in 2022.

INTERIM BUSINESS AND FINANCIAL REVIEW

That said, whilst **Management Expenses** have increased in line with our strategic plan by 17.2% from June 2022, the Group's Underlying Cost : Income Ratio improved to 64.4% (versus 75.4% for the comparative period to 30th June 2022), reflecting growth in income.

Management Expenses have risen primarily due to increased investment in both technology and people to support the Society in achieving its transformation goals. In addition, the Society awarded the majority of colleagues a pay increase in March 2023 to reflect the higher cost-of-living environment. Looking ahead we will continue to focus on managing the business efficiently with close control of our cost base as we progress through out transformation strategy.

There remain significant challenges in the UK economy, not least driven by the increased interest rate environment, ongoing cost-of-living challenges and potential impact on borrower affordability. However, to date unemployment remains low and house prices have avoided any material declines, mitigating some of the possible adverse impacts on our mortgage book. We continue to adopt a conservative approach with regards our overall **ECL Provision** with a Coverage Ratio of 18bps (30th June 2022: 10bps) and maintain a post model adjustment to reflect that our ECL model has been developed based on historical data generated during a benign economic environment (which may not fully reflect the future economic outlook).

We transact **Derivatives** in order to mitigate the risk to income from movements in interest rates. These are held at fair value, with the movement recognised in the Income Statement. Changes in fair value are primarily due to timing differences, which will trend to zero as the hedged asset or liability reaches maturity and should not be considered part of underlying profitability.

During the six months to June 2023, the Society has experienced **Hedge Accounting Losses** of £3.0m driven by £0.6m of gains on swaps held against the mortgage pipeline before they enter effective hedge relationships, offset by £1.0m of amortisation losses from the unwind of gains recognised in both current and prior periods and £2.6m of losses due to movements in the effectiveness of the macro fair value hedge accounting portfolio. The amortisation losses represent the reversal of prior gains recorded on swaps transacted to hedge the mortgage pipeline between application and completion.

BALANCE SHEET

Our strong lending growth in H1 2023 has meant our **Total Assets** increased by 4.8% from £3.8bn as at 30th June 2022 to £3.9bn.

Mortgage balances have increased by 10.3% versus prior year, with gross new lending during the six month period of £457.1m (six months to June 2022: £252.5m). The Society has experienced favourable redemption performance in the first half of the year, with the increased gross lending translating to an increase in net lending from £(0.1)bn decrease in the first half of 2022 to a £0.3bn increase in 2023.

Mortgage lending remains concentrated in prime high-quality mortgage assets with residential mortgages accounting for 88.3% (30th June 2022: 90.8%) of the total mortgage book. The current average LTV of the lending portfolio is 49% (30th June 2022: 49%).

On 30th June 2023, liquidity included £0.6bn of High-Quality Liquid Assets, which are either in cash or are readily realisable as cash when required. We also benefit from access to additional contingent liquidity through the Bank of England's Sterling Monetary Framework. Our liquidity ratios remain well ahead of regulatory minimum levels.

£3.3bn
Total mortgage assets
(2022: £2.9bn) ↑

As a purpose driven building society, we remain steadfast in providing depositors with a secure home for their funds alongside competitive interest rates. Our savings members are essential in allowing us to achieve our purpose, as their deposits support more people into home ownership. We aim to help our members navigate through this challenging cost-of-living period of pressures by paying competitive rates while managing current and future financial risks. As Base Rate has increased in the first half of the year, we have 'passed back' 60% of rates to our depositors. During the first half of 2023, our competitive retail savings offering has allowed us to increase our savings balances by £126.5m (six months to June 2022: £110.0m).

The remainder of the Society's funding requirements are obtained from the wholesale secured and unsecured funding markets. Overall, wholesale funding has remained in line with the prior period at £520.1m (30th June 2022: £511.1m). The Bank of England's Term Funding Scheme ('TFSME') has continued to provide the Group with access to secured funding, with £315m drawn down under the scheme at 30th June 2023. In addition, the Society has £67.3m outstanding (30th June 2022: £109.4m), borrowed through a secured bilateral facility.

The Group has continued to manage its liquidity position effectively with a rolling 12-month average LCR of 177.3% (30th June 2022: 221.8%). The Society is well in excess of both internal and regulatory requirements. This is enhanced further by access to the Bank of England's contingent liquidity facilities secured against pre-approved mortgage portfolios, which can be exchanged for cash as required.

INTERIM BUSINESS AND FINANCIAL REVIEW

REGULATORY CAPITAL

The Society continues to focus on maintaining strong capital ratios to protect members' interests, with the key measure being Common Equity Tier 1 ('CET1') Ratio.

Capital is held to ensure the business can achieve its current and future plans (in terms of both asset growth and to support the necessary investment in the business), to provide a buffer against unexpected losses and to ensure that the minimum regulatory requirement is always satisfied.

The Society has a CET1 Capital Ratio as at 30th June 2023 of 16.3% (30th June 2022: 16.2%) on a transitional basis. On a final rules basis, the CET1 ratio at 30th June 2023 is 16.2% (30th June 2022: 16.1%). Whilst no profit has been verified for inclusion in the half year reported position, there has been a reduction in the overall level of regulatory deductions for intangible and deferred tax assets and IFRS 9 transitional relief.

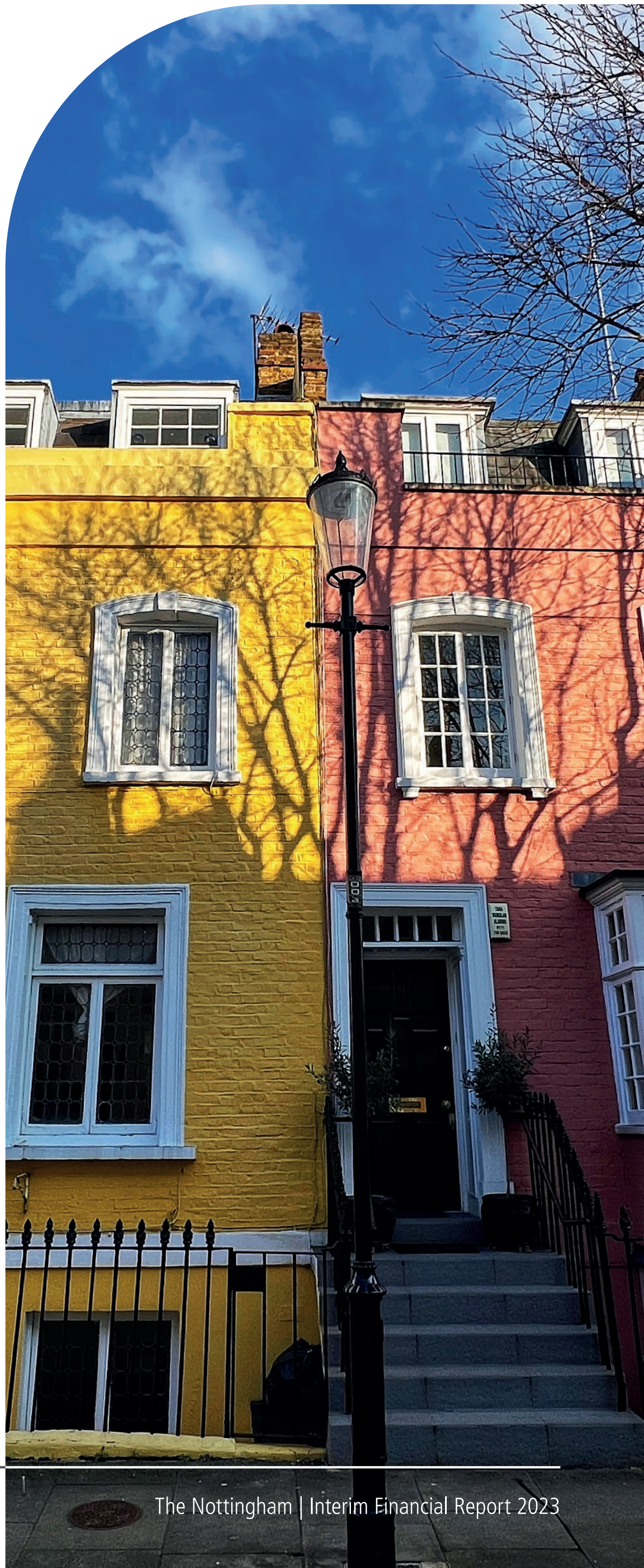
Leverage Ratio remains strong and above internal limits due to careful management of our Balance Sheet and profitability levels.

The Regulator requires that the Society holds a certain amount of capital against the assets it holds. This is referred to as its Total Capital Requirement. As at 30th June 2023, the Society's Total Capital Requirement was set at 8.6% of risk weighted assets or £116.4m.

Looking to the future, the Society is currently assessing the impact of both the proposed Strong & Simple Framework and Basel 3.1. The Society will make a decision as to whether to adopt the simplified framework towards the end of the financial year.

Finally, I would also like to thank both members and colleagues for their continued support which has enabled us to deliver a robust set of results in a challenging economic environment.

Anthony Murphy
Chief Financial Officer | 26th July 2023



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 Society captures the most material risks to which it is exposed within nine principal risks. These risk categories remain unchanged from those described in the 2022 Annual Report and Accounts.

The Society continues to identify new or evolving risks through its Risk Management Framework ('RMF'). The emerging risks remain broadly consistent with those identified at the last financial year end, with the latest position on those risks that have changed since the year end noted as follows:

Economic and trading environment

Much uncertainty remains within the economic environment. Whilst The Nottingham has maintained a good quality lending book with historically low arrears rates, the impacts of escalating costs for homeowners may result in borrowers finding it more difficult to maintain their mortgage payments, which could result in losses increasing. Whilst the Society remains vigilant to this, any expected increase in arrears rates has yet to materialise.

Trading conditions continue to be challenging, and while margins have improved slightly as bank base rates have risen, the mortgages and savings markets remain highly competitive. The Society has taken steps to reassess its business model in light of the ongoing trading conditions and any additional risks arising from a change of approach are being fully considered and managed as these plans are finalised.

People risk

People remain a priority at The Nottingham. In line with most other organisations, the Society experienced heightened colleague turnover levels in 2022 and at the start of 2023. Several key appointments have now been made at executive level and we have focused on the enhancements to our colleague retention programmes and remain committed to ensuring that the Society remains an attractive place to work. The attraction of new talent is a focus, with the Society remaining committed to offering a modern and flexible way of working with a definitive hybrid approach now in place. The changes made has helped employee turnover to return to pre pandemic levels.

The attention of all colleagues has now focused on the development and implementation of the new strategy of the Society so that it continues to meet member needs and deliver good customer outcomes in a sustainable and relevant manner. This transition will inevitably place considerable demands on time and effort across the Society.

Cyber risk

In tandem with the Society's increasing digital presence, cyber security risk continues to rank highly on The Nottingham's agenda. Work is constantly undertaken to enhance and monitor the effectiveness of risk management in this space. The investment of resources to support this will continue, with the support of third parties who are working closely with the Society to ensure information security controls remain robust against the fluid external threat environment.

The measures introduced last year reflecting the heightened threat of cyber-attack resulting from the outbreak of war in Ukraine remain in place despite there being no detection of specific threats for The Nottingham to date. Similarly, additional checks and monitoring for sanctions will remain operational during this period of elevated risk.

The maintenance of the existing technology estate and upgrading of systems, software and infrastructure to ensure high levels of resiliency and to support an increasingly digitalised member offering continues, with the mitigation of cyber-risks remaining a high priority for The Nottingham.

Technology change risk

The Society is currently making a significant investment in its IT infrastructure, to both enhance operational resilience and provide enhanced capability to facilitate its strategic goals.

The inherent risks associated with technological change, including potential business disruption and/or operational loss, will be at heightened levels during this transformation. This has been recognised by the Society and is being appropriately managed using a defined change framework, with additional investment in change management capabilities.

Regulatory change

A number of regulatory requirements are currently being delivered. The implementation of Consumer Duty is ongoing, in line with regulatory prescribed timeframes, and the potential impact of incoming Basel 3.1 requirements is a key strategic consideration for the Society. Activities for areas like Climate Risk, Operational Resilience and Consumer Duty are enduring and require continued dedication of resources to facilitate effective embedding, evolution of approaches and ongoing monitoring and management.

The volume of new regulatory activities shows no sign of abating, with further developments expected into 2024 under the PRA's 'Strong & Simple' prudential regime and potential regulatory change as an outcome of the banking data review and review of Senior Manager & Certification Regime. To meet both new and future regulatory requirements, the Society will be required to enhance both its change capacity and capability, which will result in the adverse impact of increasing the Society's cost base.

Climate change

Enhancement of the Society's approach to climate-related risks continues with greater definition around responsibility frameworks for climate risk and metrics to monitor objectives related to carbon neutrality and net zero. Risks remain however around interpreting the impact of climate on the Society's assets and members with modelling and the sourcing of reliable data being an industry-wide challenge.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the period ended 30 June 2023

	Notes	Period to 30 June 2023 Unaudited £m	Period to 30 June 2022 Unaudited £m	Year ended 31 December 2022 Audited £m
Interest receivable and similar income				
Calculated using the Effective Interest Rate ('EIR') method		89.8	39.3	97.7
Other		-	-	1.1
Interest receivable and similar income	4	89.8	39.3	98.8
Interest payable and similar charges	5	(49.5)	(11.1)	(36.0)
Net interest income		**40.3**	**28.2**	**62.8**
Fees and commissions receivable		1.3	1.8	3.1
Fees and commissions payable		(0.4)	(0.7)	(1.5)
Net (losses) / gains from derivative financial instruments		(3.0)	4.0	10.2
Total net income		**38.2**	**33.3**	**74.6**
Administrative expenses	6	(22.8)	(18.2)	(42.8)
Depreciation and amortisation		(3.1)	(3.9)	(10.7)
Operating profit before impairment		**12.3**	**11.2**	**21.1**
Impairment (charge) / release - loans and advances to customers	11	(0.6)	0.1	(2.2)
Profit before tax		**11.7**	**11.3**	**18.9**
Tax expense		(2.6)	(1.6)	(3.1)
Profit after tax for the financial period		**9.1**	**9.7**	**15.8**

A reconciliation from profit before tax for the financial period to underlying profit used by Management can be found on page 6.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2023

	Period to 30 June 2023 Unaudited £m	Period to 30 June 2022 Unaudited £m	Year ended 31 December 2022 Audited £m
Profit for the financial period	**9.1**	**9.7**	**15.8**
Items that will not be re-classified to the Income Statement			
Remeasurement of defined benefit obligation	-	-	0.1
Tax on items that will not be re-classified	(0.3)	(0.1)	(0.1)
Items that may subsequently be re-classified to the Income Statement			
FVOCI reserve			
Valuation gains / (losses) taken to reserves	0.2	(2.6)	(4.1)
Tax on items that may subsequently be reclassified	-	-	0.8
Other comprehensive income / (expense) for the period net of income tax	**(0.1)**	**(2.7)**	**(3.3)**
Total comprehensive income for the period	**9.0**	**7.0**	**12.5**

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 FINANCIAL POSITION

as at 30 June 2023

	Notes	30 June 2023 Unaudited £m	30 June 2022 Unaudited £m	31 December 2022 Audited £m
Assets				
Cash in hand and balances with the Bank of England		188.8	387.7	290.1
Loans and advances to credit institutions	7	15.1	15.5	16.0
Debt securities	9	426.2	369.8	413.2
Derivative financial instruments		181.2	83.6	142.6
Loans and advances to customers	10	3,105.9	2,876.1	2,922.8
Other assets		8.9	5.4	4.4
Current tax asset		-	-	0.7
Property, plant and equipment		8.4	9.4	8.3
Right-of-use assets		1.0	2.7	1.1
Intangible assets		8.9	14.1	11.1
Deferred tax assets		2.1	1.3	2.2
Total assets		**3,946.5**	**3,765.6**	**3,812.5**
Liabilities				
Shares		3,132.3	2,984.6	3,009.7
Amounts owed to credit institutions		440.3	390.7	419.0
Amounts owed to other customers		12.5	11.0	8.4
Debt securities in issue		67.3	109.4	91.0
Derivative financial instruments		16.5	6.4	14.4
Other liabilities and accruals		7.2	5.6	9.3
Lease liabilities		1.8	2.9	2.2
Current tax liabilities		1.9	1.3	-
Retirement benefit obligations		2.1	3.6	2.9
Subscribed capital	12	24.0	24.0	24.0
Total liabilities		**3,705.9**	**3,539.5**	**3,580.9**
Reserves				
General reserves		243.8	228.8	235.0
Fair value reserves	13	(3.2)	(2.7)	(3.4)
Total reserves attributable to members of the Society		**240.6**	**226.1**	**231.6**
Total reserves and liabilities		**3,946.5**	**3,765.6**	**3,812.5**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' INTERESTS

for the period ended 30 June 2023

	General reserve £m	FVOCI reserve £m	Total £m
Balance as at 1 January 2023 (Audited)	235.0	(3.4)	231.6
Profit for the period	9.1	-	9.1
Other comprehensive (expense)/income for the period (net of tax)			
Net gains from changes in fair value	-	0.2	0.2
Remeasurement of defined benefit obligation	(0.3)	-	(0.3)
Total other comprehensive (expense) / income	(0.3)	0.2	(0.1)
Total comprehensive income for the period	8.8	0.2	9.0
Balance as at 30 June 2023 (Unaudited)	**243.8**	**(3.2)**	**240.6**
Balance as at 1 January 2022 (Audited)	219.2	(0.1)	219.1
Profit for the period	9.7	-	9.7
Other comprehensive (expense)/income for the period (net of tax)			
Net losses from changes in fair value	-	(2.6)	(2.6)
Remeasurement of defined benefit obligation	(0.1)	-	(0.1)
Total other comprehensive (expense) / income	(0.1)	(2.6)	(2.7)
Total comprehensive income / (expense) for the period	9.6	(2.6)	7.0
Balance as at 30 June 2022 (Unaudited)	**228.8**	**(2.7)**	**226.1**
Balance as at 1 January 2022 (Audited)	219.2	(0.1)	219.1
Profit for the year	15.8	-	15.8
Other comprehensive (expense)/income for the period (net of tax)			
Net losses from changes in fair value	-	(3.3)	(3.3)
Total other comprehensive (expense) / income	-	(3.3)	(3.3)
Total comprehensive income / (expense) for the period	15.8	(3.3)	12.5
Balance as at 31 December 2022 (Audited)	**235.0**	**(3.4)**	**231.6**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the period ended 30 June 2023

	Notes	Period to 30 June 2023 Unaudited £m	Period to 30 June 2022 Unaudited £m	Year ended 31 December 2022 Audited £m
Cash flows from operating activities				
Profit before tax		11.7	11.3	18.9
Depreciation and amortisation		3.1	3.9	10.7
Interest on subscribed capital		1.0	1.0	2.0
Interest on lease payments		-	-	0.1
Net gains on disposal and amortisation of debt securities		0.1	0.3	0.4
Increase / (decrease) in impairment on loans and advances to customers		0.6	(0.1)	2.2
		16.5	16.4	34.3
Changes in operating assets and liabilities				
(Increase) / decrease in loans and advances to credit institutions		(0.1)	2.6	1.3
Increase in derivative assets and other assets		(43.1)	(59.1)	(117.2)
(Increase) / decrease in loans and advances to customers		(183.6)	134.9	85.9
Increase in shares		122.6	110.0	135.1
Increase in amounts owed to credit institutions and other customers		25.4	32.7	58.4
Decrease in debt securities in issue		(23.7)	(17.7)	(36.1)
Increase / (decrease) in derivative liabilities, other liabilities and accruals		-	(0.7)	10.9
Decrease in retirement benefit obligation		(1.1)	(0.8)	(1.4)
Taxation paid		-	(0.7)	(4.1)
Net cash (used in) / generated by operating activities		**(87.1)**	**217.6**	**167.1**
Cash flows from investing activities				
Purchase of debt securities		(132.2)	(136.6)	(286.5)
Disposal of debt securities		119.3	24.3	129.1
Purchase of property, plant and equipment		(0.6)	(0.1)	(0.3)
Purchase of intangible assets		(0.3)	(0.2)	(1.5)
Net cash used in investing activities		**(13.8)**	**(112.6)**	**(159.2)**
Cash flows from financing activities				
Interest paid on subscribed capital		(1.0)	(1.0)	(1.9)
Principal element of lease payments		(0.4)	(0.4)	(0.8)
Net cash used in financing activities		**(1.4)**	**(1.4)**	**(2.7)**
Net (decrease) / increase in cash and cash equivalents		**(102.3)**	**103.6**	**5.2**
Cash and cash equivalents at start of period		292.4	287.2	287.2
Cash and cash equivalents at end of period	8	**190.1**	**390.8**	**292.4**

NOTES TO THE INTERIM FINANCIAL REPORT

1 Reporting period

These results have been prepared as at 30th June 2023 and disclose the financial performance for the six month period ended 30th June 2023.

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 30th June 2023 has been prepared in accordance with the UK adopted International Accounting Standard 34 and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority ('FCA'). 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 and Accounts for the year ended 31st December 2022, which have been prepared in accordance with UK adopted international accounting standards ('IAS').

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

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted by the Group in the preparation of its 2023 Interim Financial Report are consistent with those disclosed in the Annual Report and Accounts for the year ended 31st December 2022.

Going concern

Details of the Group's objectives, policies and processes for managing its exposure to liquidity, credit, market, operational, climate change and business risks are contained in the Risk Management Report of the 2022 Annual Report and Accounts. The Directors are required to make an assessment of the Society's ability to adopt the going concern basis of accounting in the future and the information should cover a period of at least 12 months from the date of signing the financial statement but not be limited to that period. Therefore, the Directors' assessment period over the use of the going concern basis of accounting is for the period to the end of July 2024.

The Society continues to review and update its objectives, policies, processes and risks to ensure they remain relevant and include appropriate downside scenarios in the context of the continuing economic uncertainties created by both the higher interest rate and inflationary environment. The key risks associated with the delivery of the Society's strategic plans are outlined on page 9 of this Interim Financial Report.

The Society is forecast to remain compliant with all binding regulatory, liquidity and capital requirements throughout the going concern assessment period, including under stress scenarios. The Society has a surplus above regulatory capital requirements and is forecasting this to remain across the going concern assessment period. Taking this, along with the updated objectives, policies and processes into account, alongside the current economic and regulatory environment, the Directors confirm they are satisfied the Society 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 Report.

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 31st December 2022. Details as at 31st December 2022 are provided on pages 63 and 64 of the 2022 Annual Report and Accounts.

Change in accounting estimate

As a result of the increased level of redemptions observed on the mortgage portfolio acquired from the Shepshed Building Society in July 2013, the Society has accelerated the release of the associated deferred acquisition gain. This has resulted in an additional £1.0 million of income recognised within interest receivable and similar income in the six month period ended 30th June 2023 and the remaining carrying value of £0.2m will be released to the Income Statement over the remaining expected life of up to 5 years.

NOTES TO THE INTERIM FINANCIAL REPORT

3 Segmental reporting

The chief operating decision maker has been identified as the Group Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Operating segments are reported in a manner consistent with the internal reporting provided to the Board.

Following the disposal of several subsidiaries in prior years, the remaining trade of the Group relates purely to retail financial services which includes the provision of mortgages, savings, third party insurance and investments.

As there is only one trade within the Group, the results of the financial services business are presented on the face of the Income Statement and as such no separate disclosure is required within this note.

4 Interest receivable and similar income

	Period to 30 June 2023 Unaudited £m	Period to 30 June 2022 Unaudited £m	Year ended 31 December 2022 Audited £m
On loans fully secured on residential property	40.7	31.5	64.3
On other loans	8.7	4.7	11.2
On liquid assets	5.5	1.3	4.3
On instruments held at amortised cost	54.9	37.5	79.8
On debt securities	7.1	1.1	4.8
On derivatives held to hedge financial assets	27.8	0.7	13.1
On instruments calculated on an EIR basis	89.8	39.3	97.7
On derivatives not in a hedge accounting relationship	-	-	1.1
	89.8	**39.3**	**98.8**

5 Interest payable and similar charges

	Period to 30 June 2023 Unaudited £m	Period to 30 June 2022 Unaudited £m	Year ended 31 December 2022 Audited £m
On shares held by individuals	35.4	7.5	23.9
On deposits and other borrowings	11.1	2.3	8.7
On subscribed capital	1.0	1.0	2.0
On leases	-	-	0.1
On derivatives held to hedge financial liabilities	2.0	0.3	1.3
	49.5	**11.1**	**36.0**

NOTES TO THE INTERIM FINANCIAL REPORT

6 Administrative expenses

	Period to 30 June 2023 Unaudited £m	Period to 30 June 2022 Unaudited £m	Year ended 31 December 2022 Audited £m
Wages and salaries	10.4	9.0	20.1
Social security costs	1.1	0.9	2.0
Other pension costs	0.5	0.9	1.0
Total employee costs	**12.0**	**10.8**	**23.1**
Other administrative costs	10.8	7.4	19.7
Total administrative expenses	**22.8**	**18.2**	**42.8**

There are no strategic investment costs included in other continuing administrative costs (30th June 2022: £nil; 31st December 2022: £5.0 million.

7 Loans and advances to credit institutions

	30 June 2023 Unaudited £m	30 June 2022 Unaudited £m	31 December 2022 Audited £m
Repayable on call and short notice	7.7	10.4	9.3
Other loans and advances to credit institutions	7.4	5.1	6.7
	15.1	**15.5**	**16.0**

At 30th June 2023, £7.4 million (30th June 2022: £5.1 million; 31st December 2022: £6.7 million) of cash has been deposited by the Group as collateral against derivative contracts.

8 Cash and cash equivalents

	30 June 2023 Unaudited £m	30 June 2022 Unaudited £m	31 December 2022 Audited £m
Cash in hand and balances with the Bank of England	188.8	387.7	290.1
Less: cash ratio deposit account held with the Bank of England	(6.4)	(7.3)	(7.0)
Loans and advances to credit institutions repayable on call and short notice	7.7	10.4	9.3
	190.1	**390.8**	**292.4**

The cash ratio deposit is not included within cash and cash equivalents as it is not accessible within 3 months of the period end.

9 Debt securities

	Note	30 June 2023 Unaudited £m	30 June 2022 Unaudited £m	31 December 2022 Audited £m
Movement on debt securities during the period may be analysed as follows:				
At 1 January		413.2	260.3	260.3
Additions		132.1	136.4	286.2
Disposals and maturities		(119.3)	(24.3)	(129.2)
Net gains / (losses) from changes in fair value recognised in other comprehensive income		0.2	(2.6)	(4.1)
		426.2	**369.8**	**413.2**

10 Loans and advances to customers

	Note	30 June 2023 Unaudited £m	30 June 2022 Unaudited £m	31 December 2022 Audited £m
Loans fully secured on residential property (FSRP)		2,870.6	2,678.1	2,702.3
Other loans fully secured on land (FSOL)		381.1	269.6	334.7
Loans gross balance		3,251.7	2,947.7	3,037.0
Effective interest rate adjustment		1.0	0.5	0.3
Provision for impairment losses on loans and advances to customers	11	(5.9)	(3.0)	(5.3)
Fair value adjustment for hedged risk		(140.9)	(69.1)	(109.2)
		3,105.9	**2,876.1**	**2,922.8**

Other loans fully secured on land represents Secured Business Lending (SBL) assets.

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. The gross carrying amounts and Expected Credit Loss ('ECL') allowances are presented in detail below.

	30 June 2023 Unaudited			30 June 2022 Unaudited			31 December 2022 Audited		
	FSRP £m	FSOL £m	Total £m	FSRP £m	FSOL £m	Total £m	FSRP £m	FSOL £m	Total £m
Gross carrying amount									
Stage 1	2,414.3	349.0	2,763.3	2,441.1	234.5	2,675.6	2,186.8	305.7	2,492.5
Stage 2	439.0	27.4	466.4	222.1	34.2	256.3	499.4	25.3	524.7
Stage 3	17.3	4.7	22.0	14.9	0.9	15.8	16.1	3.7	19.8
	2,870.6	**381.1**	**3,251.7**	**2,678.1**	**269.6**	**2,947.7**	**2,702.3**	**334.7**	**3,037.0**

	30 June 2023 Unaudited			30 June 2022 Unaudited			31 December 2022 Audited		
	FSRP £m	FSOL £m	Total £m	FSRP £m	FSOL £m	Total £m	FSRP £m	FSOL £m	Total £m
Expected credit loss allowance									
Stage 1	3.1	1.5	4.6	1.3	0.8	2.1	2.5	1.5	4.0
Stage 2	0.5	0.3	0.8	0.3	0.4	0.7	0.5	0.4	0.9
Stage 3	0.1	0.4	0.5	0.1	0.1	0.2	0.1	0.3	0.4
	3.7	**2.2**	**5.9**	**1.7**	**1.3**	**3.0**	**3.1**	**2.2**	**5.3**

The underlying credit risk in the mortgage portfolio remains largely consistent against the position at 31st December 2022; however, affordability driven by inflationary pressures in the wider economy remains under pressure. In addition, the Society continues to forecast a reduction in house prices in both 2023 and 2024 due to the increase in interest rates which is expected to result in a decline in demand for housing. The overall level of ECL allowance has increased by £0.6m from the December 2022 position, reflecting the impact of a fall in house prices on Stage 1 mortgage accounts as the Society moves through the downward trend in house prices and an increase in total mortgage assets. The Society has signed up to the "Mortgage Charter" and as a result no residential owner occupied properties will be repossessed within 12-months of the first missed payment; the IFRS 9 model already included an allowance which is broadly in line with this requirement.

The Society's ECL coverage ratio, as a percentage of gross loans is 0.18% at 30th June 2023 for the total book and 0.17% for those balances in Stage 2. The equivalent ECL coverage ratios at 31st December 2022 were 0.17% across the total portfolio and 0.17% for Stage 2 assets.

At 30th June 2023, £4.9m of balances were over 3 months in arrears (31st December 2022: £4.8m), representing 0.15% (31st December 2022: 0.16%) of the total mortgage book. As at 30th June 2023, 0.41% (31st December 2022: 0.40%) of mortgage customers have some sort of contractual forbearance arrangement in place. Further details of the Society's arrears and forbearance cases are disclosed in note 14 to this Interim Financial Report.

Post model adjustment

Due to the ongoing level of uncertainty in the economy, at 30th June 2023, the Society has applied a stress to its Probability of Default ('PD') to its core ECL models to reflect Management's view that there will be an impact on affordability as a result of inflationary pressures and rising interest rates to manage inflation. As a result of this PD stress, an overlay ECL allowance of £4.8m (31st December 2022: £4.2m) has been recognised. This is calculated within the core underlying models with an absolute 8% stressed PD uplift applied to the modelled retail PD assumptions (31st December 2022: 8%) and 5% to the SBL PD assumptions (31st December 2022: 5%).

Economic variables of HPI and unemployment are provided by a reputable third party and are significant assumptions in the ECL model calculation. Inflation is not a predominant input to the model but actual to date and forecast inflation are now higher than expected, resulting in a greater and more sustained risk to affordability. As a result, Management have applied judgement and adjusted the level of PD stress for residential borrowers to reflect this in the post model adjustment.

NOTES TO THE INTERIM FINANCIAL REPORT

11 Provision for impairment losses on loans and advances (continued)

The charge / (release) to the Income Statement is summarised below.

	30 June 2023 Unaudited £m	30 June 2022 Unaudited £m	31 December 2022 Audited £m
Charge / (release) of provision for impairment			
Loans fully secured on residential property	0.6	-	1.4
Other loans fully secured on land	-	(0.1)	0.8
	0.6	**(0.1)**	**2.2**

The tables below reconciles the movement in both gross balances and expected credit losses in the period.

Gross balances	Non-credit impaired Subject to 12 month ECL Stage 1 £m	Subject to lifetime ECL Stage 2 £m	Credit impaired Subject to lifetime ECL Stage 3 £m	Total £m
At 1 January 2023	2,492.5	524.7	19.8	3,037.0
Stage transfers:				
Transfers from Stage 1 to Stage 2	(242.9)	242.9	-	-
Transfers to Stage 3	(2.2)	(1.6)	3.8	-
Transfers from Stage 2 to Stage 1	206.7	(206.7)	-	-
Transfers from Stage 3	0.1	1.1	(1.2)	-
Net movement arising from transfer of stage	**(38.3)**	**35.7**	**2.6**	**-**
New assets originated[1]	444.4	3.1	0.6	448.1
Further lending / repayments and redemptions	(135.3)	(97.1)	(1.0)	(233.4)
At 30 June 2023	**2,763.3**	**466.4**	**22.0**	**3,251.7**

Expected credit loss allowance	Non-credit impaired Subject to 12 month ECL Stage 1 £m	Subject to lifetime ECL Stage 2 £m	Credit impaired Subject to lifetime ECL Stage 3 £m	Total £m
At 1 January 2023	4.0	0.9	0.4	5.3
Stage transfers:				
Transfers from Stage 1 to Stage 2	(0.2)	0.2	-	-
Transfers to Stage 3	-	(0.1)	0.1	-
Transfers from Stage 2 to Stage 1	0.2	(0.2)	-	-
Net movement arising from transfer of stage	**-**	**(0.1)**	**0.1**	**-**
New assets originated[1]	1.2	-	-	1.2
Further lending / repayments and redemptions	(0.5)	(0.1)	(0.1)	(0.7)
Changes in risk parameters in relation to credit quality	(0.1)	0.1	0.1	0.1
At 30 June 2023	**4.6**	**0.8**	**0.5**	**5.9**

[1] New assets originated enter at Stage 1. The balances presented are the final position as at 30th June 2023.

NOTES TO THE INTERIM FINANCIAL REPORT

11 Provision for impairment losses on loans and advances (continued)

Gross balances	Non-credit impaired Subject to 12 month ECL Stage 1 £m	Subject to lifetime ECL Stage 2 £m	Credit impaired Subject to lifetime ECL Stage 3 £m	Total £m
At 1 January 2022	2,881.2	133.8	17.2	3,032.2
Stage transfers:				
Transfers from Stage 1 to Stage 2	(137.3)	137.3	-	-
Transfers to Stage 3	(1.1)	(1.0)	2.1	-
Transfers from Stage 2 to Stage 1	47.8	(47.8)	-	-
Transfers from Stage 3	0.8	1.0	(1.8)	-
Net movement arising from transfer of stage	**(89.8)**	**89.5**	**0.3**	**-**
New assets originated[1]	196.7	47.3	0.1	244.1
Further lending / repayments and redemptions	(312.5)	(14.3)	(1.8)	(328.6)
At 30 June 2022	**2,675.6**	**256.3**	**15.8**	**2,947.7**

Expected credit loss allowance	Non-credit impaired Subject to 12 month ECL Stage 1 £m	Subject to lifetime ECL Stage 2 £m	Credit impaired Subject to lifetime ECL Stage 3 £m	Total £m
At 1 January 2022	2.2	0.7	0.2	3.1
Stage transfers:				
Transfers from Stage 1 to Stage 2	(0.1)	0.1	-	-
Transfers from Stage 2 to Stage 1	0.1	(0.1)	-	-
Net movement arising from transfer of stage	**-**	**-**	**-**	**-**
New assets originated[1]	0.3	-	-	0.3
Further lending / repayments and redemptions	(0.4)	-	-	(0.4)
Changes in risk parameters in relation to credit quality	-	-	-	-
At 30 June 2022	**2.1**	**0.7**	**0.2**	**3.0**

1. New assets originated enter at Stage 1. The balances presented are the final position as at 30th June 2022.

Gross balances	Non-credit impaired Subject to 12 month ECL Stage 1 £m	Subject to lifetime ECL Stage 2 £m	Credit impaired Subject to lifetime ECL Stage 3 £m	Total £m
At 1 January 2022	2,881.2	133.8	17.2	3,032.2
Stage transfers:				
Transfers from Stage 1 to Stage 2	(472.6)	472.6	-	-
Transfers to Stage 3	(5.2)	(3.1)	8.3	-
Transfers from Stage 2 to Stage 1	47.6	(47.6)	-	-
Transfers from Stage 3	2.1	1.2	(3.3)	-
Net movement arising from transfer of stage	**(428.1)**	**423.1**	**5.0**	**-**
New assets originated[1]	627.0	5.6	1.2	633.8
Further lending / repayments and redemptions	(587.6)	(37.8)	(3.6)	(629.0)
At 31 December 2022	**2,492.5**	**524.7**	**19.8**	**3,037.0**

NOTES TO THE INTERIM FINANCIAL REPORT

11 Provision for impairment losses on loans and advances (continued)

Expected credit loss allowance	Non-credit impaired Subject to 12 month ECL Stage 1 £m	Non-credit impaired Subject to lifetime ECL Stage 2 £m	Credit impaired Subject to lifetime ECL Stage 3 £m	Total £m
At 1 January 2022	2.2	0.7	0.2	3.1
Stage transfers:				
Transfers from Stage 1 to Stage 2	(0.3)	0.3	-	-
Transfers to Stage 3	-	(0.1)	0.1	-
Transfers from Stage 2 to Stage 1	0.2	(0.2)	-	-
Net movement arising from transfer of stage	**(0.1)**	**-**	**0.1**	**-**
New assets originated[1]	1.8	-	-	1.8
Further lending / repayments and redemptions	0.1	-	-	0.1
Changes in risk parameters in relation to credit quality	-	0.2	0.1	0.3
At 31 December 2022	**4.0**	**0.9**	**0.4**	**5.3**

1 New assets originated enter at Stage 1. The balances presented are the final position as at 31st December 2022.

Forward-looking information incorporated in the ECL models

The assessment of Significant Increase in Credit Risk ('SICR') and the calculation of ECL both incorporate forward-looking information, which takes into account key economic impacts such as the higher inflationary and interest rate environment and the war in Ukraine. Key economic variables have been determined by Management, but expert judgement is also applied. Forecasts of these economic variables are provided by a reputable third party, providing a best estimate view of the economy over the next five years. After five years a mean reversion approach is used (i.e. long-run averages).

In addition to the base economic scenario forecast, other possible scenarios along with scenario weightings are obtained, of which Management have applied four scenarios in the model calculations.

	Weighting
Base The base economic scenario assumes that the UK economy struggles but manages to avoid a recession. Inflation peaked in Q4 2022 and as a result, the Bank of England ('BoE') continue to raise rates which have now reached 5%. The increase in interest rates leads to a decline in the demand for housing and a drop in house prices lasting the remainder of 2023. Russia's invasion of Ukraine continues but does not expand outside of Ukraine.	30%
Upside The upside scenario assumes that the Russia's invasion of Ukraine is resolved much faster than the baseline case. Inflationary pressures are initially weaker than the baseline case due to a large increase in supply before rising above the baseline scenario for a few quarters. Under the upside scenario, employment rate continues to drop below pre-pandemic lows and stays below 4% for several years.	20%
Downside The downside scenario assumes that Russia cuts off natural gas supplies which causes an increase in prices. The BoE cuts interest rates faster than the baseline due to the economy being in recession. Inflation briefly drops below zero, followed by a prolonged period of below-target rates. Households pull back on spending and the unemployment rate exceeds 7% in 2024 due to higher costs and supply shortages. The increase in unemployment rate and shrinking real incomes causes house prices to drop with a 24.0% 'peak to trough' reduction.	35%
Severe downside The severe downside scenario assumes that Russia cuts off natural gas supplies, thus increasing prices. The BoE cuts rates faster than the baseline scenario due to the economy being in a deep recession. Due to the collapse of economic demand, unemployment peaks at over 8% in 2024. Inflation declines rapidly and falls negative, remaining below the 2% target for several years. Access to credit is limited, resulting in a 32.7% 'peak to trough' reduction in house prices.	15%

NOTES TO THE INTERIM FINANCIAL REPORT

11 Provision for impairment losses on loans and advances (continued)

Forward-looking information incorporated in the ECL models (continued)

The summary below outlines the most significant forward-looking assumptions under IFRS 9, over the five year planning period across the upside, base, downside and severe downside scenarios.

As at 30 June 2023		2023 %	2024 %	2025 %	2026 %	2027 %
Unemployment rate	Upside	3.9	3.8	3.7	3.9	4.1
	Base	4.3	4.5	4.6	4.6	4.6
	Downside	5.2	7.2	7.3	7.1	6.5
	Severe downside	5.4	8.5	8.2	8.1	7.6
House price index	Upside	(0.4)	8.3	3.9	0.7	(1.5)
Annual increase /	Base	(6.3)	(1.4)	4.0	4.8	2.0
(reduction)	Downside	(10.8)	(13.2)	(0.8)	6.2	5.5
	Severe downside	(12.6)	(20.1)	(1.6)	5.9	4.1
BoE interest rate	Upside	5.9	5.1	3.1	2.3	2.3
	Base	5.8	5.1	3.1	2.3	2.3
	Downside	5.2	3.4	1.7	1.4	1.6
	Severe downside	4.6	3.1	1.1	0.7	0.8

A significant degree of estimation relates to the relative weightings of the economic scenarios. In order to demonstrate this sensitivity, the impact of applying 100% of a particular scenario on 30th June 2023 reported ECL position output is shown below.

30 June 2023	ECL provision £m	(Decrease)/ increase £m	(Decrease)/ increase %
IFRS 9 weighted average	**5.9**	-	
Upside	**2.6**	(3.3)	(55.9)
Base	**4.0**	(1.9)	(32.2)
Downside	**7.4**	1.5	25.4
Severe Downside	**10.6**	4.7	79.7

12 Subscribed capital

	30 June 2023 Unaudited £m	30 June 2022 Unaudited £m	31 December 2022 Audited £m
7.875% sterling Permanent Interest Bearing Shares	23.9	23.9	23.9
Fair value adjustment for hedged risk	0.1	0.1	0.1
	24.0	**24.0**	**24.0**

The subscribed capital was issued for an indeterminate period and is only repayable in the event of the winding up of the Society. The holders of the subscribed capital do not have any right to a residual interest in the Society.

NOTES TO THE INTERIM FINANCIAL REPORT

13 Fair value reserves

	30 June 2023 Unaudited £m	30 June 2022 Unaudited £m	31 December 2022 Audited £m
Fair value reserve			
At 1 January	(3.4)	(0.1)	(0.1)
Net (charge) / gain from changes in fair value	0.2	(2.6)	(3.3)
	(3.2)	**(2.7)**	**(3.4)**

Amounts within the Fair Value through Other Comprehensive Income ('FVOCI') reserve are transferred to the Income Statement upon the disposal of debt securities.

14 Financial instruments

Classification & Measurement

A financial instrument is a contract that gives rise to a financial asset or financial liability. The 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 ongoing basis either at fair value or at amortised cost. The tables below analyses the Group's assets and liabilities by financial classification:

Carrying values by category	**Held at amortised cost**	**Held at fair value**			
As at 30 June 2023 Unaudited	**Financial assets and liabilities at amortised cost £m**	**Fair value through other comprehensive income £m**	**Derivatives designated as fair value hedges £m**	**Unmatched derivatives £m**	**Total £m**
Financial assets					
Cash in hand and balances with the Bank of England	188.8	-	-	-	188.8
Loans and advances to credit institutions	15.1	-	-	-	15.1
Debt securities	-	426.2	-	-	426.2
Derivative financial instruments	-	-	179.7	1.5	181.2
Loans and advances to customers	3,105.9	-	-	-	3,105.9
Other assets	29.3	-	-	-	29.3
	3,339.1	**426.2**	**179.7**	**1.5**	**3,946.5**
Financial liabilities					
Shares	3,132.3	-	-	-	3,132.3
Amounts owed to credit institutions	440.3	-	-	-	440.3
Amounts owed to other customers	12.5	-	-	-	12.5
Debt securities in issue	67.3	-	-	-	67.3
Derivative financial instruments	-	-	16.5	-	16.5
Subscribed capital	24.0	-	-	-	24.0
Other liabilities	13.0	-	-	-	13.0
	3,689.4	**-**	**16.5**	**-**	**3,705.9**

NOTES TO THE INTERIM FINANCIAL REPORT

14 Financial instruments (continued)

Classification & Measurement (continued)

Carrying values by category	Held at amortised cost	Held at fair value			
As at 30 June 2022 Unaudited	**Financial assets and liabilities at amortised cost £m**	**Fair value through other comprehensive income £m**	**Derivatives designated as fair value hedges £m**	**Unmatched derivatives £m**	**Total £m**
Financial assets					
Cash in hand and balances with the Bank of England	387.7	-	-	-	387.7
Loans and advances to credit institutions	15.5	-	-	-	15.5
Debt securities	-	369.8	-	-	369.8
Derivative financial instruments	-	-	78.3	5.3	83.6
Loans and advances to customers	2,876.1	-	-	-	2,876.1
Other assets	32.9	-	-	-	32.9
	3,312.2	**369.8**	**78.3**	**5.3**	**3,765.6**
Financial liabilities					
Shares	2,984.6	-	-	-	2,984.6
Amounts owed to credit institutions	390.7	-	-	-	390.7
Amounts owed to other customers	11.0	-	-	-	11.0
Debt securities in issue	109.4	-	-	-	109.4
Derivative financial instruments	-	-	1.7	4.7	6.4
Subscribed capital	24.0	-	-	-	24.0
Other liabilities	13.4	-	-	-	13.4
	3,533.1	**-**	**1.7**	**4.7**	**3,539.5**

Carrying values by category	Held at amortised cost	Held at fair value			
As at 31 December 2022 Audited	**Financial assets and liabilities at amortised cost £m**	**Fair value through other comprehensive income £m**	**Derivatives designated as fair value hedges £m**	**Unmatched derivatives £m**	**Total £m**
Financial assets					
Cash in hand and balances with the Bank of England	290.1	-	-	-	290.1
Loans and advances to credit institutions	16.0	-	-	-	16.0
Debt securities	-	413.2	-	-	413.2
Derivative financial instruments	-	-	134.8	7.8	142.6
Loans and advances to customers	2,922.8	-	-	-	2,922.8
Other assets	27.8	-	-	-	27.8
	3,256.7	**413.2**	**134.8**	**7.8**	**3,812.5**
Financial liabilities					
Shares	3,009.7	-	-	-	3,009.7
Amounts owed to credit institutions	419.0	-	-	-	419.0
Amounts owed to other customers	8.4	-	-	-	8.4
Debt securities in issue	91.0	-	-	-	91.0
Derivative financial instruments	-	-	14.0	0.4	14.4
Subscribed capital	24.0	-	-	-	24.0
Other liabilities	14.4	-	-	-	14.4
	3,566.5	**-**	**14.0**	**0.4**	**3,580.9**

14 Financial instruments (continued)

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 2023 Unaudited Book value £m	30 June 2023 Unaudited Fair value £m	30 June 2022 Unaudited Book value £m	30 June 2022 Unaudited Fair value £m	31 December 2022 Audited Book value £m	31 December 2022 Audited Fair value £m
Financial assets							
Cash in hand & balances with the Bank of England	a	188.8	188.8	387.7	387.7	290.1	290.1
Loans & advances to credit institutions	b	15.1	15.1	15.5	15.5	16.0	16.0
Loans & advances to customers	c	3,105.9	3,123.1	2,876.1	2,909.3	2,922.8	2,914.9
Financial liabilities							
Shares	d	3,132.3	3,113.7	2,984.6	2,971.3	3,009.7	2,990.2
Amounts owed to credit institutions	d	440.3	440.3	390.7	390.7	419.0	419.0
Amounts owed to other customers	d	12.5	12.5	11.0	11.0	8.4	8.4
Debt securities in issue	e	67.3	67.3	109.4	109.4	91.0	91.0
Subscribed capital	f	24.0	24.2	24.0	27.6	24.0	24.2

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 collateral loans and advances to credit institutions is derived using valuation techniques that use observable market inputs.

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. 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.

NOTES TO THE INTERIM FINANCIAL REPORT

14 Financial instruments (continued)

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 2023 Unaudited	Level 1 £m	Level 2 £m	Total Fair Value £m
Financial assets			
FVOCI - Debt securities	426.2	-	426.2
Derivative financial instruments - Interest rate swaps	-	181.2	181.2
	426.2	**181.2**	**607.4**
Financial liabilities			
Derivative financial instruments - Interest rate swaps	-	(16.5)	(16.5)
	-	**(16.5)**	**(16.5)**

30 June 2022 Unaudited	Level 1 £m	Level 2 £m	Total Fair Value £m
Financial assets			
FVOCI - Debt securities	369.8	-	369.8
Derivative financial instruments - Interest rate swaps	-	83.6	83.6
	369.8	**83.6**	**453.4**
Financial liabilities			
Derivative financial instruments - Interest rate swaps	-	(6.4)	(6.4)
	-	**(6.4)**	**(6.4)**

31 December 2022 Audited	Level 1 £m	Level 2 £m	Total Fair Value £m
Financial assets			
FVOCI - Debt securities	413.2	-	413.2
Derivative financial instruments - Interest rate swaps	-	142.6	142.6
	413.2	**142.6**	**555.8**
Financial liabilities			
Derivative financial instruments - Interest rate swaps	-	(14.4)	(14.4)
	-	**(14.4)**	**(14.4)**

The Group has no Level 3 financial instruments carried at fair value.

NOTES TO THE INTERIM FINANCIAL REPORT

14 Financial instruments (continued)

Fair values of financial assets and liabilities carried at fair value (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 relevant yield curves. The 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.

Interest rate swaps

The valuation of interest rate swaps is also based on the 'present value' method. Expected interest cash flows are discounted using the prevailing SONIA yield curves. The 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 fully collateralised and therefore no adjustment is required for credit risk in the fair value of derivatives.

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.

Credit risk

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

	30 June 2023 Unaudited £m	30 June 2022 Unaudited £m	31 December 2022 Audited £m
Credit risk exposure			
Cash in hand and balances with the Bank of England	188.8	387.7	290.1
Loans and advances to credit institutions	15.1	15.5	16.0
Debt securities	426.2	366.8	417.7
Derivative financial instruments	181.2	83.6	142.6
Loans and advances to customers	3,105.9	2,876.1	2,922.8
Total statement of financial position exposure	**3,917.2**	**3,729.7**	**3,789.2**
Off Balance Sheet exposure – mortgage commitments	299.7	188.7	281.5
	4,216.9	**3,918.4**	**4,070.7**

NOTES TO THE INTERIM FINANCIAL REPORT

14 Financial instruments (continued)

Fair values of financial assets and liabilities carried at fair value (continued)

Credit risk (continued)

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 at 30th June 2023 is 100% (30th June 2022: 100%; 31st December 2022: 100%).

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

All of the Group's treasury assets are classified as Stage 1 for ECL calculation purposes under IFRS 9 and there are no impairment charges against any of the Group's treasury assets at 30th June 2023 (30th June 2022: £nil; 31st December 2022: £nil).

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 £2,870.6m, split between residential and buy-to-let loans with the remaining £381.1m 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 30th June 2023, the simple average Loan to Value ('LTV') of retail mortgages is 49% (30th June 2022: 48%; 31st December 2022: 46%).

The table below provides information on retail gross loans and ECL stages split by the number of Days Past Due ('DPD'):

	30 June 2023 Unaudited		30 June 2022 Unaudited		30 December 2022 Audited	
	Gross loans £m	ECL £m	Gross loans £m	ECL £m	Gross loans £m	ECL £m
Stage 1: *12 month expected credit losses*						
< 30 days past due	2,414.3	3.1	2,441.1	1.3	2,186.8	2.5
Stage 2: *Lifetime expected credit losses*						
< 30 days past due	433.5	0.5	215.1	0.3	493.1	0.5
> 30 days past due	5.5	-	7.0	-	6.3	-
Stage 3: *Lifetime expected credit losses*						
< 90 days past due	13.2	0.1	11.7	0.1	11.9	0.1
> 90 days past due	4.1	-	3.2	-	4.2	-
	2,870.6	**3.7**	**2,678.1**	**1.7**	**2,702.3**	**3.1**

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 59.9% (30th June 2022: 66.0%; 31st December 2022: 67.1%).

14 Financial instruments (continued)

Fair values of financial assets and liabilities carried at fair value (continued)

Credit risk (continued)

b) Loans and advances to customers (continued)

Secured Business Loans (continued)

The table below provides information on SBL gross loans and Expected Credit Loss stages split by the number of DPD:

	30 June 2023 Unaudited		30 June 2022 Unaudited		30 December 2022 Audited	
	Gross loans £m	ECL £m	Gross loans £m	ECL £m	Gross loans £m	ECL £m
Stage 1: *12 month expected credit losses*						
< 30 days past due	349.0	1.5	234.5	0.8	305.7	1.5
Stage 2: *Lifetime expected credit losses*						
< 30 days past due	25.0	0.3	33.2	0.4	23.1	0.4
> 30 days past due	2.4	-	1.0	-	2.2	-
Stage 3: *Lifetime expected credit losses*						
< 90 days past due	3.9	0.3	0.4	-	3.1	0.2
> 90 days past due	0.8	0.1	0.5	0.1	0.6	0.1
	381.1	**2.2**	**269.6**	**1.3**	**334.7**	**2.2**

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 30th June 2023, there were 69 forbearance cases within the retail loans category (30th June 2022: 68; 31st December 2022: 72) and 23 cases within the SBL loans category (30th June 2022: 11; 31st December 2022: 15).

15 Notes to the cash flow statements

	Period to 30 June 2023 Unaudited £m	Period to 30 June 2022 Unaudited £m	Year ended 31 December 2022 Audited £m
Changes in liabilities arising from financing activities			
Subscribed capital at 1 January	23.9	23.9	23.9
Accrued interest	1.0	1.0	1.9
Cash flows	(1.0)	(1.0)	(1.9)
Subscribed capital at end of period	**23.9**	**23.9**	**23.9**

RESPONSIBILITY STATEMENT

The Directors confirm that this Interim Financial Report has been prepared in accordance with UK adopted International Accounting Standard 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules of the United Kingdom's FCA. 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 Report, as required by the Disclosure and Transparency Rules (DTR 4.2.7). The principal risks and uncertainties continue to be those reported within the Strategic Report on pages 15 to 17 and within the Risk Management Report starting on page 28 of the 2022 Annual Report and Accounts and those detailed on page 9 of this Interim Financial Report.

A full list of the Board of Directors can be found in the 2022 Annual Reports and Accounts.
Anthony Murphy was appointed to the Board as an Executive Director on 23rd June 2023.
Paul Astruc became a Non-Executive Director, transitioning from his previous role as an Executive Director on 24th April 2023.
Simon Baum became an Executive Director, transitioning from his previous role as a Non-Executive Director on 1st May 2023.

Signed on behalf of the Board on 26th July 2023 by

Susan Hayes
Chief Executive

Anthony Murphy
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO NOTTINGHAM BUILDING SOCIETY

Conclusion

We have been engaged by the Society to review the condensed set of financial statements in the Interim Financial Report for the six months ended 30th June 2023 which comprises 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 set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Financial Report for the six months ended 30th June 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ('ISRE') issued by the Financial Reporting Council. 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 consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the Society are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this Interim Financial Report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that Management have inappropriately adopted the going concern basis of accounting or that Management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the Directors

The Directors are responsible for preparing the Interim Financial Report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the Interim Financial Report, the Directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the Interim Financial Report, we are responsible for expressing to the Society a conclusion on the condensed set of financial statements in the Interim Financial Report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

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

Ernst & Young LLP

Ernst & Young LLP
Manchester
26th July 2023

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 31st December 2022 has been extracted from the Annual Report and Accounts for that year. The Annual Report and Accounts for the year ended 31st December 2022 have been filed with the FCA. The Auditors' Report on these Annual Report and Accounts was unqualified.

A copy of the Interim Financial Report is placed on the website of The Nottingham , 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.

The Nottingham

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