

Nottingham Building Society
Results for the year ended 31st December 2023

Nottingham Building Society delivers a positive financial performance, with gross mortgage lending up 35% year-on-year in a challenging economic environment as it continues its transformation plan

Nottingham Building Society presents its results for the year ended 31st December 2023. The mutual reports positive growth over the year, with an increase in mortgage lending and new mortgage customers compared to 2022.

Key Performance Indicators ('KPIs')

The KPIs disclosed below are based on the position at 31st December 2023 or for the 12-month period ended 31st December 2023, unless otherwise stated. The average Liquidity Coverage Ratio ('LCR') represents a 12-month average for the year ended 31st December 2023.

- **£887m gross new lending** (2022: £659m), representing an increase of £228m;
- **£3.6bn total mortgage assets** (2022: £3.0bn), being growth of £0.6bn;
- **Almost 7,000 new mortgage customers**, representing an increase of 75% vs. 2022;
- **£3.6bn total savings balance** (2022: £3.0bn), an uplift of £0.6bn;
- **£91.8m total interest paid to savers** (2022: £23.9m), an increase of £67.9m;
- **£8.3m profit before tax** (2022: £18.9m), representing a decrease of £10.6m;
- **£24.2m underlying profit before tax** (2022: £15.2m), representing an increase of £9.0m;
- **1.94% net interest margin** (2022: 1.69%), being an absolute increase of 0.25%;
- **84.6% cost : income ratio** (2022: 71.7%), an increase of 12.9%;
- **70.5% underlying cost : income ratio** (2022: 73.0%), a reduction of 2.5%;
- **ECL coverage ratio of 15bps** (2022: 17bps), a decrease of 2bps;
- **The Nottingham continues to benefit from a robust capital / liquidity base, demonstrated by:**
 - **15.2% CET1 ratio** (2022: 16.8%);
 - **5.2% Leverage ratio** (2022: 5.6%);
 - **184% average LCR** (2022: 192%);
- **4.9 Trustpilot score** (2022: 3.8);
- **64.6% net promoter score** (2022: 64.7%); and
- **2,462 colleague volunteering hours** (2022: 841)

Sue Hayes, Chief Executive Officer ('CEO') of The Nottingham, commented on the results:

"I am pleased to report our financial results for 2023 alongside the progress towards delivering our strategy. Our financial performance in 2023 was strong, with an underlying profit before tax of £24.2m (2022: £15.2m) and an 18.3% increase in mortgage balances compared with 2022.

"I'm particularly pleased to report we achieved significant growth in mortgage lending while overall lending in the UK mortgage market fell. We helped almost 7,000 borrowers either take out a mortgage with us for the first time or move to a new mortgage product.

"Over the year we achieved good growth in our savings balances as we diversified our proposition to offer a variety of attractive products and savings rates to our customers via our branch network and online savings app. As interest rates have risen and remained high throughout this year, 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 £91.8m in interest to savers in 2023 (2022: £23.9m).

I am proud of the results we are sharing today, especially given the challenging economic environment, and am grateful to our members, and dedicated colleagues, for their continued trust in us. We look ahead to the coming years with a renewed sense of focus, guided by a clear and impactful purpose, with mutuality as our bedrock.

Looking to the future, we will continue to monitor the impact of movements in base rate on our mortgage and savings propositions, while focusing on innovation in our products as part of our ongoing transformation journey. We will also continue to support our saver members with attractive savings propositions.”

Sue Hayes

Chief Executive Officer

7th March 2024

Consolidated income statement for the year ended 31 December 2023	2023	2022
	£m	£m
Interest receivable and similar income	205.5	98.8
Interest payable and similar charges	(125.2)	(36.0)
Net interest income	80.3	62.8
Fees and commissions receivable	2.5	3.1
Fees and commissions payable	0.4	(1.5)
Net (losses) / gains from derivative financial instruments	(14.2)	10.2
Total net income	69.0	74.6
Administrative expenses	(52.3)	(42.8)
Depreciation and amortisation	(6.7)	(10.7)
Operating profit before impairment and losses on disposal of treasury assets	10.0	21.1
Impairment credit / (charge) - loans and advances to customers	0.1	(2.2)
Loss on disposal of treasury assets	(1.8)	-
Profit before tax	8.3	18.9
Tax charge	-	(3.1)
Profit after tax for the financial year	8.3	15.8
Reconciliation to underlying profit before tax	2023	2022
	£m	£m
Profit before tax	8.3	18.9
Losses / (gains) from derivative financial instruments	14.2	(10.2)
Net strategic investment costs	0.2	5.0
Other	0.5	-
Change in accounting estimates	(0.8)	1.5
Loss on disposal of treasury assets	1.8	-
Underlying profit before tax	24.2	15.2
Consolidated statement of comprehensive income for the year ended 31 December 2023	2023	2022
	£m	£m
Profit for the financial year	8.3	15.8
<u>Items that will not be re-classified to the income statement</u>		
Remeasurements of defined benefit obligations	0.1	0.1
Tax on items that will not be re-classified	(0.1)	(0.1)
<u>Items that may subsequently be re-classified to the income statement</u>		
Valuation gains / (losses) taken to reserves	2.8	(4.1)
Loss on disposal of treasury assets taken to income statement	1.8	-
Tax on items that may subsequently be re-classified	(1.0)	0.8
Other comprehensive income/(expense) for the year net of income tax	3.6	(3.3)
Total comprehensive income for the year	11.9	12.5

**Consolidated statement of financial position
as at 31 December 2023**

	2023	2022
	£m	£m
Assets		
Liquid assets	801.3	719.3
Derivative financial instruments	105.2	142.6
Loans and advances to customers	3,543.9	2,922.8
Fixed and other assets	24.5	27.8
Total assets	4,474.9	3,812.5
Liabilities		
Shares	3,565.9	3,009.7
Wholesale funding	583.1	518.4
Derivative financial instruments	43.9	14.4
Other liabilities	14.5	14.4
Subscribed capital	24.0	24.0
Total liabilities	4,231.4	3,580.9
Reserves		
General reserves	243.3	235.0
Fair value reserves	0.2	(3.4)
Total reserves attributable to members of the Society	243.5	231.6
Total reserves and liabilities	4,474.9	3,812.5

**Consolidated statement of changes in members' interests
as at 31 December 2023**

	General reserve	FVOCI reserve	Total
	£m	£m	£m
Balance as at 1 January 2023	235.0	(3.4)	231.6
Profit for the year	8.3	-	8.3
<u>Other comprehensive income for the period (net of tax)</u>			
Net gains from changes in fair value	-	3.6	3.6
Total other comprehensive income	-	3.6	3.6
Total comprehensive income for the period	8.3	3.6	11.9
Balance as at 31 December 2023	243.3	0.2	243.5
Balance as at 1 January 2022	219.2	(0.1)	219.1
Profit for the year	15.8	-	15.8
<u>Other comprehensive expense for the period (net of tax)</u>			
Net losses from changes in fair value	-	(3.3)	(3.3)
Total comprehensive income / (expense) for the period	15.8	(3.3)	12.5
Balance as at 31 December 2022	235.0	(3.4)	231.6

**Summary consolidated cash flow statement
for the year ended 31 December 2023**

	2023	2022
	£m	£m
Cash flows from operating activities	18.9	34.3
Changes in operating assets and liabilities	55.7	132.8
Net cash generated from operating activities	74.6	167.1
Cash flows from investing activities	74.7	(159.2)
Cash flows from financing activities	(2.6)	(2.7)
Increase in cash and cash equivalents	146.7	5.2

Cash and cash equivalents at beginning of year	<u>292.4</u>	<u>287.2</u>
Cash and cash equivalents at end of year	<u>439.1</u>	<u>292.4</u>

Notes

The financial information set out above, which was approved by the Board of Directors on 6th March 2024, does not constitute accounts within the meaning of the Building Societies Act 1986.

The financial information for the years ended 31st December 2023 and 31st December 2022 has been extracted from the Accounts for those years and on which the auditors have given an unqualified opinion.