

2022 MEMBERS' NEWSLETTER

Including our summary financial statement and notice of AGM



The
Nottingham

YOUR BOARD OF DIRECTORS

AT 31 DECEMBER 2022

CONTENTS

- 01 Your Board of directors
- 05 Notice of annual general meeting 2023
- 07 Key financial highlights
- 08 Summary financial statement
- 12 Independent auditor's statement
- 13 Summary directors' remuneration report

Directors up for election/re-election

Simon Baum



Age 60 Date of appointment 18.06.18

Simon joined the Board in June 2018. Simon has spent over 35 years specialising in risk management within the financial services arena, holding senior positions at Experian, Alliance & Leicester and Santander, both within the UK and overseas. His previous roles include Director of Mortgage Risk at Santander.

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

Susan Hayes*

Chief Executive



Age 55 Date of appointment 01.03.22

Sue joined the Society in January 2022 and was appointed as Chief Executive in March. Sue has focused her career in Retail and Business Banking and has held senior positions at Lloyds, HBOS, NatWest, Santander and Barclays. Sue joined challenger bank Aldermore in 2018 and more recently was CEO at GB Bank, a new entrant challenger which she took through to the first stage of the banking licence and raised additional funding. Sue previously sat on the UK Finance mortgage board as Deputy Chair and has been nominated to UKF Mortgage Board again as a Mutual representative for 2023.

"Last year I committed to focusing on a full strategic review designed to build on the best of The Nottingham and transforming where we need to, in order to be a successful mutual for the next 170 years. I am pleased to share that we delivered that in 2022. I led our senior leaders through a considered and enlightening strategic review process, starting in February and culminating in the unveiling of our blueprint for the future to colleagues in September.

*It's been an achievement I'm especially proud of with the result that we are now all aligned behind a common purpose - **together we will fight for the Extra Ordinary to own their own home.***

This purpose takes us to the very roots of the Society under Samuel Fox with the savers and branches supporting people who would find it incredibly difficult to own their own home without us.

We have created a strategic plan of change that we will be implementing in 2023-26. If re-elected, the next 12 months will see us make significant progress in this mission."

*Executive Director

YOUR BOARD OF DIRECTORS

AT 31 DECEMBER 2022

Directors up for election/re-election (continued)

Simon Linares



Age 58 Date of appointment 01.12.19

Simon joined the Board in 2019. Simon is also an Executive Mentor and Coach and Chairman of the charity Dreams Come True. He brings a wealth of commercial and people and development experience spanning a range of sectors, including FMCG, telecommunications and financial services. His most recent position was Group HR Director at Direct Line, where he led the HR, communications, public affairs and corporate social responsibility strategies. Prior to Direct Line, Simon headed up human resources for O2 Europe, Telefonica's digital businesses and Diageo, covering different geographies and cultures, including Africa, Spain and Portugal. Simon is a fellow of the Chartered Institute of Personnel Development and in 2018 was ranked amongst the top five most influential HR Practitioners in the UK.

"I am proud to be able to represent the members of The Nottingham, particularly during these times of change and challenge. The Nottingham has a unique combination of a long and rich history but ambition to be a relevant and positive force in the future, doing the right thing for members and supporting our communities. If re-elected I look forward to working with the Board and leadership team to continue and build on this great work."

Andrew Neden



Age 60 Date of appointment 17.09.14

Andrew joined the Board in 2014. He is a Chartered Accountant with over 40 years' experience in financial services in the UK and overseas. After a number of years running KPMG's UK financial sector transaction services team, he was the global Chief Operating Officer for KPMG's financial services business. Current directorships include the Wesleyan Assurance Society and ABC International Bank Plc; he chairs the Audit Committee for both organisations. He also chairs Aetna Insurance Company Limited, and a couple of small charities.

"Our role as a board is to keep our long term focus on our members' wider financial needs, and to ensure the safety and sustainability of the Society as long as we are best placed to meet these needs. My objective is to assist in building an executive team to do this well and effectively; and to lead the Board and the executive team in our strategic thinking so that we anticipate our members' future needs, and identify those who will be members in future. If re-elected I intend to continue to press forward this strategy."

Chair

Directors up for election/re-election (continued)

Peter O'Donnell



Age 56 Date of appointment 01.01.21

Peter joined the Board in January 2021. Peter has over 30 years' experience in financial services and worked in a variety of senior finance roles at Prudential, RSA and Aviva. His most recent position was Executive Vice President at Unum, a Fortune 500 company where he was also CEO of its UK business and Chairman of Unum Poland. Since 2016, Peter has been a Trustee and Chair of Audit Committee for Cardiac Risk in the Young. Peter has a Bachelor of Commerce Degree from University College Dublin, is a fellow of CIMA and has significant experience of both international and the UK markets.

"I'm delighted to have completed my second year on the Nottingham Board, and to have taken over the Chair of Audit Committee this year. The business has a great history, purpose, and value set. Despite the challenging environment of recent years, the Nottingham has continued to look after its customers and support its community. I'm very proud to be involved with such a great business with a clear purpose and strategy for the future. If re-elected, I look forward to working with the team to build on our success and shape a successful future."

Kavita Patel



Age 46 Date of appointment 01.01.17

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

"It is a privilege to serve as a director of The Nottingham. The Society remains focused on helping members save for and protect their financial futures. It is particularly pleasing that, despite the challenging environment, we have been able to continue supporting our members, our people and our communities, whilst also embracing technology to be able to deliver services and accessibility to meet the future needs of our members. If re-elected, I look forward to working with my fellow board members and the leadership team and continue with this focus."

Directors up for election/re-election (continued)

Kerry Spooner



Age 61 Date of appointment 01.09.16

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

"Our Society is a strong, prudent mutual firmly rooted in putting its members at the forefront of everything it does. If re-elected I look forward to continuing this focus and to contributing to the future success of our Society."

Incoming Directors

Paul Astruc



Age 56 Date of appointment 21.06.22

Paul brings over 25 years of financial services experience after qualifying as an accountant with Shell International. During that time, Paul has worked at a number of leading UK and international banks, including most recently 9 years as a Finance Executive at Lloyds Banking Group, leading Finance teams and driving strategic and transformation agendas. Paul has been the CFO at the Nottingham since April 2021 with responsibility for Finance, and also leading on Technology during 2022, and joined the Board as an Executive Director in June. Paul stepped down as an Executive Director on 6th April 2023 and was appointed as a Non-Independent Non-Executive Director with effect from 7th April 2023.

"I am proud to be a director at the Nottingham Building Society, with its strong and rich heritage. I have been excited to be a part of the Society over the past 2 years and to help contribute to the strong business performance and the establishment of our new purpose-led strategy. If elected, I will continue to support our passionate colleagues on this journey, developing the Society to serve its current and future members as a sustainable and relevant mutual."

The annual general meeting of Nottingham Building Society will be held at Nottingham House, 3 Fulforth Street, Nottingham, NG1 3DL, on Monday 24 April, 2023 at 6.30 p.m. for the following purposes:

1. To receive the auditor's report.

Ordinary Resolutions

2. To receive the directors' report, annual accounts and annual business statement for the year ended 31st December 2022.
3. To consider and, if thought fit, pass an ordinary resolution to re-appoint Ernst & Young LLP as auditors until the conclusion of the next annual general meeting.
4. To consider and, if thought fit, approve the report of the directors on remuneration.

Election of Directors

5. To consider and if thought fit:
 - a. to elect Paul Jacques Sylvain Astruc
 - b. to re-elect Susan Elizabeth Hayes
 - c. to re-elect Andrew Frederick John Neden
 - d. to re-elect Kavita Patel
 - e. to re-elect Kerry Madeline Spooner
 - f. to re-elect Peter O'Donnell
 - g. to re-elect Simon Graydon Baum
 - h. to re-elect Simon Linares

as directors of the Society.

R Ewin,
Senior Legal Counsel & Company Secretary
2 March 2023

Notes

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

2. Re-election/Election of Directors

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

Non-executive directors can serve up to a maximum of three three-year terms. Any extension is subject to a rigorous review and be explained giving due consideration to the continuing independence and objectivity of the non-executive director.

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

3. Rules

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

4. Proxies

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

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

To be valid, proxy voting forms must be signed and returned (or submitted electronically) so as to reach Civica no later than five pm on 20 April 2023. This is the voting date.

5. Voting qualifications

You can vote if you:

- a) are at least 18 years old on 24 April 2023; and
- b) (i) held shares to the value of not less than £100 in the Society on 31 December 2022 and have continued to hold shares at all times between 31 December 2022 and the voting date; or
(ii) owed the Society not less than £100 in respect of a mortgage debt on 31 December 2022 and owe the Society not less than £100 in respect of a mortgage debt on the voting date; and
- c) are the only or the first named account holder in our records for the relevant share or mortgage account.

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

7. Virtual meeting

We have taken the decision to hold the AGM as a fully virtual meeting. If you have any questions which you would like to be answered at the AGM, please send them to nbs.agm@thenottingham.com by no later than Friday 14 April.

GROSS MORTGAGE LENDING UP **18%** TO **£659m**  RESULTING IN TOTAL ASSETS OF **£3.8 BILLION**

 **£23.9m** OF INTEREST PAID TO SAVERS | GROUP PRE-TAX PROFIT OF **£18.9m** ON UNDERLYING BASIS **£15.2m**

 NET PROMOTER SCORE OF **72%** WITH **85%** OF OUR MEMBERS 'HIGHLY SATISFIED'

 EMPLOYEE ENGAGEMENT SCORE OF: **81%** IN OUR ANNUAL SURVEY | STRONG CAPITAL POSITION WITH  AND LEVERAGE RATIO OF: **16.8%** **5.7%** CET 1 RATIO AT:

NEW **PURPOSE & STRATEGY**  LAUNCHED

£1,000 COST OF LIVING BONUS AND PAY AWARD FOR OUR COLLEAGUES  ENTERED KEY STRATEGIC PARTNERSHIP WITH GEN H  

 **841 COLLEAGUE HOURS** VOLUNTEERED TO GOOD CAUSES

SUMMARY FINANCIAL STATEMENT

We are pleased to present our summary financial statement for the year ended 31 December 2022

This financial statement is a summary of information in the audited annual accounts, the directors' report and annual business statement, all of which will be available to members and depositors free of charge on our website www.thenottingham.com from 24 March 2023.

Financial performance

The Society has delivered a strong level of profit in 2022 during turbulent economic conditions, with an underlying profit before tax of £15.2m (2021: £7.4m) and a statutory profit after tax of £15.8m (2021: £12.6m).

Although this was aided by higher interest income and gains on derivatives, these were partially offset by increased investment in the new strategy, supporting colleagues in the cost of living crisis and passing through some of the interest rate increases to our saver members.

In light of the macroeconomic conditions, the continuation of the cost of living crisis and the potential impact on mortgage affordability, the Society increased its provision for expected losses on loans to customers, recognising the increasing risk of credit deteriorating in a recessionary environment. Our asset quality remains strong with arrears levels remaining low at 0.20% of loans three months or more in arrears and an average loan to value at the end of 2022 of 54%.

Supporting local communities has continued to be an important part of The Nottingham. Throughout 2022 we delivered our Corporate and Social Responsibility programme that saw 841 hours volunteered to community projects and charities by our team. In addition to this, £150,000 was donated to the Samuel Fox Foundation.

Strategic review and outlook

Throughout 2022 the leadership team and I reflected deeply to truly understand where we are now, what was working well and what not so well, and where our efforts should be focused for the future. We looked at our heritage, the mutual sector, and the changing environment in great depth. One of the questions the regulators have been asking the sector more broadly, is how we will be relevant and sustainable for the future, whilst not losing sight of our existing members.

We took over six months to get it right, and we have developed a new strategic blueprint, which is the cornerstone of our strategy, and which we will use to focus our energy, drive decision making and form the bedrock of our culture. It sets out our purpose, our strategic drivers (the core things we need to do), and the behaviours we need to build for the future. At its heart, our purpose is the concept our Society was born from, evolved to reflect the challenges of the modern world.

Our Strategic Purpose is:

'Together we fight for the Extra Ordinary to own their own home.'

The Extra Ordinary we are referring to are fast becoming the norm. They are people who don't fit the mould of what a 'standard borrower' looks like. Someone who does not necessarily 'tick all the boxes' for one reason or another, whether that is sporadic income as freelancers or workers in the gig economy, those with multiple sources of income, those cases where illness, career breaks or marital breakdown has affected their income or finally those who need financial support from friends and family. These are ordinary people with some extra considerations that need to be understood through the mortgage application process.

We will continue to support all those existing mortgage customers and members as well as the broker community in addition to the Extra Ordinary.

The economic environment we exited in 2021, alongside fresh challenges in 2022, meant throughout our strategic review process we were required to assess how our Society, and our branches more specifically, are being used today, along with predictions of how this will change over time.

I am proud of the results we are sharing today and would like to thank our members, and each one of our dedicated colleagues, for their continued trust in the Society. 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 ahead to 2023, it will continue to be a difficult time for many as the recession bites, and the cost-of-living pressures show no sign of easing. This will inevitably impact the housing market and the savings market. As a mutual we will be seeking to adapt to these changes with the long-term strength and stability of the Society at the heart of our thinking.

Sue Hayes
Chief Executive

2 March 2023

SUMMARY FINANCIAL STATEMENT

Group results for the year

	2022 £m	2021 £m
Net interest receivable	62.8	45.9
Other income and charges	11.8	11.0
Administrative expenses	(53.5)	(44.1)
Operating profit before impairment, profit on disposal of property, plant & equipment & subsidiary undertaking	21.1	12.8
Impairment (charge)/release – loans & advances	(2.2)	1.4
Profit on disposal of subsidiary undertaking	-	0.5
Profit on disposal of property, plant & equipment	-	0.4
Profit for the year before taxation	18.9	15.1
Taxation	(3.1)	(2.5)
PROFIT FOR THE YEAR	15.8	12.6

Reconciliation of statutory profit to underlying profit

	2022 £m	2021 £m
Statutory profit before taxation	18.9	15.1
Adjusted for:		
Gains from derivative financial instruments	(10.2)	(7.9)
Net strategic investment costs	5.0	0.2
Change in accounting estimate	1.5	-
UNDERLYING PROFIT BEFORE TAXATION	15.2	7.4

Group financial position at end of year

	2022 £m	2021 £m
ASSETS		
Liquid assets	719.3	562.5
Loans and advances to customers	2,922.8	3,010.9
Derivative financial instruments	142.6	26.1
Fixed and other assets	27.8	35.3
TOTAL ASSETS	3,812.5	3,634.8
LIABILITIES		
Shares	3,009.7	2,874.6
Borrowings	518.4	496.1
Derivative financial instruments	14.4	6.5
Other liabilities	14.4	14.5
Subscribed capital	24.0	24.0
Reserves	231.6	219.1
TOTAL LIABILITIES & RESERVES	3,812.5	3,634.8

Summary of key financial ratios

	2022 %	2021 %
Gross capital as a percentage of shares & borrowings ^(Note 2)	7.24	7.21
Liquid assets as a percentage of shares & borrowings ^(Note 3)	20.39	16.69
Profit for the year as a percentage of mean total assets ^(Note 4)	0.42	0.34
Management expenses as a percentage of mean total assets ^(Note 5)	1.44	1.19
Management expenses as a percentage of mean total assets (Society only) ^(Note 5)	1.43	1.17

Approved by the Board on 2 March 2023 and signed on its behalf by:

Andrew Neden
Chair

Sue Hayes
Chief Executive

Paul Astruc
Chief Financial Officer

NOTES

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

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

We have examined the Summary Financial Statement of Nottingham Building Society for the year ended 31 December 2022 which comprises the 'Results for the year', 'Financial position at end of year' and 'Key financial ratios', comprising pages 10 and 11, and the directors' emoluments disclosures on pages 16 to 17.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the Summary Financial Statement, within the Members' Newsletter, in accordance with the Building Societies Act 1986, which includes information extracted from the Annual Report and Accounts and the audited part of the Directors' Remuneration Report of Nottingham Building Society for the year ended 31 December 2022.

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

Basis of our opinion

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

Opinion

In our opinion the Summary Financial Statement is consistent with the full annual financial statements, the Summary Directors' Report and the Directors' Remuneration Report of Nottingham Building Society for the year ended 31 December 2022 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made thereunder.

Use of our report

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

Ernst & Young LLP

Registered Auditors
Manchester

2 March 2023

For the year ended 31 December 2022

Statement by the Chair of the Remuneration Committee

On behalf of the Committee, I am pleased to present the annual directors' remuneration report, which sets out the remuneration policy and details of the directors' remuneration in the year ended 31 December 2022.

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

- The Remuneration Policy, which sets out the Society's remuneration policy for directors; and
- The Annual Remuneration Report which outlines how the policy was implemented in 2022.

In 2022, the Remuneration Committee membership was made up as follows:

Simon Linares	Non-Executive Director and Chair of the Remuneration Committee from 28th July 2022
Kerry Spooner	Non-Executive Director Chair of the Remuneration Committee to 28th July 2022 and Senior Independent Director
Andrew Neden	Non-Executive Director and Chair of the Board
Kavita Patel	Non-Executive Director and Chair of Conduct sub-Committee within Board Risk Committee

2022 performance and awards

The summary financial statement on pages 8 to 11 describes 2022 as a period of strong performance during a period of turbulent economic conditions. The strong results have been aided by the rising interest rate environment which positively impacted the Society's net interest income. The Nottingham continues to be a top ten building society with total assets of £3.8 billion. During the year the Society has revitalised its purpose placing a greater focus on mortgages whilst continuing to provide a safe and secure home for our members to save with us. We have ensured that our regulatory capital requirements continue to be maintained at appropriate levels, whilst continuing to invest in the Society, and supporting both our savings and mortgage customers.

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

The Directors' variable pay is through the Annual Bonus Plan only. The Nottingham was pleased to be able to operate an Annual Bonus Plan in 2022. The deferred element of the 2017 Bonus Plan was not paid out in 2021 as originally due. The Remuneration Committee reviewed and approved these deferrals for payment during 2022 along with the 2018 bonus plan deferred amounts.

Remuneration policy

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

SUMMARY DIRECTORS' REMUNERATION REPORT

The policy is there to ensure that:

- remuneration should be sufficient to attract, reward, retain and motivate high quality leaders and employees to run The Nottingham successfully, delivering value for our members whilst avoiding paying more than is necessary for this purpose in line with our mutual ethos; and
- remuneration is structured to strike the right balance between fixed and variable pay. Variable pay schemes are designed to incentivise and reward appropriate behaviour and performance, aligned with The Nottingham's position on risk; rewards are only attributed to the delivery of success and achievement of objectives.

Recruitment policy for Executive Directors

The Nottingham's approach to recruitment is to pay no more than is necessary to attract appropriate candidates to roles across the business, including Executive roles. Any new Executive Director's remuneration package will be consistent with our remuneration policy as outlined in this report. Any payments made to Executive Directors on joining The Nottingham to compensate them for forfeited remuneration from their previous employer will be compliant with the provisions of the Remuneration Code and will be approved by the Remuneration Committee.

Service contracts

All Executive Directors, in line with best practice, have service contracts outlining their duties and terms and conditions of employment.

Payment for loss of office of Executive Directors

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

Other directorships

None of the Executive Directors currently hold any paid external directorships. David Marlow remained a member of the FCA Small Business Practitioners Panel until April 2022 for which he received a fee of £10,000 per annum.

Executive Directors' total remuneration

The total remuneration received by Executive Directors is detailed on page 16. The information has been audited and shows remuneration for the years ending 31 December 2021 and 31 December 2022 as required under the Building Societies (Accounts and Related Provisions) Regulations 1998.

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

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

The salary of Executive Directors increased by 4% in 2022. This is in line with the wider Society, with the basic salary increase for colleagues ranging from 4% to 4.5% depending on grade, with minimum salaries implemented.

Chief Executive Officer (CEO) pay ratio

The CEO pay ratio is presented as follows to promote transparency and encourage good governance. The Chief Executive is the highest paid person within the organisation, and this is compared with the 25th, 50th and 75th percentile employees in the organisation to calculate the CEO pay ratio. This uses a single total figure of remuneration which includes total salary, variable pay, pension and taxable benefits.

The Society has chosen to publish the CEO pay ratio using the recommended and Government preferred approach (Option A). Option A involves calculating the actual Full Time Equivalent remuneration for all relevant employees for the financial year in question.

Year	25th percentile	Median	75th percentile
2022	20:1	15:1	9:1
2021	23:1	17:1	10:1

	25th percentile	Median	75th percentile
2022			
Total remuneration	£22,357	£30,186	£48,504
Salary	£19,174	£25,937	£42,272
2021			
Total remuneration	£19,545	£25,409	£43,517
Salary	£17,635	£22,378	£37,757

Employee data includes full time equivalent total remuneration for Society employees as at 31 December 2022.

All pay is benchmarked using externally provided data and the approach to pay reviews is consistently applied to all colleagues across the Society, regardless of position.

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

- **Basic salary** – Fixed remuneration set to attract and retain executives of appropriate calibre and experience. Basic salary is assessed by reference to roles carrying similar responsibilities in comparable organisations. A comparator group is used that consists of executive director positions within building societies of a similar size and complexity.

- **Benefits and pension** – In line with market practice and includes a car allowance and private medical insurance. Executive Directors are invited to join the Society's defined contribution pension plan, or, as an alternative be provided with an equivalent cash allowance. Pension contributions for Executive Directors are aligned with the contribution matrix for all employees.

- **Variable pay – Annual Bonus Plan.** Schemes are linked to the delivery of Society and personal objectives. 50% of the bonus is deferred for three years and payment is subject to meeting Society and individual performance threshold criteria in each of the years from award to payment.

Non-Executive Directors

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

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

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

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

SUMMARY DIRECTORS' REMUNERATION REPORT

Annual report on remuneration

Executive Director remuneration

Audited Society	2022 David Marlow £000	2022 Sue Hayes £000	2022 Paul Astruc £000	2022 Total £000
Fixed remuneration				
Salary ¹	55	300	137	492
Benefits	2	9	5	16
Variable remuneration				
Annual bonus ²	127	49	20	196
	184	358	162	704
Pension contribution	8	22	10	40
	192	380	172	744

Audited Society	2021 David Marlow £000	2021 Sue Hayes £000	2021 Paul Astruc £000	2021 Total £000
Fixed remuneration				
Salary ¹	327	-	-	327
Benefits	10	-	-	10
Variable remuneration				
Annual bonus ²	54	-	-	54
	391	-	-	391
Pension contribution	49	-	-	49
	440	-	-	440

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

¹ David Marlow ceased to be an Executive Director on 9th March 2022, Sue Hayes became an Executive Director with effect from 1st March 2022 and Paul Astruc became an Executive Director with effect from 21st June 2022 (earnings included above are for the period as an Executive Director, not for the whole year).

² The annual bonus figure reflects the amounts awarded in the year, which are not subject to deferral, and any deferred amount from previous financial years, paid in year. The remaining element, which is subject to deferral and the achievement of threshold criteria, will be disclosed in the year of payment. The bonus amounts included are for the period as an Executive Director, not the whole year.

Annual report on remuneration (continued)

Executive Director remuneration (continued)

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

Executive Directors	Performance Year	Due 2023 2019 £000	Due 2025 ¹ 2021 £000	Due 2026 ¹ 2022 £000	Total Deferred £000
Sue Hayes		-	-	49	49
Paul Astruc		-	-	20	20
David Marlow		37	54	7	98
		37	54	76	167

¹ Deferred bonus included is for the period as an Executive Director, not the whole year.

Daniel Mundy (who ceased to be an Executive Director on 31 December 2020), has a deferred payment outstanding of £30,000 for 2019 due in 2023. This is subject to the achievement of the threshold criteria and Remuneration Committee approval.

Non-Executive Director remuneration

Audited Society	2022 £000	2021 £000
Simon Baum	64	60
Michael Brierley (Resigned 25th April 2022)	21	60
Simon Linares	58	45
Andrew Neden	98	90
Peter O'Donnell	59	45
Kavita Patel	53	45
Kerry Spooner	70	55
Total emoluments for services as directors	423	400

On behalf of the Board,

Simon Linares

Chair of the Remuneration Committee

2 March 2023



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

Nottingham Building Society, Nottingham House,
3 Fulforth Street, Nottingham NG1 3DL