

Nottingham Building Society
Results for the six-month period ended 30th June 2024

Nottingham Building Society delivers a positive financial performance, achieving growth in mortgage lending in a challenging economic environment and progress in transformation

The key performance indicators disclosed below are based on the position at 30th June or for the 6-month period ended 30th June, unless otherwise stated. The average Liquidity Coverage Ratio ('LCR') represents a 12-month average for the period ended 30th June 2024.

- **£525.7m gross new lending** (2023: £457.1m), representing an increase of £68.6m or 15.0%;
- **£3.9bn total mortgage assets** (2023: £3.3bn), being growth of £0.6bn or 18.6%;
- **4,069 new mortgage customers** (2023: 3,630), an increase of 12.1%;
- **£4.0bn total savings balance** (2023: £3.1bn), an uplift of £0.9bn;
- **£71.5m total interest paid to savers** (2023: £35.4m), an increase of £36.1m;
- **£9.0m underlying profit before tax** (2023: £13.7m), representing a decrease of £4.7m;
- **£0.7m profit before tax** (2023: profit before tax £11.7m), representing a decrease of £11.0m and incorporates anticipated expense associated with Philips Trust Corporation;
- **1.87% underlying net interest margin** (2023: 2.00%), being an absolute decrease of 0.13%;
- **76.6% underlying cost : income ratio** (2023: 64.4%), an increase of 12.2%;
- **Expected coverage loss coverage ratio of 15bps** (2023: 18bps), a decrease of 3 bps;
- **The Nottingham** continues to benefit from a **robust capital / liquidity base**, demonstrated by:
 - **14.0% CET1 ratio** (2023: 16.3%);
 - **5.3% Leverage ratio** (2023: 5.9%);
 - **169.3% average LCR** (2023: 177.3%);
- **4.9 Trustpilot score** (2023: 4.8);
- **61.3% net promoter score** (2023: 67.0%); and
- **1,200 colleague volunteering hours** (2023: 817)

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

"I am pleased with our financial results for the first six-months in 2024 which generated an underlying profit of £9.0m (2023: £13.7m).

Following our decision to support members impacted by Philips Trust Corporation through a voluntary support payment, our profit has reduced in the first half of 2024 to a Profit Before Tax ('PBT') of £0.7m (2023: PBT of £11.7m).

Our underlying business performance is strong with an 18.6% increase in gross mortgage balances compared with June 2023. We achieved significant growth in lending while the overall UK mortgage market grew substantially less.

We continue to invest in both our core IT systems and in developing innovation that will improve our mortgage application and credit risk decisioning processes in the future.

Alongside this, we achieved good growth in our savings balances of 26.9% compared with June 2023. 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 £71.5m in interest to savers in 2024 (2023: £35.4m).

Looking to the future, we will continue to progress our transformation plans, delivering the great customer service we know our members value whilst continuing to focus on innovation in our products and propositions in order to build a future fit society for our members and brokers."

Sue Hayes
Chief Executive Officer
24th July 2024

**Consolidated income statement
for the six months ended 30 June 2024**

	Period to 30 June 2024 (Unaudited)	Period to 30 June 2023 (Unaudited)	Year Ended 31 Dec 2023 (Audited)
	£m	£m	£m
Interest receivable and similar income	133.7	89.8	205.5
Interest payable and similar charges	(93.0)	(49.5)	(125.2)
Net interest income	40.7	40.3	80.3
Fees and commissions receivable	1.0	1.3	2.5
Fees and commissions payable	(0.7)	(0.4)	0.4
Net gains / (losses) from derivative financial instruments	3.3	(3.0)	(14.2)
Total net income	44.3	38.2	69.0
Administrative expenses	(29.5)	(22.8)	(52.3)
Depreciation and amortisation	(2.8)	(3.1)	(6.7)
Operating profit before impairment, provisions and losses on disposal of treasury assets	12.0	12.3	10.0
Impairment (charge) / credit - loans and advances to customers	(0.6)	(0.6)	0.1
Voluntary payment expense associated with Philips Trust Corporation	(10.7)	-	-
Loss on disposal of treasury assets	-	-	(1.8)
Profit before tax	0.7	11.7	8.3
Tax charge	(0.1)	(2.6)	-
Profit after tax for the financial year	0.6	9.1	8.3

Reconciliation to underlying profit before tax

	Period to 30 June 2024 (Unaudited)	Period to 30 June 2023 (Unaudited)	Year Ended 31 Dec 2023 (Audited)
	£m	£m	£m
Profit before tax	0.7	11.7	8.3
(Gains) / losses from derivative financial instruments	(3.3)	3.0	14.2
Net strategic investment costs	0.9	-	0.2
Voluntary payment expense associated with Philips Trust Corporation	10.7	-	-
Change in accounting estimates	-	(1.0)	(0.8)
Loss on disposal of treasury assets	-	-	1.8
Other	-	-	0.5
Underlying profit before tax	9.0	13.7	24.2

Consolidated statement of financial position as at 30 June 2024	Period to 30 June 2024 (Unaudited)	Period to 30 June 2023 (Unaudited)	Year Ended 31 Dec 2023 (Audited)
	£m	£m	£m
Assets			
Liquid assets	847.5	630.1	801.3
Derivative financial instruments	106.1	181.2	105.2
Loans and advances to customers	3,797.9	3,105.9	3,543.9
Fixed and other assets	30.8	29.3	24.5
Total assets	4,782.3	3,946.5	4,474.9
Liabilities			
Shares	3,984.9	3,132.3	3,565.9
Wholesale funding	477.6	520.1	583.1
Derivative financial instruments	28.1	16.5	43.9
Other liabilities	23.3	13.0	14.5
Subscribed capital	24.0	24.0	24.0
Total liabilities	4,537.9	3,705.9	4,231.4
Reserves			
General reserves	243.8	243.8	243.3
Fair value reserves	0.6	(3.2)	0.2
Total reserves attributable to members of the Society	244.4	240.6	243.5
Total reserves and liabilities	4,782.3	3,946.5	4,474.9

Consolidated statement of changes in members' interests for the period ended 30 June 2024	General reserve	FVOCI reserve	Total
	£m	£m	£m
Balance as at 31 December 2023 (Audited)	243.3	0.2	243.5
Profit for the period	0.6	-	0.6
Other comprehensive income for the period (net of tax)			
Net gains/(losses) from changes in fair value	-	0.4	0.4
Remeasurement of defined benefit obligation	(0.1)	-	(0.1)
Balance as at 30 June 2024 (Unaudited)	243.8	0.6	244.4
Balance as at 31 December 2022 (Audited)	235.0	(3.4)	231.6
Profit for the period	9.1	-	9.1
Other comprehensive income for the period (net of tax)			
Net gains/(losses) from changes in fair value	-	0.2	0.2
Remeasurement of defined benefit obligation	(0.3)	-	(0.3)
Balance as at 30 June 2023 (Unaudited)	243.8	(3.2)	240.6
Balance as at 31 December 2022 (Audited)	235.0	(3.4)	231.6
Profit for the year	8.3	-	8.3
Other comprehensive income for the period (net of tax)			
Net gains/(losses) from changes in fair value	-	3.6	3.6
Remeasurement of defined benefit obligation	-	-	-
Balance as at 31 December 2023 (Audited)	243.3	0.2	243.5

**Summary consolidated cash flow statement
for the period ended 30 June 2024**

	30 June 2024	30 June 2023	31 Dec 2023
	(Unaudited)	(Unaudited)	(Audited)
	£m	£m	£m
Cash flows from operating activities	15.6	16.5	18.9
Changes in operating assets and liabilities	42.4	(103.6)	55.7
Net cash generated from operating activities	58.0	(87.1)	74.6
Cash flows from investing activities	(39.6)	(13.8)	74.7
Cash flows from financing activities	(1.2)	(1.4)	(2.6)
Increase in cash and cash equivalents	17.2	(102.3)	146.7
Cash and cash equivalents at beginning of year	439.1	292.4	292.4
Cash and cash equivalents at end of year	456.3	190.1	439.1

Notes

The financial information set out above, which was approved by the Board of Directors on 24th July 2024, does not constitute accounts within the meaning of the Building Societies Act 1986.

The financial information for the year ended 31st December 2023 has been extracted from the Annual Report and Accounts for the year and on which the auditors have given an unqualified audit opinion.

In the second half of 2023, the Society enhanced its net promoter score methodology to include further measurements associated with both our savings and mortgage members and as such the score we are reporting in the first half of 2024 is not directly comparable to the same period last year.