

AGM 2021 – CEO script

Thank you, David, and good morning everyone.

This week of all weeks, when social distancing restrictions are being lifted after a what feels like a very long time, it's natural to look forwards to the future and the possibilities that now emerge.

But as today is our AGM, we are mainly going to be looking back. Evaluating how we did over the last financial year, learning lessons and marking achievements through a remarkable time. So while I won't dwell unduly on the tough and uncertain times we've all lived through, it is important to remember how it felt when the crisis hit last spring. The speed and severity of the crisis was shocking. Schools closed. Borders closed. Non-essential shops closed. Panic buying. Fear. Disbelief. And no-one knew what course the disease would take or how long the disruption would last.

So I'm pleased to be able to report to you today the Society has emerged from this crisis – more strongly than we expected in those long, dark days. Thanks to our very longstanding commitment to running a low risk and financially secure business, we finished the year in a strong financial position. Crucially we were also able to support our members and colleagues' health, safety and financial wellbeing through this difficult period.

The crisis unfolded in phases. In the early, acute phase of the crisis, we had to adapt at incredible pace so that we could continue providing essential financial services while also protecting both our members and our colleagues.

This acute phase was succeeded by a second phase which I would describe as 'crisis as usual'. It was far from a normal situation, but we'd put in place the necessary safeguards to allow us to live and work safely through the latter part of last calendar year. Finally, and more recently, we have moved into a third and hopefully final phase of recovery and rebuilding.

Throughout this difficult period, our Society has shown strength, resilience and, I hope, humanity.

At previous AGMs, I have spoken of how important it is to me to lead a mutual organisation built around shared values and a social purpose. The last year has been one that showed mutuality at its best. People coming together to support each other – colleagues, members, the Society and, our communities.

We continued to deliver mutual **value** to our members, under very difficult circumstances working as hard as we could to meet your financial needs.

Despite the pandemic, and in some cases because of it, people have wanted or needed to buy homes, to save and to manage their money.

After the initial shock of the first lockdown, mortgage activity bounced back to near normal levels, so overall mortgage lending was only slightly lower than the previous year. Our market share was roughly the same as previously but within that, an increase in buy to let lending offset a decline in residential lending.

We continue to direct support towards first time buyers looking to own their own home. After the first lockdown, we made higher LTV mortgages available. More recently we reintroduced 95% LTV mortgages, and launched a Helping Hand mortgage where homebuyers can borrow up to 5.5 times their income. As you would expect, we have lent cautiously while trying hard to help as many people as possible into a home of their own.

Our stock of deposits rose significantly during the last year. This was largely the result of lockdown, which reduced opportunities for spending. Our share of deposits however, slightly lower although has been recovering rapidly towards pre-pandemic levels.

I know we have had a number of questions from members on savings rates, so I would like to take a moment to explain our approach to savings rates.

Nationwide has long prided itself on paying above average rates. In fact, we've paid around £2 billion in EXTRA interest – that's above the market average – on deposits over the last five years. We are able to do this because, as a building society we do not have shareholders, and we can share our success as a society with our members. Better rates is one of the ways that we do this.

Sadly, although we can pay more than the market rate, we are not immune to commercial realities. So, when base rate fell to its lowest ever rate in March 2020, it was inevitable that our savings rates would also have to fall. We still pay more than the market average, but with rates in the market so low, I appreciate that this is little consolation.

More recently and more positively, we found new ways to deliver mutual value to our savings members through new propositions, such as our Start to Save account, Member Exclusive Fixed Rate ISA with linked cash incentives, and prize draws. These have attracted strong deposit inflows, and we had a very very successful ISA season. We see it as a core part of our social purpose to encourage the savings habit – even in a low base rate environment.

Our current account membership was stable. The previous year we'd reached our long-term goal of a 10 per cent market share of current accounts, so we temporarily withdrew switching incentives so we could focus on serving our existing current account members. Nevertheless, we were still a net gainer of current accounts in the year

Overall, our product performance in mortgages, savings and current accounts was good, and this translated into a strong financial performance. We grew our income, largely due to improved margins on our mortgage lending. We reduced our costs, after reducing our use of third-party contractors. Our profitability recovered strongly and while profit is not and has never been our prime motive, it is obviously important to the resilience of the Society and our ability to stand behind our members in challenging times.

Sadly, some members have needed financial support. We introduced payment holidays and a comprehensive home support package, including a pause on repossessions that went beyond regulatory guidance. In total, over a quarter of a million members received financial support from us.

Other members needed support for their health needs. We expanded digital tools and my colleagues in branches supported our elderly, vulnerable and shielding members by delivering cash, and sometimes even groceries, and offering video appointments and a dedicated helpline. I have heard very many heart-warming stories about the support that individuals have provided our members and I was delighted that we were recognised as *Which?*'s best banking brand for the fourth year running.

We've also had the challenge of keeping colleagues safe, while continuing to offer our essential services. We quickly introduced the now familiar distancing and hygiene measures that meant we could keep people safe while also keeping almost all our branches open. Some 13,000 office-based colleagues moved to homeworking, quickly learning to work remotely over video conferencing apps. We helped people organise their home working space with a 'click and collect' service where they could order essential office equipment. We also offered online tools to support their wellbeing.

We were also determined to support the mutual **good** of our communities, supporting local organisations, charities and other causes that promote social good. Our promise to give 1% of our pre-tax profits to good causes means our social investment pot for the year will be £7.4m. Notable investments included £4 million in grants to local community housing projects.

We also extended our Branch Promise until 2023. This will both protect the service our members value, and also support high streets and communities in rebuilding after the pandemic. We are not expecting footfall to return to pre-pandemic levels, but we do believe that our people on the high street can serve our members online and on the phones in quiet times.

We know that members, like us, are worried about the growing threat from fraudsters. We have continued investing to make our systems more secure against fraud and scams and raise awareness among our members. We helped prevent £113 million of attempted fraud last year on card and online transactions. But we know one of our best defences are our people. Each day our branch colleagues are having conversations with members, which are directly leading to them stopping people from falling victim to scams.

Looking ahead, we will continue to live our social purpose and help our members, colleagues and communities build better lives together.

This year we are celebrating 20 years of partnership with Shelter, which does amazing work to tackle homelessness among the most vulnerable of our fellow citizens. I personally helped raise £36000 in celebration by cycling 20 times up (and down) Box Hill with the CEO of Shelter (in the rain).

We are also keen to lead urgent race to combat climate change. We are committed not only to being carbon neutral across our business operations by 2030, but to help our mortgage members improve the efficiency of their own homes, with discounted rates for green improvements. We have also recently signed up to the Net Zero Banking Alliance – and see key opportunity to reduce the carbon emissions of housing which make up 15% of all carbon emissions in the UK.

Turning to inclusion and diversity, we want to help bring people together to resolve these differences in a spirit of mutual respect and inclusion. We have partnered with the Diana Award, and funded 10,000 anti-bullying ambassadors in 660 UK primary schools. We've also partnered with the Football Association's Respect programme, to promote mutual respect among a million parents, coaches and young players in local football teams.

We've also made five Mutual Good commitments for the future, aligned to the UN's Sustainable Development Goals, with the aim of building a stronger, kinder, greener society. The commitments are outlined in our Review of the Year that you will have received in your voting packs.

Our commitments are about helping provide good quality, sustainable homes for all; giving people the know-how to manage their money confidently; and helping communities and people to thrive in all their diversity. These are all things that are important to us as a mutual, and where we think we can make a difference.

I know we have received quite a few questions on the question of diversity, so I'd like to say a bit more about what we are doing in this area.

We want Nationwide Building Society to be a place where everyone can be themselves and thrive and as well and immediate change, by 2028 we want to ensure that our workforce reflects the diversity of the wider community in terms of gender, ethnicity, disability and sexual orientation. We've put a massive effort into this issue this last year. Initiatives include career development, coaching, masterclasses and mentoring. In fact, everyone on our leadership team now has a reverse mentoring relationship, and I lead a reverse mentoring panel myself, where I learn from a selection of our colleagues on issues relating to inclusion and diversity. We're also working with our employee networks, to make sure our colleagues' voices are heard – and acted on. These are just a few of the things we are doing and our progress towards our targets is being tracked and reported to the Board.

I hope I have been able to give you a flavour of the past year. Despite the many challenges we've faced, what I take most from the past year is a sense of optimism. The solidarity and kindness of people in the face of an invisible threat showed the power of collective action, of working together and supporting each other. And strangely, through this most testing of times, we have also seen the very best of human character.

This is the essence of mutuality.

And it is what has helped our Society emerge strongly from the pandemic.

Thank you to our members and colleagues for your continued support during this extraordinary year.

Now let me hand you back to David.