There's strength in mutual support

Review of the year 2020 Including our Summary financial statement

Nationwide
Building Society

Welcome

to our review of what we've achieved together over the last 12 months.

It covers the financial year from 5 April 2019 to 4 April 2020, and tells you all you need to know about your Society.

Find out how we've stood together during the coronavirus pandemic, how we're helping to look after your money at this difficult time and what we've done to make our members' and employees' lives a little easier. There's also an update from our Chairman, David Roberts, and Chief Executive Officer, Joe Garner.

Towards the back you'll find a summary of all things financial (our 'Summary financial statement'), a bit about how much we pay our Board of directors (the 'Summary report of the directors on remuneration'), plus our remuneration policy.

Thank you for being part of Nationwide. This year more than ever, your membership really does make a difference.

What your Society has achieved this year

No.1
for customer satisfaction amongst our peer group[1]

UK's
most trusted financial brand[2]

Banking Brand of the Year 2019
for the third year

16.3 million members
2019: 15.9 million

Helped more than
1 in 6
first-time buyers into a home of their own
2019: 1 in 5

More than
1 in 6
current account switchers came to us[3]
2019: 1 in 5

£469 million
underlying profit
2019: £788 million

£466 million
statutory profit
2019: £833 million

£715 million
member financial benefit, from incentives and better pricing than the market average
2019: £705 million

We will help members
stay in their homes
where they are in financial difficulty caused by Covid-19[4]

[1] Lead at March 2020: 5.4%pts, March 2019: 4.8%pts. © Ipsos MORI 2020, Financial Research Survey (FRS), 12 months ending 31 March 2020 and 12 months ending 31 March 2019. c.51,000 adults (aged 16+) surveyed across Great Britain from a total representative sample of c.60,000 adults (aged 16+) per annum. Interviews were conducted face to face and online, and weighted to reflect the overall profile of the adult population. Proportion of extremely/very satisfied customers minus proportion of extremely/very/fairly dissatisfied customers summed across main current account, mortgage and savings. Peer group defined as providers with main current account market share >4% as of April 2019 (Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB).
[2] Nationwide Brand Guidance Study compiled by an independent research agency, based on customer and non-customer responses for the 12 months ending March 2020. Financial brands included Nationwide, Barclays, Co-operative Bank, First Direct, Halifax, HSBC, Lloyds Bank, NatWest, TSB and Santander.
[3] Pay.UK monthly CASS data. 12 months to March 2020: 17.2%; 12 months to March 2019: 21.5%.
[4] Nationwide has committed not to repossess any homes over the next 12 months.

How's your Society performing?

We measure our performance on the things that matter most to our members: great service, long-term value and financial strength. We seek to strike the right balance between retaining sufficient profit to maintain our financial strength, delivering value to our members now, and investing so we can continue to meet the needs and expectations of members in the future. We are yet to understand fully the impact of Covid-19 on the coming year's targets. However, our priorities remain to provide a safe and secure home for our members' money and to deliver legendary service to our members. We've also committed to giving at least 1% of our pre-tax profits to charitable activities (2020: £9.5 million; 2019: £10.6 million)[5].

Service

Giving our members the best service possible

We aim to be the best for customer satisfaction in our peer group, with a lead of at least 4%pts.

1st

Lead:

5.4%pts[6]

2019: 4.8%pts

We also want to be among the top five organisations in the UK for customer satisfaction.

TOP 4

4th[7]

2019: Joint 5th

Value

Helping more members achieve their financial goals and providing them with better value products

We're aiming to have 10 million engaged members by 2022, with 4 million committed members who use at least two of our products.[8]

9.4m Engaged members 2019: 9.2m

3.6m Committed members 2019: 3.4m

We aim to share at least £400 million of value with our members each year through incentives and better pricing than the market average.

£715m

2019: £705m

Strength

Keeping our members' money safe and secure

We aim to have a UK leverage ratio (a measure of our financial strength) of at least 4.5%.

£

4.7%

2019: 4.9%

[5] The 1% is calculated based on average pre-tax profits over the previous three years. Of the £9.5 million, £2.4 million was committed to Nationwide Foundation and £7.1 million to other social investment activities, which includes multiple programmes as well as internal costs of managing this investment.

[6] © Ipsos MORI 2020, Financial Research Survey (FRS), 12 months ending 31 March 2020 and 12 months ending 31 March 2019. c.51,000 adults (aged 16+) surveyed across Great Britain from a total representative sample of c.60,000 adults (aged 16+) per annum. Interviews were conducted face to face and online, and weighted to reflect the overall profile of the adult population. Proportion of extremely/very satisfied customers minus proportion of extremely/very/fairly dissatisfied customers summed across main current account, mortgage and savings. Peer group defined as providers with main current account market share >4% as of April 2019 (Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB).

[7] Institute of Customer Service UK Customer Satisfaction Index (UKCSI) as at January in each year.

[8] Engaged members have their main personal current account with us; a mortgage of at least £5,000; or a savings account of at least £1,000. Committed members have an engaged membership product plus at least one other product.

A letter from David Roberts

Your Society's Chairman

Dear member,

At the time of writing in May 2020, the coronavirus has upended lives and communities, causing widespread damage to the health, wellbeing and livelihoods of our fellow citizens.

We have responded with a range of measures to help our 16 million members through this difficult period. By the end of April, we had supported over 280,000 borrowers with payment holidays and interest free periods on overdrafts and we have put in place a support package to help them keep their homes if they are in financial difficulty. Our colleagues have responded fabulously, maintaining an essential service in difficult circumstances. Our members have helped us protect stretched resources by only contacting us for essential business and using our digital services more. I would like to thank everyone for their amazing efforts.

In these challenging times, we are reminded of the human ties that ultimately bind us all. As we emerge from the crisis, I hope this spirit of mutual kindness and consideration will continue to support the many individuals, families and communities for whom life after the coronavirus will undoubtedly be very challenging.

The coronavirus emerged in the UK towards the end of our 2019/20 financial year. As it impacted our results and how we think about the future, I would like to share the Board's perspective on all the Society achieved last year and our priorities for next year.

The Board is responsible for the long-term sustainability of the Society, our culture and values, and for governance. The strategic plan we put in place three years ago affirmed our strong belief in mutuality, reinforced our desire to put the interests of members at the heart of our decision making, and outlined how the Society would evolve in our fast-changing world.

Our strategy put us on a growth path – we have more members, higher mortgage balances and higher retail deposits. Being member-owned, and having built significant capital strength in recent years, we have been able to forgo higher levels of profit so that we could continue to deliver great service and value to our members, while investing in our future and communities. We are proud of what we have achieved.

However, the outlook for the UK has changed radically since 2016. Bank base rate has fallen to a historic low, the UK has left the EU, and we face profound economic challenges from the coronavirus.

Chairman's letter *continued*

Maintaining financial strength

In our 2019/20 financial results, lower profits reflected active choices to deliver more value to members, and to invest in the long-term future of the Society, as well as the costs of settling legacy PPI claims, and £101 million of provisions for expected credit losses associated with the impacts of the coronavirus. Given the current economic environment, the Board has adjusted its priorities for the Society over the next year. We will continue to focus on keeping our finances strong and building operational resilience. Our UK leverage ratio and our Common Equity Tier 1 ratio are comfortably above regulatory requirements. As the interest rates on mortgages have fallen, we have had to take the painful decision to reduce the interest we pay to our savings members in order to protect our interest margin. In addition, the Board is clear we will have to reduce our costs. These actions mean we will be able to continue to provide competitive products, excellent service, and support our members through the difficult times ahead.

Protecting our culture and values

We continue to be driven by our social purpose, to *build society, nationwide,* and are committed to doing this in a responsible and sustainable way. We established a Responsible Business Committee last year. We took further steps to reduce our environmental impact and also made available a £1 billion loan fund for discounted mortgages and additional borrowing for new energy efficient properties and green home improvements.

Governance and oversight

The Board continues to maintain its strong governance and oversight of the Society, considering the impact of our decisions on all our stakeholders and engaging with our members through TalkBacks and Member Connect.

As a result of the ongoing outbreak of Covid-19, physical attendance in person will not be possible at this year's AGM on 16 July. We nonetheless encourage members to participate by voting online or by post. For further details please refer to the Notice of AGM 2020 which will be published on **nationwide.co.uk** on 10 June 2020.

Pay policy

We continued to balance pay restraint with our duty to attract people with the right expertise to run a major financial business. In these challenging times our CEO, Joe Garner, voluntarily took a 20% cut in combined base salary and pension for 2020/21, and the non-executive directors have volunteered to donate 20% of their net fees from June to December this year to Shelter, to help vulnerable people impacted by Covid-19. We have also decided not to pay any executive performance-related variable pay for the 2019/20 financial year. We continue to harmonise our pension arrangements. Pension contributions for executive directors are being brought into line with those available to the remainder of our people. We have decided to close our final salary pension scheme to new contributions on 31 March 2021, given the increasing costs and risks of maintaining the scheme. Scheme members will retain benefits built up to date, and future contributions will go into our market-leading defined contribution scheme.

Board changes

With a mix of established and newer directors, our Board provides both continuity and challenge to the Society. In the last year, Lynne Peacock retired as Senior Independent Director and was succeeded by Kevin Parry, a director since 2016. Mitchell Lenson retired as non-executive director, and Tony Prestedge resigned as deputy CEO to take up a senior post elsewhere. Mark Rennison retired as Chief Financial Officer, and was succeeded by Chris Rhodes, an experienced accountant and an executive director since 2009. I would like to thank them all for their commitment and wise counsel to the Society. We were pleased to welcome Phil Rivett, an experienced former PwC partner specialising in financial services, as a non-executive director. Baroness Usha Prashar will retire from the Board at the close of the AGM but will continue to advise on our diversity and community programmes.

Mutual support: a thriving membership and strong Society

We are in a period where we, our members and society more generally are facing significant challenges, as we have done periodically throughout our 136-year history. We face them from a position of strength: with record membership, strong finances and a talented and committed workforce. Thank you for your continued support for our Society.

David Roberts
Chairman

A review from Joe Garner

Your Society's Chief Executive

Dear member,

The last month of our financial year was overshadowed by the coronavirus. We have prioritised protecting the health and wellbeing of our colleagues from this terrible disease, supporting those members in financial difficulty, and maintaining essential services. I would like to thank our employees who have gone to extraordinary lengths to serve our members through this time.

The pandemic has shown how dependent we are on each other, and how important it is that we work together. As a mutual, Nationwide is founded on the belief that we can achieve more by acting together than we can alone, and this principle is guiding our response to the pandemic.

We are helping members in financial difficulty with interest-free periods for overdrafts, payment holidays on mortgages and loans, and a promise that no mortgage member will lose their home over the next 12 months as a result of the coronavirus. We've taken steps to protect our employees' physical and mental health so we can maintain essential services to our members, and we've promised that everyone's job is safe in 2020. We are paying our suppliers early, especially smaller ones, to help them stay in business. We've also increased our support for charitable partners, like Shelter, to help protect their vital services during the pandemic. We believe that the character of any organisation comes very much to the fore in times like these, and we have been making our decisions very much with this in mind.

The impacts of the pandemic will be felt over an extended period, but we face into this scenario from a position of considerable strength. Since we implemented our *building society, nationwide* strategy over three years ago, the Society has grown significantly: we have attracted 1 million new members, an additional £15 billion in retail deposits and £18 billion in mortgage balances since 4 April 2017.

Chief Executive's review *continued*

We achieved a great deal in 2019/20, and met or are on track to meet the key targets for service, value and strength that we set ourselves.

Financially strong

Keeping our members' money safe and secure has always been our priority. That means making sure we are financially strong enough to weather challenging economic times, such as that caused by the coronavirus pandemic. A key measure of our financial strength is our UK leverage ratio, and this has exceeded our target in each of the last three years. We have also built our Common Equity Tier 1 capital ratio to 31.9%, materially higher than required by regulation.

The coronavirus affected the last few weeks of a year in which we made active choices to deliver more value to members through competitive pricing and to invest for the long term. Underlying profit for the year of £469 million (2019: £788 million) reflected these choices, as well as provisions for legacy PPI claims in the first half of the year. In the last few weeks of the year, it also became clear that the coronavirus would have a significant financial impact. We have made an additional provision for credit losses which are expected to rise as a result of the deteriorating economic conditions, and net interest income has fallen as a result of the bank base rate cuts.

In addition, we have recognised costs associated with halting our plans to launch a small business account, for which the business case is no longer viable (see Q&A below).

Building legendary service

We met both of our service key performance indicators (KPIs), ranking 4th in the all-sector UK Customer Satisfaction Index[9], and being no. 1 for customer satisfaction among our peer group[10]. In 2019, we were proud to be named *Which? Banking Brand of the Year* for the third year running.

Delivering value to members and communities

Members benefited from £715 million (2019: £705 million) in member financial benefit, much higher than our target of at least £400 million. Committed members – those who have more than one product with us – grew to almost 3.6 million in the last year and we are on track to meet our 2022 target of 4 million. We awarded £9.5 million to charitable activities in our communities, including £5.5 million in grants to support charitable housing projects chosen by our members. We have also made a £1 billion loan fund available help make Britain's homes greener.

As the full impact of the coronavirus on our business becomes clearer, some of the targets we set ourselves may not be achieved in the short term. In particular, exceptionally low interest rates mean we are unlikely to meet our member financial benefit target in the next financial year. With bank base rate at 0.1%, paying savings rates significantly higher than this would not be financially sustainable, nor in the long-term interests of our members or the Society.

Strength in mutual support

Today, we, like our members, face the challenges of dealing with the social and economic impacts of the coronavirus.

In our 136-year history, we have supported our members and communities through many crises and challenges. Looking ahead, we will continue to manage our Society in our members' short- and long-term interests, which means we will focus on maintaining our financial strength, managing our business sustainably, and prioritising the needs of our current members, as we have always done.

Joe Garner
Chief Executive Officer

[9] Institute of Customer Service UK Customer Satisfaction Index (UKCSI) as at January 2020.
[10] Lead at March 2020: 5.4%pts, March 2019: 4.8%pts. © Ipsos MORI 2020, Financial Research Survey (FRS), 12 months ending 31 March 2020 and 12 months ending 31 March 2019. c.51,000 adults (aged 16+) surveyed across Great Britain from a total representative sample of c.60,000 adults (aged 16+) per annum. Interviews were conducted face to face and online, and weighted to reflect the overall profile of the adult population. Proportion of extremely/very satisfied customers minus proportion of extremely/very/fairly dissatisfied customers summed across main current account, mortgage and savings. Peer group defined as providers with main current account market share >4% as of April 2019 (Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB).

Your questions answered

We regularly hear from members at our live TalkBack events and through our online forum, Member Connect. Here are some of the questions our members ask us.

Q Why are you no longer planning to offer a business account?

A The medium-term interest rate outlook for the UK has fundamentally changed, with rates forecast to be even lower, for even longer. Entering the business banking market is therefore no longer commercially viable. We have returned the £50 million grant from the Banking Competition Remedies Fund and redeployed colleagues involved in the launch to other roles. This was a difficult decision for us, but the right one, and will allow us to focus on supporting our current members and colleagues through the immediate and longer-term impact of the pandemic.

Q When will you increase savings rates?

A We are acutely aware of how difficult the last decade has been for savers. As a member-owned Society, our aim has always been to give members the best value we can afford. By keeping average deposit rates higher than the market average, members benefited from an extra £505 million in deposit interest last year. However, we will always be limited by prevailing interest rates, which reached a new low after the Bank of England cut its base rate in response to the coronavirus. We continue to look for ways to make saving rewarding to our members by, for example, offering special rates for members, or including prize draws on certain accounts to encourage regular saving.

Q Why have you changed the way you charge for overdrafts?

A We were the first provider to respond to the FCA's high cost of credit review, introducing a simple rate of interest for arranged overdraft borrowing and removing all unarranged overdraft fees. Along with new text alerts this gives our members greater transparency on costs and control over their borrowing. To help members through the pandemic, we halved the overdraft interest rate for all members for three months, and offered a three-month interest-free overdraft period to those struggling financially.

Q How are you keeping your members safe from scams?

A Helping members keep their money safe from fraudsters is always a priority. We use the latest technology to monitor and protect members from fraud 24/7. Our staff are all trained to be vigilant against fraud and in fact staff in branches prevented at least £3.6 million in fraud against members last year. Awareness and vigilance by our members are also important. Information on mobile and digital banking fraud, fraud scams, card fraud and identity fraud is on our website, and regularly updated as new types of fraud are uncovered, for example, during the coronavirus disruption. We also run fraud awareness sessions for members at our Member TalkBacks.

Supporting the change for greener homes

Government, housebuilders and lenders need to work together to create meaningful incentives for greener homes.

Why this is important

UK homes account for 15%[11] of the UK's carbon emissions. We believe incentives for consumers to change behaviours, affordably, are the only realistic way to help people make their homes greener.

We are taking action to support members

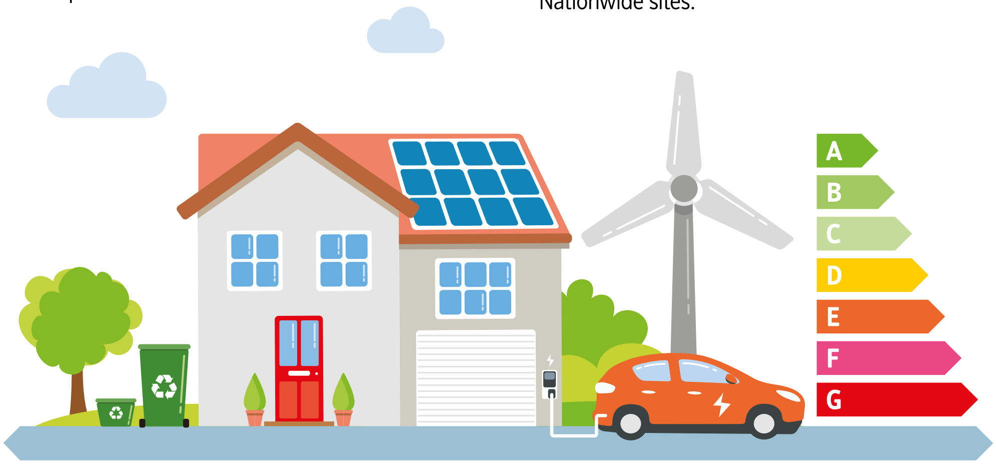
- **£1 billion made available in lending to incentivise a carbon reduction in Britain's homes** by launching a new range of green mortgages with preferential rates for members buying EPC A-rated homes, and offering preferential rates for green home improvements
- **Building low-carbon homes**: the Oakfield housing development funded by Nationwide is aiming to build 239 EPC A-rated homes
- **Member of the Green Finance Institute's Coalition for the Energy Efficiency of Buildings**: creating a market for net-zero carbon buildings, by accelerating capital flows to retrofit existing residential buildings
- **Investing in FinTech partner, Switchd** whose app can automatically switch a user's energy supplier to ensure they are always on the best deal, including greener tariffs, and produce a home report that will recommend energy-efficient improvements.

We are appealing to government for

- **An independent review of Council Tax** to explore how linking taxation to a home's energy efficiency could incentivise green home improvements.

We have reduced our carbon footprint

- **Improvements in sustainability** including zero waste to landfill, biennial Carbon Trust Triple Standard accreditation and 100% renewable electricity
- **Carbon neutral** from April 2020 for all energy use, emissions for internal operations and company vehicles, by offsetting residual carbon
- **Employee green fund** to help colleagues implement green initiatives across Nationwide sites.



[11] Office for National Statistics – February 2020.

Nationwide Foundation

Having a place to call home enables people to settle down, build their lives and make the most of their opportunities. A safe, secure home also helps people to cope with and overcome physical and mental health problems. Yet these positive impacts can't happen when the cost of homes forces people into poverty and when living conditions are inadequate and poor quality.

We give 0.25% of our pre-tax profits to The Nationwide Foundation, a charity that aims to increase the availability of decent, affordable homes for people in housing need. The Nationwide Foundation seeks to change the way decision-makers tackle the housing problems we face as a country. It does this by funding charitable causes around the UK that support and test housing solutions, as well as using its own voice to influence for a better future.

Find out more about the work that the Foundation supports at **nationwidefoundation.org.uk.**

The Foundation's trustees welcome questions via email to **enquiries@nationwidefoundation.org.uk** or you can call them on **01793 652002**.

The answers to any questions will be published at the end of July on the Foundation's website. Registered charity number 1065552.

Building thriving membership
Doing more for our members

We're here to help our members save, buy homes and manage their money.

Over the last three years, we've grown by:

1 million members | **£15 billion** deposits | **£18 billion** mortgage balances

Mortgages

Our core purpose is to help members into homes of their own. Last year, we lent £30.9 billion (2019: £36.4 billion) to our members, making sure we did it in a responsible way.

We also helped **1** in **6** buyers (2019: 1 in 5) into their very first home.

We're the first high street lender to offer a full range of **later life mortgages**, meaning our retired members can release equity from their homes or have an interest-only mortgage.

Making the UK **greener** is important to us too. That's why we've made up to £1 billion available for preferential rate mortgages and additional borrowing for green homes and home improvements.

We're standing by our members through the difficulties created by the coronavirus by putting measures in place like payment holidays and a commitment to keep mortgage members in their homes over the next 12 months.

Savings

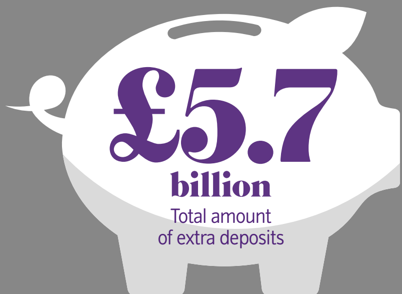
We look after almost **£1** of every **£10** saved in the UK.

We think it's really important to have a little put aside, so we're trying to get Britain saving.

- Our **Start to Save** account includes a prize draw for regular savers.
- Our **Pay Day = Save Day** campaign encourages people to save the day they're paid.
- Our ISA prize draws encourage people to top up by at least **£100**.

PAY DAY = SAVE DAY

As a building society, we seek to maintain our financial strength whilst providing value to our members through pricing, propositions and service. Last year, members benefited from an extra £505 million in deposit interest compared with the market average[12]. We've simplified our savings range, introduced online-only accounts and brought in an extra £5.7 billion (2019: £6.0 billion) in deposits.



[12] We use member financial benefit to measure the additional financial value from the highly competitive mortgage, savings and banking products that we offer compared to the market.

Current accounts

Our members opened 759,000 (2019: 794,000) new current accounts last year, taking us to our target of achieving a 10% share of all current accounts.[13]

759,000

new current accounts

We're representing a younger audience too, with 16%[14] (2019: 14%) of Youth and Student Accounts being held with Nationwide.

16%

Just for our members

We keep our credit cards and personal loans just for you, our members. That means we can offer you our best value products. Last year we grew our personal lending to £3.0 billion (2019: £2.4 billion) and we increased the volume of active credit card users.

Business current accounts

In April, we halted our planned business banking launch, as the business case is no longer viable in light of the low rate outlook and uncertain economic environment. Our priority will be to support current members through the uncertain times ahead.

[13] CACI (February 2020).
[14] CACI (February 2020) and internal calculations.

Built to last
Managing our members' money wisely

Our members trust us with their money. So it's our number one priority to keep it safe.

The last three years have been challenging, with intense competition and persistently low interest rates. And with recent interest rate cuts due to coronavirus, we need to make plans for more difficult times to make sure we're always here to support our members.

We'll always aim to make the right level of profit to maintain **our financial strength** and invest for the future, while delivering the best value we can to our members through better rates and offerings.

Last year, we grew our mortgages, current accounts and savings overall, but at a more moderate pace as we focused on broadening relationships with our members. Our member financial benefit reached £715 million (2019: £705 million), as we chose to deliver as much value to members as we could afford.

£715 million

Our underlying profit was lower this year at £469 million (compared to £788 million in 2019). That's down to:

- investing in new technology and systems
- continuing to offer competitively priced products to members
- legacy PPI claims
- the economic impact of coronavirus.

We continued to build systems to support our growing membership and higher transaction volumes, and to deliver better security for our members.

We continued to invest in our digital services and platforms that members will want and need in the future.

We also reviewed what new technology means for our existing assets, leading to impairments and write-offs of £124 million (2019: £115 million).

Our total costs for this year were 3% higher, due to:

- increase in our investment spend
- costs associated with our business banking proposition
- partly offset by a one-off gain from the decision to close our final salary pension scheme.

£2,312 million

2020

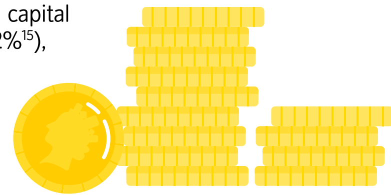
£2,254 million

2019

We measure the strength of our finances using our UK leverage ratio, which compares how much capital we have compared to the assets on our balance sheet. It's what makes sure we can withstand economic shocks, like that caused by coronavirus, and we're pleased to say it's at 4.7% (2019: 4.9%).

That's above both regulatory requirements of 3.6% and the target of 4.5% we set ourselves.

Over several years we have also built our Common Equity Tier 1 capital ratio to 31.9% (2019: 32.2%[15]), which is higher than the regulatory requirements.



[15] The figure for 2019 has been restated (previously reported as 32.4%).

Building legendary service
Giving our members the best possible service

We always aim to give our members the best service possible, whether that's in person, online or through our Banking app.

The way our members use branches is changing and we've seen a significant increase in mobile and digital interactions.

But whether our members bank with us in person, using the app or over the phone, we want to make it as easy and seamless as possible to switch between them all.

For three years running, we've been named Banking Brand of the Year by Which? And this year we were ranked 4th in the UK Customer Satisfaction Index for all sectors, not just banking[16].

[16] Institute of Customer Service UK Customer Satisfaction Index (UKCSI) as at January 2020.

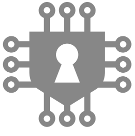
Named Which? Banking Brand of the Year 2019

Awards 2019
Which?
Banking Brand of the Year

Our branches

The role of our branches is evolving, and we're committed to maintaining a strong branch network to support our members and communities around the country.

Over the last three years, we've upgraded 200 branches to our new design. This year, we're also trying out new branch formats. In Lichfield and Sheffield, we're testing a fully-staffed, tech-enabled, counter-free branch. And in small towns like Billingshurst, we're testing community 'pop-up' branches.



Our branches and colleagues help protect our members from fraud, including romance, safe account and advance fee scams, which could otherwise cost a member their life's savings.

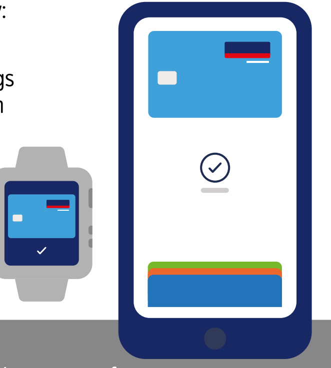
Our specialist support team is here to **help members who are finding things difficult**. The help available depends on our members' circumstances, but we can offer things like mortgage payment holidays or penalty-free access to fixed term savings accounts.

Our technology

We have **3.3 million** mobile-active members using our Banking app, that's up almost 7%, including almost half of current account members (2019: 41%) who typically use our app 26 times a month.

With our app, members can now:

- register instantly
- get auto-alerts on better savings rates and overdraft information
- report lost and stolen cards
- set up new payees
- freeze and unfreeze cards
- see pending transactions.



We've also achieved record satisfaction scores of 4.8/5 on Apple iOS and 4.6/5 on Android.

4.8/5

Apple iOS satisfaction score

4.6/5

Android satisfaction score

The investment we've made in building capacity and resilience in our systems means we've been able to handle growing transaction volumes. These reached 1.6 billion last year, up by 22% compared to the previous year. We also had the capacity to cope with demand peaks, like on Black Friday in November 2019, when we handled over 7 million transactions – that's 60% higher than a typical day.

Building PRIDE
Helping our people achieve great things together

When our people believe in what they do, feel valued and can grow their own careers, that's when they best serve our members.

77%
Employee engagement

PRIDE is the set of values and principles we ask our employees to live by. It's all about how we treat our members and each other.

Putting our members and their money first
Rising to the challenge
Inspiring trust
Doing the right thing in the right way
Excelling at relationships

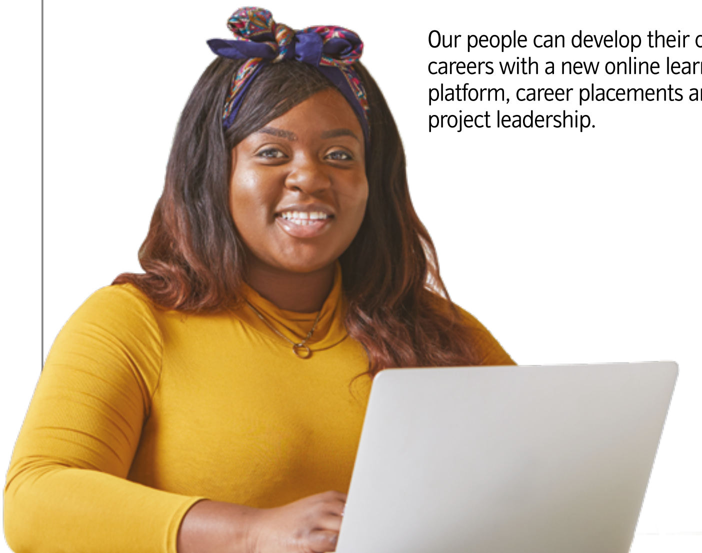
pride

Employees
Our employee engagement score is 77% (2019: 78%), which is just below the high-performing benchmark. Our people have described us as **honest, ethical** and **trustworthy**.

Reward

We have a defined benefit pension scheme (for employees who joined us before 2007), and a defined contribution pension scheme (for those joining since 2007). After discussions with our staff union and affected employees, the Board decided to close the defined benefit scheme to future accrual on 31 March 2021 due to increasing costs and risks of maintaining it. Scheme members will keep their accumulated benefits and build up future benefits in our defined contribution scheme, which offers employer contributions of up to 16% based on an employee contribution of 7% of salary.

Our Sharing in Success reward scheme continues to recognise every employee's contribution to our collective performance, focusing especially on the things that matter most to members.



Our people can develop their own careers with a new online learning platform, career placements and project leadership.

Wellbeing

We're investing in wellbeing, including working with Mind and Public Health England's *Every Mind Matters* campaign.

We're looking after our people's wellbeing during coronavirus too, by enabling them to work at home, supporting them remotely and enforcing social distancing at all our sites.

Gender and ethnicity pay gap

Our 2019 gender pay gap was 28%, broadly the same as in previous years. We voluntarily published our ethnicity pay gap for the first time, which was 17%. In both cases, the gap reflects the fact that we have more women and ethnic minority employees in junior roles than we do in senior roles. We're working hard to address these imbalances and help all our employees achieve their full potential.

Gender pay is not the same as equal pay and our regular audits show that our pay policies operate fairly. Equal pay measures the pay of men and women who are carrying out the same or equivalent roles.

We've launched a technology recruitment campaign externally, and a tech talent development programme internally, with new offices in London and Swindon for our tech specialists.

Inclusion and diversity

We want to build an inclusive culture where everyone can be themselves and thrive, and for our Society to reflect the diversity of the wider communities we serve.

We're tackling imbalances in our workforce, particularly at more senior levels, through a new inclusion and diversity agenda headed by our Chief Operating Officer.

We've set new diversity aspirations for 2028, which will be tracked and reported to our leadership team and Board.

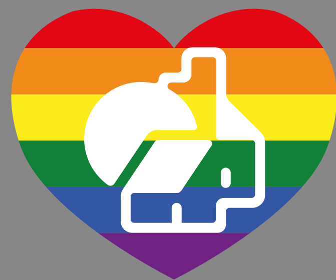
And we've improved our family friendly policies, including enhancing parental leave and changing our premature baby policy to give extra support to parents.

We've introduced a new sponsorship programme to help women and employees from a black, Asian or ethnic minority background overcome unseen barriers to progression.

We're also working with the British Disability Forum, along with our own disability network, to find new ways to empower and engage disabled colleagues.

We've improved our recruitment process and reduced the 'masculine' language we use. This has already led to more applications from women in male-dominated roles.

And our employee networks play a valuable part in our work, helping us develop and launch initiatives such as our Carers' Passports which help us support employees in balancing caring responsibilities with working life. Other activities by our networks include participating in Pride parades across the UK.



Building a national treasure
Striving to serve our communities

We want to be a force for good in society, investing in all our futures. And we want to ensure the benefit is mutual.

We donate 1% of our pre-tax profits to good causes. It's split between our own social investment programme and the Nationwide Foundation, an independent charity that we set up and fund. This year, the total funding was £9.5 million (2019: £10.6 million).

Nationwide Foundation

1%

We've been named the **UK's most trusted financial brand.**[17]

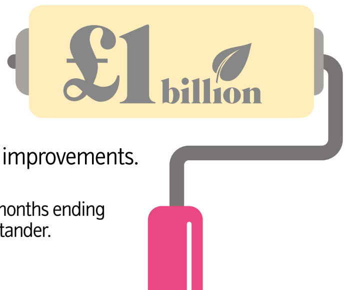
In Swindon, we're funding a new, not-for-profit sustainable housing development. We hope others can use this as a blueprint to find solutions to the housing crisis.

Oakfield

We've been campaigning for better rental standards too. Our influence has helped end no-fault evictions and widened access to the rogue landlords' database.

We also sponsor the **Action on Empty Homes** campaign to bring 226,000 empty homes back into use.

This year, we've made £1 billion available in preferential rate mortgages and additional borrowing for green homes and improvements.



[17] Nationwide Brand Guidance Study compiled by an independent research agency, based on customer and non-customer responses for the 12 months ending March 2020. Financial brands included Nationwide, Barclays, Co-operative Bank, First Direct, Halifax, HSBC, Lloyds Bank, NatWest, TSB and Santander.

Everyone deserves a place fit to call home

Three years ago, we decided to focus our social investment primarily on housing.

A big part of that is our Community Grants programme. That's where members and colleagues come together to award grants to local housing projects across the country. This year alone, they've awarded £5.5 million (2019: £4.2 million).

£5.5 million

We also changed the rules around the grants when coronavirus hit. Instead of using the grants for the specific reason they'd applied for, we allowed the charities to use it for whatever they felt most appropriate during this really difficult time.

Robin is one of our Community Board members in Cambridge.

"Having a home is so important. It gives you a real sense of security. The work we're doing and the grants we're giving are so valuable. We're supporting projects right here in our local community, so we can see exactly who we're helping and the difference we're making."

Summary financial statement

For the year ended 4 April 2020

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 demand at every office of Nationwide Building Society from 10 June 2020. They will also be available on the internet at **nationwide.co.uk**. The auditor's report in relation to the full financial statements was not qualified in any respect.

Summary directors' report

The Summary directors' report comprises 'What your Society has achieved this year' on page 3, 'How's your Society performing?' on page 4, the Chairman's letter on pages 5 and 6, and the Chief Executive's review on pages 7 to 10 and 12 to 21.

Approved by the board of directors on 28 May 2020 and signed on its behalf by:

D L Roberts, Chair

J D Garner, Chief Executive Officer

C Rhodes, Chief Financial Officer

Results for the year

	2020	2019
	£m	£m
Net interest income	2,810	2,915
Other income and charges	236	255
(Losses)/gains from derivatives and hedge accounting	(7)	36
Administrative expenses	(2,312)	(2,254)
Impairment losses and other provisions	(261)	(119)
Profit for the year before taxation	**466**	**833**
Taxation (note i)	(101)	(197)
Profit for the year	**365**	**636**

Reconciliation of statutory profit to underlying profit

	2020	2019
	£m	£m
Statutory profit for the year before taxation	**466**	**833**
FSCS (note ii)	(4)	(9)
Losses/(gains) from derivatives and hedge accounting (note iii)	7	(36)
Underlying profit for the year before taxation	**469**	**788**

Notes:

i. Comparatives have been restated to present tax consequences of distributions on Additional Tier 1 instruments in the income statement rather than directly in reserves.

ii. FSCS credits, which are excluded from statutory profit, are from FSCS recoveries related to failures provided for in previous years. Ongoing FSCS management expenses are included within underlying profit.

iii. Although we only use derivatives to manage risks, their impact can be volatile. This volatility is largely due to accounting rules that do not fully reflect the economic reality of our approach to hedging financial risks.

The reconciliation above adjusts statutory profit before tax for specific items to derive an underlying profit before tax figure. The purpose of this measure is to reflect management's view of the Group's underlying performance and to assist with like for like comparisons of performance across periods.

Financial position at the end of the year

Assets	2020 £m	2019 £m
Liquid assets	**37,388**	32,736
Mortgages	**188,587**	185,806
Other lending (note i)	**12,391**	13,245
Derivative financial instrument assets	**4,771**	3,562
Fixed and other assets	**4,904**	2,952
Total assets	**248,041**	**238,301**

Members' interests, equity and liabilities	2020 £m	2019 £m
Shares (member deposits)	**159,691**	153,969
Borrowings	**62,257**	61,165
Derivative financial instrument liabilities	**1,924**	1,593
Other liabilities	**1,637**	1,449
Subordinated liabilities	**9,317**	6,706
Subscribed capital	**253**	250
Core capital deferred shares	**1,325**	1,325
Other equity instruments	**593**	992
Reserves (note ii)	**11,044**	10,852
Total members' interests, equity and liabilities	**248,041**	**238,301**

Notes:
i. Other lending includes consumer banking and commercial lending.
ii. Reserves include a general reserve of £10,749 million (2019: £10,418 million). The remainder relates to a cash flow hedge reserve, revaluation reserve and other reserves.
iii. Comparatives have been restated to present tax consequences of distributions on Additional Tier 1 instruments in the income statement rather than directly in reserves.

Summary of the key financial ratios required by the Building Societies Act

	2020	2019
Gross capital as a percentage of shares and borrowings This ratio helps us measure how much capital we have to protect our members and other creditors against shocks.	**10.2%**	9.4%
Liquid assets as a percentage of shares and borrowings This ratio is a measure of our ability to meet normal cash demands, such as savings withdrawals or providing new mortgages.	**16.8%**	15.2%
Profit for the year as a percentage of mean total assets (note iii) This ratio measures the profit made in the year relative to the average amount of total assets.	**0.15%**	0.27%
Management expenses as a percentage of mean total assets This ratio is a way of measuring how efficient we are being.	**0.95%**	0.96%

We are required to disclose the above ratios under legislation originally drafted in 1986. Today, we use different measures for capital strength, liquidity, profitability and efficiency. These include our Common Equity Tier 1 capital ratio, UK leverage ratio and underlying profit. More information on these measures is shown on page 15.

Statement of the auditors

to the members and depositors of Nationwide Building Society.

We have examined the Summary financial statement of Nationwide Building Society for the year ended 4 April 2020, which comprises the Results for the year, the Reconciliation of statutory profit to underlying profit, the Financial position at the end of the year, and the Summary of key financial ratios required by the Building Societies Act 1986 set out on pages 22 to 23, and the Summary report of the directors on remuneration on pages 25 to 35.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Summary financial statement, in accordance with the Building Societies Act 1986, which includes information extracted from the Annual Report and Accounts and the auditable part of the Report of the directors on remuneration of Nationwide Building Society for the year ended 4 April 2020.

Our responsibility is to report to you our opinion on the consistency of the Summary financial statement with the Financial statements, Directors' report, and Report of the directors on remuneration within the Annual Report and Accounts, and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and the regulations made thereunder.

Basis of 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 auditable part of the Report of the directors on remuneration describes the basis of our opinion on those financial statements and the auditable part of that report.

Opinion

In our opinion the Summary financial statement is consistent with the Financial statements, the Directors' report and the Report of the directors on remuneration of Nationwide Building Society within the Annual Report and Accounts for the year ended 4 April 2020 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 members and depositors of Nationwide 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

Ernst & Young LLP
Registered Auditors
London
28 May 2020

Summary report of the directors on remuneration

For the year ended 4 April 2020

> *"Having the same goals helps ensure that all our people work together."*

This report is a summary of our full 'Report of the directors on remuneration', which you can find online at **nationwide.co.uk** within the 'Results and accounts' section. It includes our new forward-looking directors' remuneration policy on which an advisory vote will be sought at the 2020 AGM, along with details of the directors' pay for the year to 4 April 2020 and what they can earn in the coming year.

Dear fellow member,

I am pleased to present my first Remuneration Committee report since taking on the role of Committee Chair in September 2019. I would like to personally thank Lynne Peacock for her contribution as the previous Committee Chair. This report includes details of our directors' pay for the year to 4 April 2020, together with our new directors' remuneration policy, on which member approval will be sought at the 2020 AGM.

As set out by the Chairman, David Roberts, we are in unprecedented times as we witness the impact of the Covid-19 global pandemic. This is an incredibly challenging time for people and businesses, including the Society. Our primary priority is the safety of our employees and members, and we continue to put our members' needs at the heart of our decision making.

The onset of Covid-19 has presented a unique set of challenges for the Committee. Although the virus emerged in the UK towards the end of our 2019/20 financial year, it has significantly impacted our 2019/20 results and meant that we must think differently about the year ahead. The difficult decisions we have already taken, and may need to take in the future, continue to be firmly guided by our social purpose – *building society, nationwide.*

We have set out in our full 'Report of the directors on remuneration' how we performed against the measures we set ourselves at the start of the year under the Directors' Performance Award (DPA), our performance pay plan. The CEO and CFO and broader Nationwide Leadership Team asked the Remuneration Committee to consider not awarding any performance pay which they may have otherwise been due for 2019/20. Taking into account this request, together with the impact of the pandemic on member saving rates, the Committee determined that no performance pay awards would be made for this population and that a flat variable pay award of £1,200 should be given to all other employees. In March we also agreed with the Prudential Regulatory Authority's request for the Society not to pay any performance pay in cash to senior employees during 2020, including all Material Risk Takers.

We believe it is important to provide certainty for our people, and we have made a commitment that we will not make any compulsory redundancies for permanent employees in 2020. However, in our current economic circumstances, this will impact decisions both for 2019/20 and looking ahead to next year.

I would therefore like to thank Joe Garner, the CEO, for voluntarily requesting that his combined base salary and pension be reduced by 20% for 2020/21, a reduction of £227,560 from the current position. We were the first UK financial services firm to announce such a reduction. I also note that for 2019/20 Joe made a significant personal contribution to the cost of his taxable benefits, which would otherwise have been borne by the Society. More details on Joe's remuneration for 2020/21 are set out in this report. Chris Rhodes, the CFO, has voluntarily reduced his pension allowance to 16% of salary from 2020/21 to align with the maximum benefit available to the wider employee population. In addition, the non-executive directors have volunteered to donate 20% of their net fees from June to December of this year to Shelter, to help support vulnerable people impacted by Covid-19. We also decided that there will be no general pay increases for directors or senior employees across the Society in 2020/21, nor any increases for the Chairman and non-executive directors.

As we look ahead to 2020/21, while we remain financially strong enough to weather challenging economic times, our pay approach must echo our responsibility to ensure the long-term sustainability of the Society and protect our culture and values. Reflecting the current challenging environment, performance pay will be scaled back for 2020/21 across the Society. Awards for executive directors for the coming year will be set at around one-third of the normal performance pay opportunities, in line with the approach for all employees. These awards will continue to be aligned to measures which are important to our members, which for 2020/21 will be customer service satisfaction, committed members and total costs, and in determining any awards under the plan, the Committee will consider the overall performance of the Society over the year and our economic circumstances at that time.

Combining the change to base salary, pension and performance pay results in a very significant reduction in the CEO's overall maximum pay opportunity for 2020/21, a reduction of over 40%. More details on our approach are set out in this report.

Our core principles

Our heritage and our unique position as a member-owned organisation means our approach to remuneration is aligned to the needs of our members and is designed to drive the behaviours consistent with our wider purpose, values and strategy. Our remuneration framework for all employees is simple, comprising fixed pay and a single performance related pay plan with performance assessed based on three measures that apply for everyone.

A single set of goals helps ensure all our people work together and are focused to deliver sustainable success and good outcomes for members. For our senior leaders, performance pay also reflects their individual contribution, where we measure not only what they have delivered but also have an equal focus on their conduct and behaviours. The Board will only pay any performance related pay if it is sure that the Society is financially secure.

Performance payments for senior leaders are paid in instalments, over seven years in the case of our executive directors. This way, if one of our leaders leaves the Society, then some of the performance payments already awarded may be forfeited. The Committee also has the discretion to cancel all, or part of, previously awarded performance pay in the event of misconduct or if the Society's performance deteriorates significantly. A substantial proportion therefore remains 'money at risk' which may be reduced or cancelled at the Committee's discretion, taking into account the Society's and the individual's performance over the seven-year period.

We aim to be transparent with our members and voluntarily disclose details of our executive pay arrangements, including as required under the Corporate Governance Code where it is relevant for us to do so as a mutual.

Our policy

Our remuneration policy was last approved by members at the 2017 AGM, receiving strong support. We are committed to continue demonstrating best practice in corporate governance and alignment with legislation on executive pay which applies to listed companies, so we are submitting our policy report to an advisory vote of our members this year.

During the year the Committee undertook a detailed review of our approach to remuneration across the Society, including executive directors. The Committee engaged with and listened to the views of our key stakeholders, as well as reflecting on feedback received from members in previous years and the external environment.

The Committee also paid close attention to the relationship between pay policies and practices for executive directors and other employees. We believe the principles and approach to pay should be consistent for everyone, including the executive directors, and we have taken steps to address any key areas of difference, for example on pensions. We also think it is vital the Committee understands the wider employee perspective when considering pay decisions and therefore the Committee regularly invites the General Secretary of the Nationwide Group Staff Union to attend our meetings to provide valuable insight on the views of their members and to allow a two-way dialogue on broader employee pay matters. In addition, in my capacity as director responsible for Voice of the Employee, this year I hosted a podcast for the Society, providing an opportunity to engage with colleagues on remuneration.

Taking all these factors into account, the Committee concluded the current approach remains appropriate to continue delivering the Society's ambitions. I am therefore pleased to confirm that no material changes to the policy are proposed, other than a reduction in pension benefit for existing and new executive directors to 16% of salary, aligning with the maximum benefit available to the wider employee population, and a change to the operation of our leaver provisions for the DPA to align with market practice. Our approach to scaling back performance pay opportunities for 2020/21 has also been reflected in the policy.

We would like to invite members to vote on our proposed policy.

Board changes

As previously announced, the former Chief Financial Officer, Mark Rennison stepped down from the Board in September 2019 and Chris Rhodes was appointed to this role. Mark Rennison's leaving arrangements and the changes to Chris Rhodes' package are set out in the full report together with the details for Tony Prestedge, who resigned as Deputy Chief Executive and Board member in March 2020. All arrangements are in accordance with policy.

Member voting on remuneration

A core principle of our approach is that members' views and interests are considered when we design remuneration policies and determine pay outcomes. There will therefore be two separate advisory votes from members on remuneration this year. The first will be on our Policy report and the second vote will be the annual advisory vote on our Annual report on remuneration outlining our approach during 2019/20 and how the Committee propose to implement the new policy during 2020/21.

On behalf of the Remuneration Committee, I recommend that you endorse our Policy report and Annual report on remuneration.

Mai Fyfield
Chair – Remuneration Committee

Policy report

Overview of remuneration policy

The key elements of our directors' remuneration policy are set out below and the full policy is available at **nationwide.co.uk**

Remuneration policy for executive directors – fixed pay

Element	Operation	Opportunity
Base salary	Normally reviewed on an annual basis.	Whilst there is no maximum, base salaries are set taking into account market data for similar roles in comparable organisations. Other factors considered include the individual's skills, experience and performance and the approach being taken on salaries in the wider organisation.
Benefits	May include a car allowance, access to drivers when required, healthcare and insurance benefits.	Whilst there is no maximum value to the benefits provided, benefits are reviewed regularly to ensure they remain appropriate to role and location to assist individuals in carrying out their duties effectively.
Pension	Executive directors receive a cash allowance in lieu of pension.	Cash allowances are set as a percentage of base salary. The maximum pension allowance payable is set at a level in line with the wider employee population (currently 16% of base salary). This approach will apply to current executive directors from April 2020 (a reduction from the previous level of 24% of salary for the CEO and 20% for the CFO).

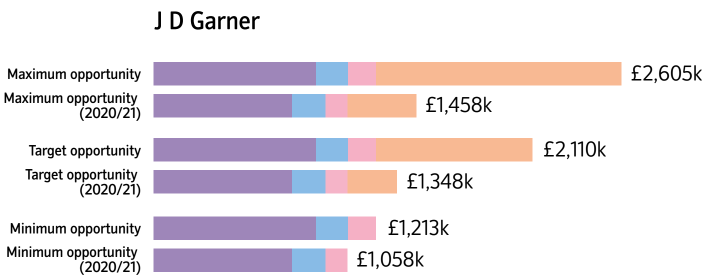
Remuneration policy for executive directors – variable pay		
Element	**Operation**	**Opportunity**
Directors' Performance Award (DPA) Rewards achievement of stretching Society, team and individual targets for a single financial year, with payment spread over the longer term. Comprises two elements: (i) an all-employee element (ii) an element in which the most senior leaders participate subject to deferral provisions.	At the end of the one-year performance period an award is made to reflect achievement against performance measures. No more than 40% of the total award is paid after the end of the performance period and at least 60% is deferred for between three and seven years in line with regulatory requirements. The gateway and Society performance measures selected for both elements of the DPA are set on an annual basis by the Committee. These will normally reflect a mix of financial measures, measures relating to the strategic performance of the Society as well as regulatory obligations. Individual performance (including conduct and behaviours) will also be assessed. A minimum of 50% of both the upfront and deferred elements is delivered in or linked to the value of the Society's core capital deferred shares (CCDS) and subject to a twelve-month retention period in line with regulatory requirements. The Remuneration Committee may reduce or cancel payments under the DPA if it believes that the plan outcomes are not representative of the overall performance of the Society.	The targets reflected in the Society's Plan need to be achieved to generate a 'target' award against the Society measures, and considerably exceeded to generate the maximum award. The overall maximum opportunity including both elements varies by role (see below). The actual amount awarded in respect of any year is subject to the limit laid down by regulatory standards **Normal policy (for performance years other than 2020/21)** The normal maximum variable pay opportunities (i.e. including both elements) are: • 152% of base salary for the Chief Executive • 112% of base salary for other executive directors **Policy for 2020/21** For awards made in respect of 2020/21, the maximum variable pay opportunities (including both elements) have been reduced to: • 51% of base salary for the Chief Executive • 37% of base salary for other executive directors In the event that the Society's financial performance in 2020/21 materially exceeds expectations, the Committee retains the discretion to make an award above these levels (subject to the overall limits within this policy).

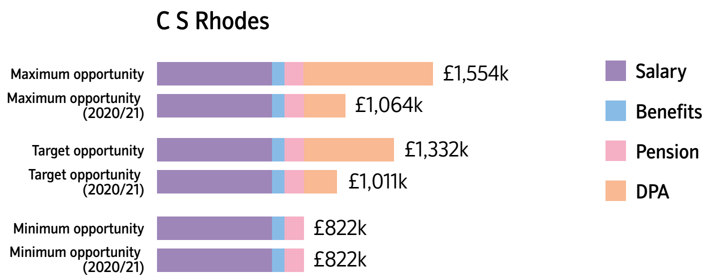
Remuneration policy for non-executive directors

Element	Operation	Opportunity
Chairman and non-executive director fees	The Chairman's fee is normally reviewed and approved by the Remuneration Committee on an annual basis. Non-executive director fees are normally reviewed and approved by the executive directors and the Chairman on an annual basis. Non-executive directors are paid a basic fee, with an additional supplement paid for additional roles or responsibilities, including in respect of the Senior Independent Director role or Voice of the Employee role, or for serving on or chairing a Board Committee. The Chairman and non-executive directors do not take part in any performance pay plans or in any pension arrangements. Benefits may be provided if considered appropriate.	Whilst there is no maximum level, fees are set taking into account practice at other organisations as well as the time commitment for the role at Nationwide.

What our executive directors could earn based on performance

The charts below illustrate the amounts that each of the executive directors would be paid under different performance scenarios under the policy, and specifically for 2020/21 taking into account the changes for that year as explained on page 29.





For the purposes of these charts, given the voluntary reduction in the CEO's base salary and pension for 2020/21, in addition to the scale back of performance pay opportunities for 2020/21, two illustrations are provided for each scenario:

- One reflecting our normal ongoing policy, showing base salary and pension contribution levels from 1 April 2020, prior to the voluntary reduction in the CEO's base salary for 2020/21, and using normal maximum and target performance pay opportunities under the policy as set out above; and
- One reflecting the actual amounts our executive directors could earn in 2020/21, taking into account the voluntary reduction in the CEO's base salary and using scaled back maximum and target performance pay opportunities for the year under the policy as set out above.

The actual amount awarded in respect of any year would be subject to the limit laid down by regulatory standards, which is currently set such that variable remuneration does not exceed 100% of fixed remuneration.

In both scenarios, the value of benefits is based on the benefits paid in respect of 2019/20, as set out in the single total figure of remuneration table.

Further details of the assumptions taken in respect of these charts are set out in our full policy.

Recruitment policy

On the appointment of a new executive director, the Committee will as far as possible determine the ongoing remuneration package in accordance with the policy described in the policy table above. It would aim not to pay more than necessary to secure the right candidate.

As part of any new recruitment, the Committee would consider whether it was necessary to offer a higher maximum award level under our performance pay plan in order to secure the desired candidate. Any such increase would remain within the overall limit laid down by regulatory standards and would only be applicable for the period of twelve months following appointment.

The Committee may also consider whether it is necessary to offer any one-off arrangements on the recruitment of a new executive director to 'buy out' performance pay and any other remuneration arrangements forfeited on leaving a previous employer and further information is set out in the full report.

Service contracts

Executive directors' terms and conditions of employment are detailed in their individual contracts which include a notice period of 12 months from the Society to the individual and a notice period of six months from the individual to the Society, which will increase to nine months for any new executive directors. The terms set out in the service contracts for the current executive directors do not provide for any payments that are not in line with this policy. Service contracts include a provision for a termination payment in lieu of notice, which will normally be subject to mitigation, up to a maximum of 12 months' base salary.

The Chairman and non-executive directors are appointed for fixed terms not exceeding three years, which may be renewed subject to their re-election by members at AGMs. There are no obligations in the non-executive directors' letters of appointment that could give rise to remuneration payments or payments for loss of office. The dates of appointment to the Board for the Chairman and non-executive directors are set out in the Governance report.

Leaver provisions for executive directors

If an executive director leaves in 'good leaver' circumstances (defined as redundancy, retirement, ill health, death or by mutual consent, e.g. for redundancy/succession planning purposes), they would, subject to approval by the Committee on an individual basis, normally be offered a payment in lieu of notice covering 12 months' base salary. Such a payment might also cover benefits and pension allowance. All such payments will be subject to mitigation.

Where an executive director leaves during the performance year in good leaver circumstances they may, at the Committee's discretion, receive a pro-rata performance award for the period of time served during the current performance period. They may also be eligible to receive some or all of the deferred portion of any award, which will typically be delivered on the normal timescale.

Individuals who leave in other circumstances (e.g. resignation) would receive only contractual payments to which they are entitled and would not receive any payment in respect of performance pay plans, unless the Remuneration Committee determines there is a due case for discretion.

Further details of our leaver provisions are set out in our full 'Report of the directors on remuneration'.

Other features of our policy

These are set out in detail in our full report.

Consideration of employment conditions elsewhere in the Society

The pay and conditions of all employees are taken into account when determining executive remuneration and the Committee appreciates the importance of this relationship. The Committee is always mindful of ensuring that the pay policy for senior roles is consistent with the culture and values of the Society as a whole. Our policy is to offer packages which are competitive with the financial services market in which we operate and to reward individuals for delivering value to members.

Whilst there was no formal consultation, a copy of the policy was shared with the Nationwide Group Staff Union in advance of publication. Those employees who are also members of the Society will be able to vote on the Policy report and the Annual report on remuneration.

Consideration of member views

At recent AGMs we have received a significant majority vote in favour of our remuneration reports. We are also mindful of views expressed by individual members regarding specific aspects of the policy. When taking decisions on remuneration policy, the Remuneration Committee is also always conscious of the need to ensure executives are motivated and rewarded to deliver value for our members.

Annual report on remuneration for 2019/20

Directors' Performance Award (DPA)

A significant proportion of the overall remuneration for executive directors is dependent on the performance achieved in the year against a number of key measures. Based on three measures under the plan for 2019/20 (customer satisfaction, committed members and sustainable cost savings) broadly on-target performance was achieved; however, the outcome for the statutory profit gateway resulted in the amounts payable under the plan being scaled back to around 16% of the award due based on Society and individual performance. Taking into account the request from the CEO and CFO not to be considered for any performance pay which they may have been due in respect of 2019/20, together with the impact of the Covid-19 pandemic on member saving rates, the Committee decided to reduce the total value of performance pay outcomes to zero. Further details of the operation of the plan, together with the targets set and performance achieved are included in the full 'Report of the directors on remuneration'.

Executive directors' remuneration

Where indicated, the tables in the following sections have been audited.

These disclosures are included in compliance with the Building Societies Act 1986 and other mandatory reporting regulations, as well as the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, which the Society has voluntarily adopted. The table below shows the total remuneration for each executive director for the years ended 4 April 2020 and 4 April 2019.

Single total figure of remuneration for each executive director *(Audited)*

Executive directors	Fixed remuneration	Fixed remuneration	Variable remuneration	Taxable benefits	Total pay package
	Salary £'000	Pension allowance £'000	Directors' Performance Award (note iii) £'000	Travel and other taxable benefits (note iv) £'000	£'000
2020					
J D Garner	**916**	**220**	**-**	**150**	**1,286**
T P Prestedge (note i)	**601**	**144**	**-**	**144**	**889**
M M Rennison (note ii)	**306**	**73**	**-**	**59**	**438**
C S Rhodes	**634**	**137**	**-**	**63**	**834**
Total	**2,457**	**574**	**-**	**416**	**3,447**
2019					
J D Garner	885	292	1,010	185	**2,372**
T P Prestedge	590	195	522	141	**1,448**
M M Rennison	635	210	511	141	**1,497**
C S Rhodes	590	195	499	67	**1,351**
Total	**2,700**	**892**	**2,542**	**534**	**6,668**

Notes:

i. T P Prestedge resigned from the Board on 10 March 2020.

ii. M M Rennison stepped down from the Board on 13 September 2019. Details of his departure terms are set out in the full 'Report of the directors on remuneration'.

iii. Variable remuneration consists of the awards under the DPA. A substantial proportion of any awards under this plan are subject to deferral with payments spread over the following seven years.

iv. Our directors receive a number of benefits and, where appropriate, we pay tax associated with those benefits. In the single figure table above, 'taxable benefits' includes certain essential travel costs met by the Society, including any tax due under HMRC regulations, provided to enable the executive directors to work whilst travelling and undertake their responsibilities most effectively. Other benefits include medical insurance, car allowance and security. This value is included as fixed remuneration for the calculation of the bonus cap in meeting our regulatory requirements.

Non-executive directors' remuneration

The total fees paid to each non-executive director are shown below.

Single total figure of remuneration for non-executive directors *(Audited)*

	2020	**2020**	**2020**	2019	2019	2019
	Society and Group fees £'000	Travel and other taxable benefits (note vi) £'000	**Total fees and taxable benefits £'000**	Society and Group fees £'000	Travel and other taxable benefits (note vi) £'000	Total fees and taxable benefits £'000
D L Roberts (Chairman)	**405**	**2**	**407**	395	2	397
R Clifton	**98**	**7**	**105**	97	8	105
M Fyfield	**119**	**4**	**123**	92	9	101
A Hitchcock (note i)	**94**	**7**	**101**	28	5	33
M A Lenson (note ii)	**28**	**1**	**29**	106	4	110
K A H Parry	**129**	**6**	**135**	123	6	129
L M Peacock (Senior Independent Director) (note iii)	**96**	**3**	**99**	142	4	146
U K Prashar	**83**	**5**	**88**	82	11	93
T Tookey	**134**	**3**	**137**	131	6	137
G Waersted	**94**	**7**	**101**	78	10	88
P Rivett (note iv)	**63**	**1**	**64**	-	-	-
Total	**1,343**	**46**	**1,389**	1,274	65	1,339
Pension payments to past non-executive directors (note v)			**248**			243

Notes:

i. A Hitchcock joined the Board on 2 December 2018.
ii. M Lenson left the Board on 18 July 2019.
iii. L Peacock left the Board on 31 December 2019.
iv. P Rivett joined the Board on 1 September 2019.
v. The Society stopped granting pension rights to non-executive directors who joined the Board after January 1990.
vi. Taxable benefits for non-executive directors relate to expenses incurred in connection with travel and attendance at Board meetings. HMRC deem these expenses to be taxable where the meetings take place at the Society's main offices and the Society settles the tax on behalf of the non-executive directors.

CEO pay ratio reporting

The ratio of the CEO's total remuneration versus the total remuneration of the median employee of the Society for 2019/20 was 41:1 (77:1 in 2018/19). Further details of the CEO pay ratio calculation are set out in the full 'Report of the directors on remuneration'.

The year ahead

Remuneration policy implementation for 2020/21

In applying the proposed policy, the Committee is guided by the need to ensure executives are appropriately motivated and rewarded to deliver demonstrable value for our members.

J D Garner voluntarily requested that his base salary be reduced for 2020/21. This will be set at £783,000 for 2020/21. C S Rhodes will remain at an annual salary of £654,000. The pension allowance for both directors will reduce to 16% of salary from 2020/21 to align with the maximum benefit available to the wider employee population.

Reflecting the current challenging environment, performance pay opportunities across the Society will be scaled back for 2020/21. Awards for executive directors for the coming year will be set at around one-third of normal performance pay opportunities in line with the approach for all employees, as set out in the overview of remuneration policy above.

Awards under the DPA will continue to be aligned to measures which are important to our members. Performance measures for 2020/21 are as follows:

- Gateway measures based on profit before tax, leverage ratio and conduct matters
- Society performance, subject to minimum performance thresholds, assessed against the following cornerstones:
  - **Building thriving membership** – Number of committed members
  - **Building legendary service** – Customer service satisfaction rating
  - **Built to last** – Total costs

For the CEO, 28% of the maximum award is assessed based on individual contribution and behaviours including in relation to conduct matters. For the CFO, from 2020/21 this will be 27% of the maximum award.

There is no change in the fees for the Chairman or non-executive directors for 2020/21.

Further details of the implementation of our policy for 2020/21 are set out in our full 'Report of the directors on remuneration'.

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