The strength to support our members and communities, today and tomorrow

Nationwide
Building Society

Review of the year 2022 including our Summary financial statement

Welcome to our Review of the year (5 April 2021 to 4 April 2022)

As a building society, owned by our members, our purpose is to build a stronger, kinder, greener society for the mutual good of all. We focus on supporting our members with their financial goals, wherever they are in life, whether that's helping them:

- **own a home** – we are the UK's second largest mortgage provider
- **save for the future** – we look after almost £1 in every £10 saved in the UK
- **manage their everyday finances** – one in ten of the UK's current accounts are with us[1]

So, how have we done this year? Our new Chairman, Kevin Parry provides his perspective, as does Joe Garner, in his last year as our Chief Executive. There's information on how we've performed against our strategy and goals, as well as information on Directors' remuneration.

Thank you for being a member.

Chairman's letter page 5

Chief Executive's letter page 7

Statement of the auditors page 22

Summary financial statement page 23

Summary report of the directors on remuneration page 25

[1] CACI's Current Account and Savings Database, Stock (February 2022).

What your Society has achieved this year

16.3 million members
2021: 16.3 million

No.1 for customer satisfaction
among our peer group for the 10th year running[2]

The UK's most trusted financial brand[3]

£1,604 million
underlying profit
2021: £790 million
£1,597 million
statutory profit
2021: £823 million

£325 million
member financial benefit, from better incentives and pricing than the market average[4]
2021: £265 million

Helped 1 in 7 first time buyers
into a home of their own
2021: 1 in 7

Our Member Prize Draw
awarded over 56,000 member prizes, totalling £7 million

Donated £7.1 million to charitable causes
2021: £7.4 million

Committed to a carbon net-zero future

[2] © Ipsos 2022, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to the 12 months ending 31 March 2022. For more information, see footnote 17 on page 14.
[3] Nationwide Brand Guidance Study compiled by Kantar, based on customer and non-customer responses for the 12 months ending March 2022. Financial brands included Nationwide, Barclays, The Co-operative Bank, First Direct, Halifax, HSBC, Lloyds Bank, NatWest, TSB, Santander, Monzo and Starling Bank.
[4] See page 12 of our Annual Report and Accounts for more information on member financial benefit.

How is your Society performing?

We measure our performance on the things that matter most to our members. That's great service, long-term value and financial strength. In 2022, we exceeded our targets for customer satisfaction in our peer group, the number of committed members and leverage ratio. However, we did not achieve our targets for customer satisfaction across all sectors in the UK and member financial benefit. You can find out more in our Annual Report and Accounts on page 11. As well as providing better value and service for our members, we also aim to be better for society. You can read more about this on page 20.

Service

Supporting our members and giving them great service

We aim to be the best for customer satisfaction in our peer group, with a lead of at least 2%pts. Our lead is 4.6%pts. In 2023, we will return to targeting a lead of at least 4%pts, in line with our pre-pandemic target.

1st
10 years running[5]

We also want to be among the top five organisations across all sectors in the UK for customer satisfaction. While our satisfaction score improved to 83.7 (2021: 82.5), businesses in other sectors improved by more, so we finished joint 22nd, below our target.

Joint 22nd[6]
2021: Joint 13th

Value

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

We have 3.62 million committed members, above our target of at least 3.60 million committed members[7]. In 2023, we are targeting 3.75 million.

3.62m
2021: 3.55m

We aim to provide at least £400 million of financial benefit[8] to our members each year through better incentives and pricing than the market average. In 2022, we provided £325 million, which was below our target.

£325m
2021: £265m

Strength

Keeping our members' money safe and secure

We aim to have a leverage ratio (a measure of our financial strength) of at least 4.5%. Our leverage ratio of 5.4% was above our target.

5.4%
2021: 5.4%

5 © Ipsos 2022, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to the 12 months ending 31 March 2022. For more information, see footnote 17 on page 14.
6 Institute of Customer Service UK Customer Satisfaction Index (UKCSI) as at January 2022 and January 2021. Scores of 83.7 and 82.5 are based on an index out of 100.
7 Committed members have their main personal current account with us, or a mortgage of at least £5,000, or at least £1,000 in savings accounts, plus at least one other product.
8 You can read about how we calculate member financial benefit on page 54 of our Annual Report and Accounts 2022.

A letter from Kevin Parry, your Society's Chairman

Dear fellow member,

It is my privilege to write to you for the first time as Chairman of our Society. I have spent six years as a non-executive director of Nationwide Building Society. This, together with my work as Chairman of the UK's largest mutual insurer, Royal London, means that I know from experience that mutuals make a unique contribution to UK financial services. They exist and work for their members' interests. Mutuals are guided by a social purpose, as well as commercial needs. I believe they embrace values that help drive higher standards across the whole industry.

During the pandemic, we saw the real human value of being a member of Nationwide: we focused on supporting our members, colleagues and communities through the last two very challenging years. Importantly, we also protected our financial strength. This means we can choose how we use our resources for our members' benefit now and in the future. As we learn to live with Covid, a devastating human crisis continues in Ukraine. Later in this report, our CEO talks about the ways we are helping to support people in Ukraine. Here, the conflict is contributing to the rising cost of food and energy. We know this will make it hard for some members to meet loan repayments due to Nationwide. We ask them to get in touch with us as soon as they are aware of forthcoming repayment difficulties so that we can do our best to support them.

Highlights of 2021-22

Over the financial year, the Society continued to support members, meet their financial needs, and help them achieve their financial goals. Our colleagues continued to serve our members with genuine care. Following a slight dip during lockdown, our service lead strengthened as the majority of our branches returned to normal opening hours.

We look after our members' money, so being financially resilient is a bedrock of the Society. That is why your Board and management have focused on maintaining Nationwide's financial strength. The Society achieved a very strong financial performance and all our profit is retained for the benefit of our members. Our capital base remains robust and in absolute terms has increased through the year, while changes in industry-wide regulation have resulted in a lower reported Common Equity Tier 1 (CET1) ratio.

As a mutual, we are committed to fulfilling our social, as well as our commercial, purpose. We have protected the high street services many members value. We have committed to working towards a net-zero future by 2050. We are also working with government and industry to find affordable ways to cut carbon emissions from housing, which is critically important given around 16%[9] of UK carbon emissions come from homes. Our five Mutual Good Commitments will help us to build a

[9] Department for Business, Energy & Industrial Strategy, 2020 UK Greenhouse Gas Emissions, Final Figures (February 2022).

better society. Through them, we champion better quality homes, financial wellbeing, thriving communities and a more diverse and respectful society. We remain focused on employee wellbeing, inclusion and diversity. You can read about this on pages 16 and 17.

Board changes

The Board's task is to ensure the Society is run in a way that enables it to deliver long-term value for members. At the same time, we must make sure the Society is built to last, with strong financial foundations.

The Board functions best when it is made up of both established and new directors. On this, there are some changes to report. In 2021, David Roberts and Joe Garner asked the Board to start looking for their successors after eight and six very successful years as Chair and CEO respectively. Under their leadership, we grew the Society, its membership and its financial strength. In the last six years, we have added 1.5 million more members, £6 billion more capital and also rewarded members with £3.1 billion in member financial benefit, all while remaining first for customer satisfaction for a decade among our peer group[10]. On behalf of the Board and all our members, I would like to thank David and Joe for their dedicated leadership and help in effecting an orderly transition.

I was appointed Chairman of the Society after an independent selection process. Following another rigorous selection process, in June 2022 we welcome Debbie Crosbie as our next CEO. Debbie is a highly experienced financial services executive. As leadership and governance are key to the Society's success, we are pleased to have managed an orderly change of leadership.

Tim Tookey, who has chaired Board Risk Committee, steps down from the Board at this year's AGM. Tim has made an outstanding contribution, leading the Committee through unprecedented risks in the past seven years. The Board thanks Tim for his dedication, experience and insights. We were pleased to welcome Alan Keir, who will succeed Tim (subject to regulatory approval), and Gillian Riley to the Board.

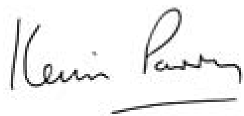
Our Board benefits from the diverse perspectives of its directors. We meet or exceed benchmarks for gender and ethnic diversity. We are also committed to promoting an inclusive and diverse workforce across the Society.

Priorities for the year ahead

There are many challenges ahead. Alongside the suffering in Ukraine, there is likely to be long-lasting and significant economic fallout. Increased energy costs and higher food prices will affect everyone in the UK. On top of this, we are still working through the impact of the pandemic on how we live and work. People and organisations are reconsidering their priorities, with social purpose, climate change and new ways of working becoming more important than ever.

Our Society faces these challenges from a position of strength. Our new CEO, Debbie Crosbie, will help take the Society forward, following a strategic refresh to shape our future for this changing world. We will continue to meet our members' needs, empower our colleagues, and build our communities for years to come.

Our Society has robust finances, a thriving membership, engaged colleagues and a clear purpose. I would like to thank our colleagues and members for their continued support for Nationwide during these difficult times. Their support allows us to deliver on our mutual promise: building society, nationwide.



Kevin Parry Chairman

[10] © Ipsos 2022, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to the 12 months ending 31 March 2022. For more information, see footnote 17 on page 14.

A letter from Joe Garner, your Society's Chief Executive

Dear fellow member,

When I was appointed as CEO over six years ago, my main aim was to build on the long track record of the Society's success. And, hopefully, to leave Nationwide in even better health than I found it. While this is for you to judge, I'd like to call out our colleagues' extraordinary contribution, and our members' loyalty during this time of global upheaval.

We've come up against the challenges of a global pandemic. We've faced the disruption of Brexit. And we are now witnessing the desperately tragic events in Ukraine. Our mutual values and our purpose, building society, nationwide, have guided us through this. We've grown our membership. We've protected our financial strength. And we've invested in our colleagues and communities. Last year, we delivered another year of leading service and good value. We helped more people into homes. We committed to net-zero emissions. And we promoted respect in our communities. All underpinned and enabled by our financial strength.

The financial strength of the Society stands us in good stead for whatever the future holds. It gives my successor, Debbie Crosbie, the flexibility to respond to the changing world. In the immediate future, our concerns are for the devastating human and economic consequences of war in Ukraine. We've focused on offering practical support. We've waived fees for international payments. We've facilitated donations to the relief fund and in total, donations by our members, colleagues and a donation of £250,000 from Nationwide, have raised over £1,000,000 for the appeal. We're also very much aware of the impact rising energy prices and inflation will have on our members' household finances and are working on ways to support them.

Helping our members to thrive, and building a thriving membership

Nationwide exists to help members buy homes of their own, save for their future and manage their money well. These are the foundations of financial security and wellbeing.

Our overall mortgage lending to homebuyers and landlords grew substantially. Our market share of lending also remained stable, reflecting the good value we were able to offer. We helped over 87,000 people buy their first home, representing one in seven across the UK, thanks to our 95% loan to value mortgages and allowing homebuyers to borrow higher multiples of their salary. There was also strong demand from landlords for buy to let mortgages, in our subsidiary, The Mortgage Works.

We saw strong deposit growth and maintained our market share, reflecting both good value propositions and higher lockdown savings. We have continued to offer above-average interest

Chief Executive's review *continued*

rates. However, as savings rates depend partly on the interest we earn from mortgages, strong competition in the mortgage market has impacted rates. The introduction of our new current account switching incentive drove an increase in current account switches to the Society, growing our market share to a new record high[11]. Over the last five years, we have been the no.1 net-gainer of current accounts, gaining nearly twice as many as our nearest competitor[12].

We continued to encourage and reward member loyalty, through special rates on some accounts and our first Member Prize Draw. A growing number of members, 3.62 million[13], now choose us for two or more products.

Members benefit from being a part of a mutual in many ways. As well as providing leading service, we aim to provide better pricing and incentives than the market average; we call this our member financial benefit. This benefit rose as increases in bank base rate enabled us to provide more value to our savings members, in addition to the strong ISA products we offered in 2021. However, member financial benefit remains below target, reflecting historically low interest rates and strong mortgage market competition.

Increasing our service lead as we respond to members' needs and aspire to be legendary

We are proud to have been number one for service among our peer group for 10 years running. We rebuilt our service lead to over 4% points again this year[14]. We also compare our member satisfaction against businesses in all sectors, through the UK Customer Satisfaction Index. Our score improved this year. However, our ranking fell to joint 22nd, below our target of being in the top 5[15].

We continue to invest in developing our digital capabilities to meet members' changing preferences. Well over half our current account members now enjoy the convenience of our banking app with active mobile users up by 11% to 4.2 million. We are also keen to make our branch services sustainable for the future, for example by trialling a different branch model, where staff have flexible roles and support members over the phone and online, as well as looking after those coming into the branch.

We are investing heavily in fraud and scam prevention and prevented £97 million of fraud against members last year. Over 300,000 members used our new Scam Checker Service last year, which offers peace of mind when making bank transfers within the UK.

Strong finances provide solid foundations for the future, ensuring we are built to last

Our financial performance for last year was the strongest on record. Profitability was high as we continued to benefit from the decision to stay open for mortgages early in the pandemic and an economy that did better than expected. This meant we saw growth across our core product areas. Our capital ratios remained very strong. Our leverage ratio, a measure of our ability to withstand economic shocks, continues to be comfortably higher than our minimum regulatory threshold.

[11] © CACI's Current account and savings database (February 2022 and February 2021).
[12] Current Account Switch Service data from the last three months of 2016 to the last three months of 2021.
[13] The 3.62 million refers to 'committed members', those who have their main personal current account with us or a mortgage of at least £5,000, or at least £1,000 in savings accounts, plus at least one other product.
[14] © Ipsos 2022, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to the 12 months ending 31 March 2022. For more information, see footnote 17 on page 14.
[15] Institute of Customer Service UK Customer Satisfaction Index (UKCSI) as at January 2022 and January 2021.

The pandemic has accelerated the digital transition. We have invested in building greater capacity and resilience into our payments platforms, systems and controls to meet growing demand.

New ways of working, new opportunities for our people

The pandemic has ushered in new ways of working. Although restrictions have lifted, many of our people can still choose where they work. We do need to balance the needs of work, our fellow colleagues, and members with our home lives. That is why we are encouraging our people to use office workspaces when it's important to meet face to face.

We work hard to be an attractive place to work. We were pleased to be one of Glassdoor's top 20 employers for work-life balance in 2021. We received Mind's Gold Award for Workplace Wellbeing too.

In line with our Mutual Good Commitments, we are striving to create an inclusive working environment, one where people can be themselves and thrive. Among other things, colleagues have access to mentoring schemes and peer support from colleague-led networks. We are making progress towards the ethnicity, disability and sexual orientation measures we want to achieve by 2028, but there is more to do to achieve increased representation of women in senior roles.

Contributing to wider society remains central to our purpose

Thanks to our members' vote, we commit at least 1% of our pre-tax profits to social investment. Improving homes and housing is the main focus of our social investment, in line with our founding purpose.

We gave £4 million through our Community Grants programme to local housing charities or projects, chosen by our members. Over four years we've awarded around £18 million in grants.

We're committed to reducing our environmental impact and we're working towards a net-zero future. It's our ambition to lead the greening of homes in the UK. We work with industry and government to deliver the policy, skills and solutions to reduce the impact of homes.

We continue to offer low-cost green mortgages and home improvement loans through our £1 billion green lending fund.

Confidence in facing into an uncertain world

As the pandemic has rolled straight into another global crisis, it's understandable to feel anxious about the future. However, throughout history, Nationwide Building Society's strong mutual values have enabled us to weather the most difficult challenges. This isn't just about financial resilience. It's also about the ability to stand by our members and preserve the long-term health of the Society, even in the darkest of times.

Thank you to you – our members – who are the very essence of our Society

Our members are at the heart of everything we do. I would like to thank our members and my colleagues for your continuing support for the Society. As I hand over to Debbie Crosbie, I am confident that Nationwide is in good hands and well positioned to continue to serve our members, and above all, to preserve the integrity of this truly wonderful and unique organisation. I wish you all the very best for the future.

Joe Garner

Joe Garner Chief Executive

Building thriving membership
Growing and serving our membership

We're here to help our **16.3 million** (2021: 16.3 million) members save, buy homes, and manage their money. **3.62 million** (2021: 3.55 million) committed members[16] have more than one product with us. Together, we're *building society, nationwide.*

Helping people into a home of their own

Last year, our market share of total **mortgage lending** increased to **11.8%** (2021: 11.1%) despite more competition. We continued to do all we can to help first time buyers:

- **Our 95% mortgages** made it easier for first time buyers with smaller deposits to buy a home.
- **Our Helping Hand** mortgages made it easier for first time buyers to borrow more.
- Altogether, we helped **one in seven** first time buyers into a home of their own (2021: one in seven).

Supporting greener homes

We're encouraging our members to make their homes greener with **cheaper borrowing** for green improvements and **cashback rewards** for members who buy greener homes. And we're working with government and the industry to support activity that removes the current challenges to making homes greener.

Improving homes for rent

We want the private rented sector to work for the mutual good of both landlords and tenants. So we launched **The Landlord Works**, our digital one-stop-shop to support landlords with education and features that help them provide better homes for rent.

[16] Committed members have their main personal current account with us, or a mortgage of at least £5,000, or at least £1,000 in savings accounts, plus at least one other product.

Helping our members save

Encouraging good savings habits remains a key focus for us.

Last year, our members saved an extra **£7.7 billion** with us (2021: £10.6 billion).

Our **Start to Save** account, which we launched in 2020, has helped over **160,000** people save at least £100 for the first time with us.

We have continued to recognise and reward loyalty through the launch of two savings products that are linked to our current account: **Flex Regular Saver** and **Flex Instant Saver.**

We're finding new ways to reward our members

With our monthly **Member Prize Draw**, taking place between September 2021 and August 2022, we've so far awarded over **56,000** member prizes, totalling **£7 million.**

Helping members to stay on top of their money

Last year, we focused on supporting our existing current account members through the pandemic. This year, we brought back a **switching incentive** and attracted **604,000** new current accounts (2021: 492,000).

Built to last
Managing your Society for the long term

We always aim to keep enough profit to **maintain our financial strength** so we can meet our members' needs in the future as well as today. At the same time, we aim to provide our members with good long-term value.

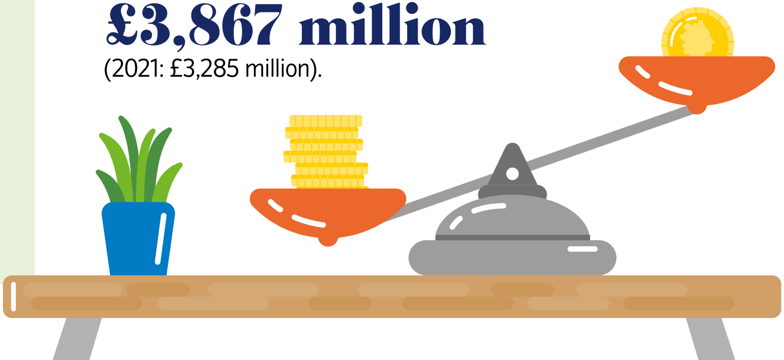
Maintaining your Society's strength

Our financial performance remains very strong. With all the economic uncertainty around the impact of Covid-19 and the rising cost of living, we have focused on ensuring that your Society is financially strong enough to continue to support its members and communities, now and into the future.

- Our **leverage** ratio compares our capital against our assets. It measures how able we are to withstand economic shocks. Our ratio is **5.4%** (2021: 5.4%). It remains above both what we legally need and our own minimum target of 4.5%.
- Our **Common Equity Tier 1** (CET1) ratio is an important measure of our financial strength. It was **24.1%** compared to 36.4% in 2021. Our approach to managing our low-risk business hasn't changed; the decrease reflects a regulatory change to the calculation rather than a reduction in how much capital we hold. Without this change the CET1 ratio would have been 40.5%.

For more information on our financial performance, including our profit for the year, see page 23.

- Our underlying profit was **£1,604 million** compared to £790 million in 2021.
- Our statutory profit was **£1,597 million** compared to £823 million in 2021.
- Our total underlying income went up to **£3,867 million** (2021: £3,285 million).



Providing good long-term value

As a mutual, we seek to create long-term value for our members. **We aim to provide at least £400 million of financial benefit** to our members each year – through better incentives and pricing than the market average.

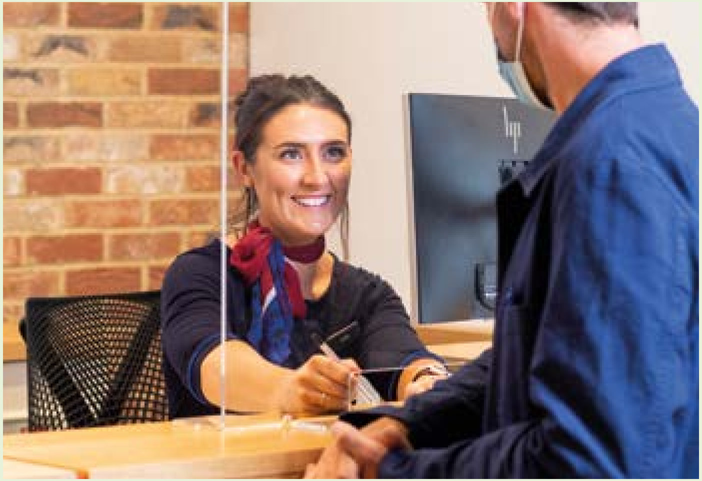
This year, our member financial benefit was

£325 million

(2021: £265 million). Better than last year, but still below our target.

Member financial benefit is only one of the ways in which we create value for our members. We also **provide value through other means**, such as:

- our Branch Promise and service, and
- our support for first time buyers and our communities.



Investing in our systems and service

We continue to invest in our systems, products and services to benefit all our members.

- This includes **making our systems more resilient**. Over the year, we've upgraded our payment systems, so that we can process even more payments safely, quickly and securely to meet the needs of our growing membership and increasing digital transactions.
- Some members experienced delays with payments during this financial year, which were linked to the upgrades we made. We contacted those who had been most affected to apologise, and we covered any charges. Our investment in our technology will be important to **reduce the risk of payments issues** occurring in future.

Building legendary service
Doing our very best to serve our members

We always aim to give our members the **great service** they deserve, and to look after them with **thoughtfulness and care**. Whether that's digitally, or in person.

How we did, compared to others

In the Financial Research Survey, we were **no. 1 for customer satisfaction among our peer group** for the 10th year running[17].

We also aim to be among the top five organisations in the UK, across all sectors, for customer satisfaction. We use the Institute of Customer Service's UK Customer Satisfaction Index (UK CSI) to measure that. Although our individual score for customer satisfaction improved to 83.7 this year (2021: 82.5)[18], businesses in other sectors did even better.

So, we came in **joint 22nd.**

[17] Lead at March 2022: 4.6%pts, March 2021: 1.6%pts. © Ipsos 2022, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to 12 months ending 31 March 2022. Results based on a sample of around 48,000 adults (aged 16+). The survey contacts around 53,000 adults (aged 16+) a year in total across Great Britain. Interviews were face to face, over the phone and online, taking into account (and weighted to) the overall profile of the adult population. The results reflect the percentage of extremely satisfied and very satisfied customers minus the percentage of customers who were extremely or very or fairly dissatisfied across those customers with a main current account, mortgage or savings. Those in our peer group are providers with more than 3.5% of the main current account market as of April 2021 – Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB. Prior to April 2017, those in our peer group were providers with more than 6% of the main current account market – Barclays, Halifax, HSBC, Lloyds Bank (Lloyds TSB prior to April 2015), NatWest and Santander.

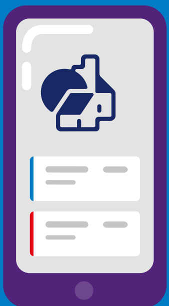
[18] Institute of Customer Service UK Customer Satisfaction Index (UKCSI) as at January 2022 and January 2021. Scores of 83.7 and 82.5 are based on an index out of 100.

Enhancing the role of our branches

- We've adapted the role of our branch colleagues so they can **serve more of our members** in different ways. Not just face to face but by phone and online messaging too.
- We're also **committed to our Branch Promise** to keep a branch open in every town or city we're already in until at least January 2023. Our branches play a key part in supporting our communities.

Our digital services

We're continuing to invest in our digital capabilities and expertise.



The number of members who actively use our Banking app grew by 11% to

4.2 million

over the year (2021: 3.7 million). Payments and transfers through our Banking app were up

24%.

Protecting members from fraud

- Our fraud defence systems and specialist fraud team helped prevent **£97 million** of attempted fraud on card and online transactions (2021: £113 million).
- Included in this, our new **Scam Checker Service**, which is backed by our **Scam Protection Promise**, helped prevent **£3.2 million** of potential scams.
- This year we've further improved our **fraud detection system** and scam warnings. We've also held events with our members to help them recognise fraud and scams.

Building PRIDE
Creating a healthy, inclusive culture for our people

Our people can best serve our members when their **wellbeing is supported,** they feel **included and valued,** and they can **grow their careers.**

Our mutual values

Our culture reflects our shared set of values, beliefs and behaviours which are centred around the acronym PRIDE. This firmly puts our members at the heart of all our decision making.

Putting our members and their money first
Rising to the challenge
Inspiring trust
Doing the right thing in the right way
Empowering each other

Our people's wellbeing

We've worked hard to support and protect our people's mental and physical wellbeing throughout the year.

Minds Matter

We launched **Minds Matter**, a new employee network, where colleagues can go to find support on mental health and emotional wellbeing.

We were awarded the **2021 Mind Workplace Wellbeing Gold Award**[19] for embedding mental wellbeing into our everyday policies and practices.

healthy mind champions

Over 250 of our colleagues trained as **Healthy Mind Champions**, offering a listening ear and guidance to those struggling with their mental health.

menopause and me
educate-support-enable

We signed up to the **Menopause Workplace Pledge** to make sure our workplace is supportive and understanding of those affected.

We're committed to **flexible working** while making sure we still support our members' needs.

[19] 2021 Mind Workplace Wellbeing Gold Award, awarded in June 2021.

Making sure our people feel included

We want an inclusive culture where everyone can thrive and bring out the best in themselves and in others, no matter what their background, identity or circumstances.

- We aim to have a **diverse range of applicants** and a diverse interview panel when we recruit.
- We offer a range of roles that aren't based in any specific location so we can **attract more diverse applicants**.
- In April 2022[20], **81%** of our colleagues felt everyone had an equal opportunity to thrive, regardless of background, and **81%** also felt our leaders were taking action to support our **inclusion and diversity** ambitions.

Our gender and ethnicity pay gap

Our **gender** pay gap at 5 April 2021 was **30.0%** (2020: 28.3%).

Our **ethnicity** pay gap at 5 April 2021 was **11.3%** (2020: 16.2%).

The increase from last year in our gender pay gap and the decrease in our ethnicity pay gap are both related to recruiting more ethnically diverse men into higher paid roles, particularly in technology.

[20] Reflects the scores from our monthly colleague survey which, on average, is completed by 37% of colleagues.

Building a national treasure
Contributing to our wider community

In addition to providing better value and service for our members, we aim to be better for society too. **Mutual benefit**, with **mutual support**, for the **mutual good** of all. We commit at least 1% of our pre-tax profits each year to good causes, focused on housing. It's split between our own social investment programme and the Nationwide Foundation, an independent charity we set up and fund. In 2021/22, we committed **£7.1 million**, compared to £7.4 million in 2020/21[21].

Everyone deserves a place fit to call home

Within our social investment programme, we provide grants to local housing charities and projects. Four years ago, we set up our Community Boards, made up of member and colleague volunteers, to distribute these grants. Since then, the Boards have awarded grants of **£17.7 million** to **444** local housing projects.

SHELTER

We celebrated 20 years of our partnership with the housing charity, Shelter. In 2021/22 colleagues and members raised over **£230,000** to support them. That was on top of the financial support we provide as a Society, which this year amounted to £277,000 and which helps to fund advisers for their helplines.

We're working with government and the industry to support activity that tackles the UK housing crisis to:

- **make more homes available, more quickly**
- **improve the energy efficiency of homes**
- **create a private rented sector that works for the mutual good of both landlords and tenants.**

Supporting Ukraine

Through our partnership with the **British Red Cross** for emergency appeals, we encouraged our people and members to donate to the **British Red Cross Ukraine Humanitarian Appeal**.

In total over

£1,000,000

has been raised, including

£250,000

in donations from your Society.

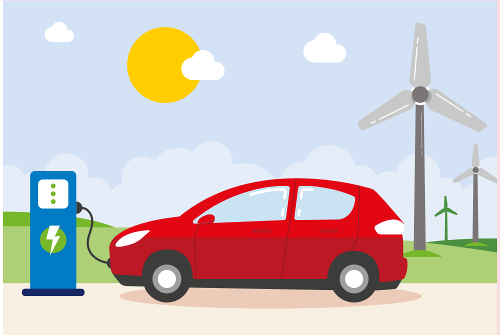
British Red Cross

[21] The 1% is calculated based on average pre-tax profits over the previous three years.

Living greener

We're committed to working towards a **net-zero carbon emissions** future by 2050. We've taken some big steps already.

- We've been **carbon neutral** for our offices, branches and fleet cars since April 2020.
- We don't send any waste to landfill and all our electricity comes from **renewable sources**.



Making our homes greener

Helping our members to green their homes is a key way for us to reduce our impact on the environment. See pages 10 and 20 for how we're tackling that challenge.

Our not-for-profit **Oakfield housing development** in Swindon is creating a community of 239 energy-efficient homes. Our hope is that others will join us in creating quality, sustainable homes in the right way, with the support of local communities. Whilst work onsite has temporarily paused, the first properties are planned to go on sale later this year.

Building a more respectful and inclusive society

We continue to be bold in speaking up against hate and abuse. Our **Together Against Hate** campaign has focused on protecting frontline workers across all industries from unacceptable behaviour. Our partnerships with **The Diana Award** and the **Football Association** champion the importance of mutual respect and nurturing those values in young people.

ENGLAND FOOTBALL

RESPECT Nationwide

Building society with mutual respect

Our five Mutual Good Commitments

We set our five Mutual Good Commitments in 2020 to help us focus on being responsible, sustainable and caring – a force for good in society. They're core to our purpose of *building society, nationwide* and are set out below. You can find out how we're doing on pages 36 to 38 of our Annual Report and Accounts.

1. Helping to achieve safe and secure homes for all

By 2025, we'll help 250,000 members to buy their first home with mortgage products that help to address the big challenges of raising a deposit and being able to borrow enough to afford a property.

By 2025, we'll help 25,000 members use the money built up in their home to live a better retirement with our Over 55s products, and expert advice.

By 2025, we'll equip 50,000 landlords with tools to improve tenants' lives. We've launched The Landlord Works, our digital one-stop-shop for landlords, to help achieve this.

2. Leading the greening of UK homes

By 2030, at least 50% of homes in our mortgage book will have an Energy Performance Certificate (EPC) rating of C or above. Our green borrowing products encourage greener homes. But we'll need broader policy changes, further support from government, and greater collaboration across the industry, to address the wider challenges and help us hit our target.

By 2030, our business operations, suppliers and commuting will be carbon neutral. We've been carbon neutral for our business operations since April 2020. We're working with our suppliers to achieve a green supply chain too.

3. Supporting our members' financial wellbeing

By 2025, we'll support 200,000 financially squeezed and struggling members to become regular savers. Our Start to Save prize draw has helped to encourage good savings habits. We recognise the rising cost of living makes it even more difficult for financially squeezed and struggling members to save, so we'll keep looking at ways to make saving easier.

4. Championing thriving communities

We stand by our high streets and communities with our Branch Promise that **every town and city which has a branch today will still have one until at least 2023.**

We **commit at least 1% of our pre-tax profits to charitable activities every year**. Find out more on page 18.

5. Internally reflecting the diversity of our wider society

By 2028, our people at every level within the organisation will reflect the society that we represent. Having an inclusive and diverse workforce will help us to keep serving our members in new and even better ways. Our diversity measures are set across gender, ethnicity, disability and sexual orientation.

Nationwide Foundation

When you can't afford a place fit to call home, it's hard to settle down, build a life or make the most of opportunities. It makes it difficult to cope with mental or physical health problems too. And even harder to overcome them.

Having a place fit to call home makes more things possible. That's why we pay at least 0.25% of our pre-tax profits to the Nationwide Foundation, an independent charity.

The charity aims to increase the availability of decent, affordable homes for people in housing need.

The Nationwide Foundation wants to change the way we tackle housing problems in the UK. It influences for positive change by funding the right charitable causes and persuading decision-makers to do things differently.

You can find out more at **nationwidefoundation.org.uk**

If you'd like to ask the Nationwide Foundation's trustees a question, just email **enquiries@nationwidefoundation.org.uk**

You can also call the Nationwide Foundation on 03304 600709. The Foundation will put the answers to any questions on its website, **nationwidefoundation.org.uk**

The Nationwide Foundation's registered charity number is 1065552.

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 2022, 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 23 and 24, and the Summary report of the directors on remuneration on pages 25 to 39.

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 2022.

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 2022 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made thereunder.

Use of our report

This statement is made solely to the 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
19 May 2022

Summary financial statement

For the year ended 4 April 2022

This financial statement is a summary of information in the audited annual accounts, the Directors' report and Annual business statement, all of which will be available to members and depositors free of charge on demand at every office of Nationwide Building Society from 8 June 2022. 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 is your Society performing?' on page 4, 'A letter from your Society's Chairman' on pages 5 and 6, and 'A letter from your Society's Chief Executive' and review of performance on pages 7 to 21.

Approved by the board of directors on 19 May 2022 and signed on its behalf by:

K A H Parry, Chairman

J D Garner, Chief Executive Officer

C S Rhodes, Chief Financial Officer

Results for the year

	2022 £m	2021 £m
Net interest income	**3,562**	3,146
Other income and charges	**305**	139
(Losses)/gains from derivatives and hedge accounting	**(7)**	34
Administrative expenses	**(2,234)**	(2,218)
Impairment losses and other provisions	**(29)**	(278)
Profit for the year before taxation	**1,597**	**823**
Taxation	**(345)**	(205)
Profit for the year	**1,252**	**618**

Reconciliation of statutory profit to underlying profit

	2022 £m	2021 £m
Statutory profit for the year before taxation	**1,597**	**823**
Financial Services Compensation Scheme (FSCS) (note i)	**-**	1
Losses/(gains) from derivatives and hedge accounting (note ii)	**7**	(34)
Underlying profit for the year before taxation	**1,604**	**790**

Notes:

i. FSCS charges and credits are excluded from statutory profit when they relate to institutional failures.

ii. 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	2022 £m	2021 £m
Liquid assets	**58,757**	45,826
Mortgages	**197,933**	190,706
Other lending (note i)	**10,133**	10,841
Derivative financial instrument assets	**4,723**	3,809
Fixed and other assets	**808**	3,732
Total assets	**272,354**	**254,914**

Financial position at the end of the year

Members' interests, equity and liabilities	2022 £m	2021 £m
Shares (member deposits)	**177,967**	170,313
Borrowings	**67,262**	59,467
Derivative financial instrument liabilities	**1,428**	1,622
Other liabilities	**1,561**	1,581
Subordinated liabilities	**8,250**	7,575
Subscribed capital	**187**	243
Core capital deferred shares	**1,334**	1,334
Other equity instruments	**1,336**	1,336
Reserves (note ii)	**13,029**	11,443
Total members' interests, equity and liabilities	**272,354**	**254,914**

Notes:
i. Other lending includes consumer banking and commercial lending.
ii. Reserves include a general reserve of £12,753 million (2021: £11,140 million). The remainder relates to a cash flow hedge reserve, revaluation reserve and other reserves.

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

	2022	2021
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.	**9.8%**	9.5%
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.	**24.0%**	19.9%
Profit for the year as a percentage of mean total assets This ratio measures the profit made in the year relative to the average amount of total assets.	**0.47%**	0.25%
Management expenses as a percentage of mean total assets This ratio is a way of measuring how efficient we are being.	**0.85%**	0.88%

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, leverage ratio and underlying profit. More information on these measures is shown on page 12.

Summary report of the directors on remuneration

For the year ended 4 April 2022

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 details of the directors' pay for the year ended 4 April 2022 and what they can earn in the coming year.

Mai Fyfield Chair – Remuneration Committee

Dear fellow member,

I am pleased to share a summary of the Remuneration Committee's report.

Our policy

In my letter last year, I highlighted that the Committee intended to carry out a review of executive pay arrangements. Having now completed that review, we believe we should make changes, so we are proposing a revised policy for your approval.

Being a member-owned organisation, our approach to pay should reflect the needs of our members and be consistent with our purpose, strategy and values, whilst also being competitive in the employment market. The Committee believes the new policy reflects this philosophy and these principles, as well as the scale of Nationwide's business, which is systemically important to the UK economy. The new policy has been designed so the Society can attract, retain and motivate talented individuals, and to be used as the basis for recruiting a highly qualified and experienced new Chief Executive Officer (CEO).

The new policy makes it easier to structure total pay around achieving results rather than relying on salary or fixed pay and assesses the achievement of results against longer-term objectives instead of only annual performance. These changes ensure performance pay is linked to delivering the Society's strategy and to outcomes which are in the long-term interests of the Society and our members. The Q&A guide on pages 27 and 28 explains the key changes to the policy and how it will operate.

Performance and pay for 2021/22

Our results for the year show that the Society has continued to deliver strong performance against our purpose of building society, nationwide, and our strategic cornerstones. In consideration of Directors' Performance Award (DPA) outcomes for the year, we remain first amongst our peer group for customer satisfaction[22] and we've grown our committed members. Adjusting for the impact of in-year strategic cost decisions made by the Board after the setting of the annual plan, we have also met our cost target.

As a Committee, we are therefore pleased to confirm all eligible colleagues will receive performance awards to recognise these achievements. For our senior leaders, including our executive directors, there was an additional

[22] ©Ipsos 2022, Financial Research Survey (FRS), for the 12 months ending 31 March 2021 and 31 March 2022. For more information, see footnote 17 on page 14.

controls measure, introduced to recognise our focus on ensuring the Society remains safe and secure for the long term. Performance against this measure was assessed by the Audit Committee as slightly below target.

These outcomes mean we have awarded payments to our executive directors under the DPA for the year. Details of these payments, including the measures set and factors considered, are set out in this report.

The increase in pay outcomes for the executive directors this year is due to the return of our normal approach for 2021/22, following two years in which Covid-19 impacted executive pay decisions. This included no performance pay in 2019/20, a two thirds reduction in performance pay opportunity in 2020/21 and a voluntary reduction in the CEO's salary for 2020/21.

Chief Executive Officer and Chairman changes

Since the announcement in 2021 of Joe Garner's upcoming departure, supporting the Chairman and the Board in the search for a new CEO has been a significant focus for the Remuneration Committee. We are pleased to welcome our new CEO, Debbie Crosbie, who will be joining us on 2 June 2022.

With Debbie's arrival we shall be saying goodbye to Joe, who, after six years, will be stepping down as CEO on 1 June 2022. Joe will be available to support Debbie and the Board as required during the remainder of his contractual notice period until December 2022. The remuneration arrangements for the incoming and outgoing CEOs are set out in this report.

We decided using the existing policy to shape our new CEO's remuneration was not in the longer-term interests of the Society and its members. Therefore, the remuneration package we've offered to the new CEO, which we've set out in this report, is in line with the new policy we are presenting for your approval.

David Roberts stepped down from the Board as Society Chairman on 31 January 2022 and was succeeded by Kevin Parry on 1 February 2022.

Looking ahead to 2022/23

For 2022/23 the DPA will be structured in two parts: the Directors' Long-term Performance Award (DLPA) and the Directors' Annual Performance Award (DAPA). The DAPA will operate in a similar way to the DPA in recent years, with the same gateways and combination of Society measures.

An assessment of the Society's performance, and the individual performance of the incoming CEO and the CFO, will be made at the end of the 2022/23 year to determine if any awards will be made under the DLPA.

Further detail on how the DAPA and DLPA will operate is set out on page 27.

The new approach to pay will not apply to the current CEO, whose salary and performance pay opportunity will remain unchanged for the remaining period of his employment. The incoming CEO's salary is set out in this report. The Committee approved a salary increase of 3.5% for the CFO which is in line with salary increases for colleagues.

Member voting on remuneration

This year there will be an advisory vote on our Policy Report, a further advisory vote on our Annual Report on Remuneration, and a binding vote on increasing the maximum fixed to variable ratio from 2022/23 onwards. The details are set out for your consideration on the following pages.

On behalf of the Remuneration Committee, I recommend that you endorse our Policy Report and Annual Report on Remuneration and vote FOR the three resolutions.

Mai Fyfield
Chair – Remuneration Committee

New directors' remuneration policy 'Q&As'

A summary of the key elements of our directors' remuneration policy is set out over the following pages. We have also included below our policy 'Q&As' to provide members with a clear picture of the changes proposed to our approach to executive remuneration, and why the new approach is appropriate for the Society and our members.

What are the key changes to the directors' remuneration policy?

The key change to the policy is the introduction of a new element to the Directors' Performance Award (DPA) which our executive directors can receive for achievement against longer-term Society objectives. Going forward the DPA will be in two parts:

- The first part continues to reward achievement of stretching Society, team and individual targets for a single financial year. This annual element of the overall DPA, known as the Directors' Annual Performance Award (DAPA), remains consistent with the DPA as set out in the current policy. However, the opportunity for target performance will be reduced from 98% of salary in the case of the CEO to 67% of salary.
- The second, and new, part of the DPA is the Directors' Long-term Performance Award (DLPA). This will reward achievement against stretching Society objectives over a three-year period. Performance measures and targets for the DLPA will be set by the Committee, considering strategic priorities for the Society such as member outcomes, Society sustainability and transformation. The opportunity for target performance will be 67% of salary.

Why are changes being made now?

We communicated our intention to undertake a comprehensive review of executive pay arrangements, including how we better link performance pay to the achievement of the longer-term objectives of the Society, in last year's Report of the directors on remuneration. This review was completed during 2021/22.

By making the changes to the policy, we can link more of what we pay our executive directors to performance against stretching measures including longer-term objectives. The Committee believes this better reflects what's important to our members and is a better use of members' money.

Why is linking a higher proportion of overall pay to performance better for members?

In considering the way we assess and reward the performance of our directors and our ability to attract, retain and motivate talented individuals, including being able to recruit a new CEO, we decided having a higher proportion of directors' pay 'at risk' is in members' interests.

Whilst we could increase base salaries further, which would not have required a change in policy, we do not believe this approach would be in the best interests of our members.

Having a higher proportion of executive directors' pay 'at risk' would also allow the Committee to make meaningful reductions to their performance pay if strategic objectives are not met or when things go wrong.

New directors' remuneration policy 'Q&As' *(continued)*

How does the new element of the DPA work?

At the end of the initial performance period, provided specific criteria are met, an initial award of up to 100% of salary will be made. This award is then subject to the achievement of stretching targets over the following three years.

The three-year targets will be set by the Committee, aligned with the Society's Plan. In the first year these targets will focus on the following areas:

- member outcomes;
- Society sustainability; and
- transformation.

The measures against which targets are set will capture a mix of financial goals and measures relating to the strategic performance of the Society over the long term. They will include measures linked to the Society's progress on environmental and diversity objectives. We will set out the specific performance measures in the remuneration report for the relevant year.

The final value of the award will be determined at the end of the three-year period and will be lower where achievement against these stretching objectives has not been fully met. The target final award for the DLPA will be 67%.

No payments will be made to participants until 2026, and payments will be spread out until 2030.

Illustration of how the DLPA will operate in 2022/23

Initial value of award under the DLPA determined subject to performance during 2022/23

Final value of the award under the DLPA determined subject to performance over the period 2023/24 to 2025/26

2022/23	2023/24	2024/25	2025/26	June 2026	June 2027	June 2028	June 2029	June 2030
← No payments made →				← Payments made in equal instalments over this period (note i) →				
Initial performance period (note ii)	Three-year performance period			20% (note iii)	20% (note iv)	20% (note iv)	20% (note iv)	20% (note iii)

Notes:

i. Payments are a mixture of cash and payments linked to the change in value of Nationwide's core capital deferred shares (CCDS).
ii. During the initial performance period an assessment of Society and individual performance will be made in order to determine the initial value of the award. The measures to be assessed during the three-year performance period will also be set.
iii. Represents cash element.
iv. Represents CCDS linked elements which are retained for 12 months and paid in cash the following June.

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.	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.	There is no maximum value to the benefits provided. Benefits are reviewed regularly to ensure they remain appropriate to the role and location to help individuals in carrying out their duties effectively.
Pension	Executive directors receive a cash allowance in place 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 maximum benefit available to the wider employee population, which is currently 16% of base salary.

Policy report *(continued)*

<table>
<tr><th colspan="3">Remuneration policy for executive directors – variable pay</th></tr>
<tr><th>Element</th><th>Operation</th><th>Opportunity</th></tr>
<tr>
<td>Directors' Performance Award (DPA):

Directors' Annual Performance Award (DAPA) element:

Rewards achievement of stretching Society, team and individual targets for a single financial year.

Comprises two elements:

(i) an all-employee element

(ii) an element in which the most senior leaders participate subject to deferral provisions</td>
<td>At the end of the one-year performance period an award is made to reflect achievement against Society and individual performance measures.

The gateways and Society performance measures selected for both elements of the DAPA are set on an annual basis by the Committee. These will normally reflect a mix of financial measures relating to the strategic priorities of the Society as well as regulatory obligations and risk performance. Individual performance, (including conduct and behaviours) will also be assessed.

A proportion (which may be 100% for target performance) of the DAPA is paid after the end of the performance period. Where performance is above target, the remaining proportion may be deferred for between three and seven years in line with regulatory requirements.

At least 50% of both the upfront and deferred elements is normally delivered in or linked to the market or fair value of the Society's core capital deferred shares (CCDS), or an alternative instrument that, subject to regulatory requirements, is appropriate for use as variable remuneration, and subject to a twelve-month retention period.

The Remuneration Committee may reduce, freeze, suspend or cancel payments under the DAPA if it believes that the plan outcomes are not representative of the overall performance of the Society.</td>
<td>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 normal target DAPA opportunity for the executive directors (including both elements of the DAPA) is 67% of base salary. The normal maximum DAPA opportunity is 100% of base salary.

The award levels above may be varied in exceptional circumstances.

J D Garner will be eligible to receive a part-year award under the previous DPA based on his current target opportunity of 98% of salary for services performed as CEO during 2022/23.</td>
</tr>
</table>

Remuneration policy for executive directors – variable pay (continued)		
Element	**Operation**	**Opportunity**
Directors' Performance Award (DPA): ***Directors' Long-term Performance Award (DLPA) element:*** To incentivise sustainable long-term performance and alignment with member interests. Awards are made annually and only pay out where challenging performance measures are met, normally measured over a three-year period.	DLPA awards are discretionary and grants will normally be made subject to the achievement of satisfactory performance over the year prior to being granted (the initial performance period). The first awards under the DLPA will be granted in 2023/24 subject to satisfactory performance over 2022/23. Awards are normally subject to a forward-looking three-year performance period from the start of the financial year in which the grant is made. Payment of the awards will not start until after the end of this three-year performance period and are subject to the achievement of performance conditions. The payment will be spread in compliance with regulatory requirements, which currently mean awards will pay out in instalments between three and seven years following the date of the initial grant. Performance over the three years will be measured against a long-term scorecard determined by the Committee on an annual basis and set to align with the long-term objectives of the Society. The measures will normally reflect a mix of financial and non-financial measures drawn from the Society's Plan and be subject to the meeting of risk performance and regulatory obligations. At least 50% of any award is normally delivered in or linked to the market or fair value of the Society's CCDS, or an alternative instrument that, subject to regulatory requirements, is appropriate for use as variable remuneration, and subject to a twelve-month retention period. The Remuneration Committee may reduce, freeze, suspend or cancel payments under the DLPA if it believes that the plan outcomes are not representative of the overall performance of the Society.	For each applicable performance measure for the three-year performance period, the Committee will refer to the Society's Plan to set the targets that need to be achieved to generate a 'threshold', 'target' and 'maximum' level of award. Performance targets will normally be set annually for each three-year cycle. If threshold performance is not achieved that portion of the award will not be paid. Maximum awards will only be paid where there has been outstanding performance against stretching targets during the three-year performance period. The normal target DLPA opportunity for the executive directors is 67% of base salary. The normal maximum DLPA opportunity is 100% of base salary. The award levels above may be varied in exceptional circumstances.

Policy report *(continued)*

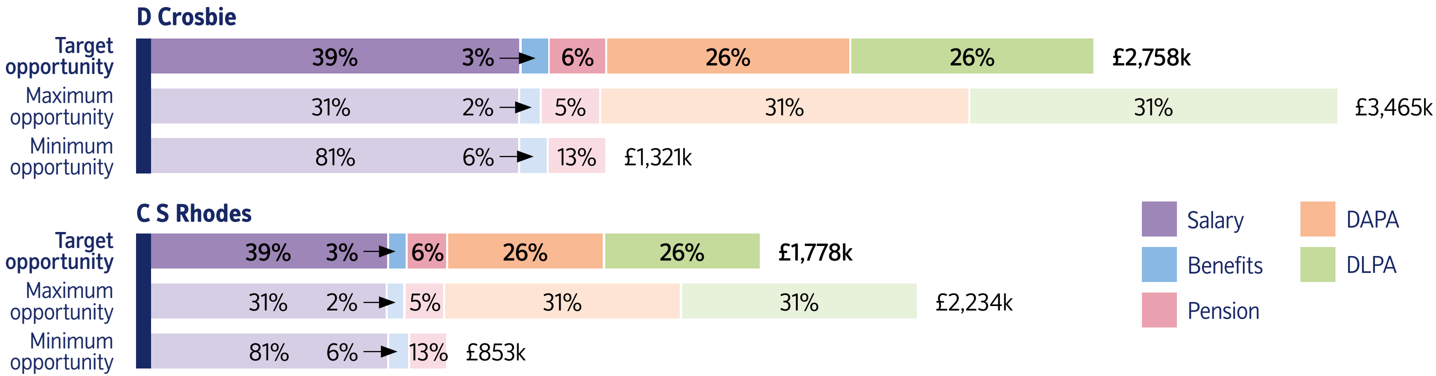
Remuneration policy for non-executive directors		
Element	**Operation**	**Opportunity**
Society Chair and non-executive director fees	The Society Chair's fee is normally reviewed and approved by the Remuneration Committee on an annual basis. Non-executive director fees are normally reviewed and approved by the executive directors and the Society Chair on an annual basis. Non-executive directors are paid a basic fee, with an additional supplement paid for additional roles or responsibilities. Those include the roles of Senior Independent Director or Voice of the Employee, as well as serving on or chairing a Board committee. Additional fees may be payable for additional time commitment in exceptional circumstances. The Society Chair 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.	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 opposite illustrate the amounts each executive director would be paid under different performance scenarios including both the DAPA and DLPA. The charts do not represent the amounts available for 2022/23 as the first awards under the DLPA will not be made until 2023/24, reflecting performance during 2022/23, and the first payments will not be made until 2026. However, we've included the plan in the charts opposite so members can clearly see the overall remuneration that may be delivered under the new policy from 2023/24.

Policy report *(continued)*

Illustration of annual remuneration for executive directors under the new policy



Notes:

- The charts have been prepared using annual salaries for 2022/23 and, therefore, the DAPA and DLPA opportunities have been calculated as percentages of these salaries.
- Payments under the DAPA and DLPA are completely dependent on how well the directors run the Society, and no payments under the DLPA will be made until between three and seven years later.
- Further details of the assumptions made with these charts are set out in the full Report of the directors on remuneration in our Annual Report and Accounts 2022.

Leaver provisions for executive directors

Full details of our leaver provisions are set out in the full Report of the directors on remuneration. In summary, if an executive director leaves in 'eligible leaver' circumstances (defined as redundancy, retirement, ill health, death or by mutual consent, for example for succession planning purposes), they would normally remain eligible for an award under the DPA. The award would normally be pro-rated for the period during which they were employed. Individuals who leave in other circumstances (such as resignation) and are not deemed eligible, would not normally receive any payment from the performance pay plans, unless the Remuneration Committee decides there's a case for discretion.

Other policy features

Other features of our policy, including our policy on recruitment and directors' service contracts as well as consideration of employment conditions and members' views, remain broadly unchanged from our previous policy and are set out in detail in our full Report of the directors on remuneration.

Remuneration policy implementation for 2022/23

What are the remuneration arrangements for the outgoing CEO?

Joe Garner will step down as CEO and from the Board on 1 June 2022. He will remain an employee of the Society until 12 December 2022, the end of his contractual notice period. He will be available to support the Board during this period and continue to receive his salary and benefits, but will not be eligible for any performance pay after stepping down. In line with our approved remuneration policy, he will be treated as an eligible leaver for the purposes of the DPA and will therefore remain entitled to receive the outstanding unpaid awards made for previous years' service.

What are the remuneration arrangements for the incoming CEO?

Debbie Crosbie will commence her role as CEO on 2 June 2022. Her base salary has been set at £1,072,250, reflecting her significant banking experience, together with deep operational and technological knowledge. Subject to member approval of our revised remuneration policy at the 2022 AGM, she will be eligible to participate in the DAPA for 2022/23 with an award of 67% of salary for target performance and a maximum award of 100% of salary (pro rata for time in role).

She will also be eligible to receive an award under the DLPA of up to 100% of salary, subject to performance, from 2023/24. As is normal in these circumstances, the Committee has agreed to compensate Debbie for the forfeiture of variable pay awards from her former employer, TSB, to a value totalling £1,704,844. In line with regulatory requirements, the replacement awards are not more generous in terms or amounts than she would otherwise have received. The structure of the replacement awards is:

- Deferred awards to replace unvested TSB awards which were forfeited as a result of her joining Nationwide. The awards will be released in instalments over the period from December 2022 to December 2028 to align with the time horizons of the forfeited awards.
- An award to replace the variable pay award forfeited from TSB for the 2021 performance year. The award will be released in instalments over the seven-year period to September 2029.

These awards are subject to continued employment, malus and clawback provisions. A significant proportion of the awards are linked to the value of the Society's core capital deferred shares.

What other remuneration arrangements will apply?

An increase of 3.5% has been applied to Chris Rhodes's base salary for 2022/23, in line with salary increases for colleagues. The DAPA and DLPA arrangements for Chris are the same as for Debbie. There are no changes to benefits or the pension allowance for executive directors which remain at 16% of salary.

Performance measures for the DAPA 2022/23 are:

- Gateway measures based on profit before tax, leverage ratio and conduct risk; and
- Society performance, assessed against the following cornerstones: Building thriving membership – Number of committed members; Building legendary service – Customer service satisfaction rating; and Built to last – Total costs and Controls (for senior leaders only).
- Individual contribution, behaviours and conduct.

The Society Chairman's fee will be £525,000 and the fees for non-executive directors will be reviewed in June 2022.

Further details on the implementation of our policy for 2022/23 are set out in our full Report of the directors on remuneration.

Detailed recommendation of proposal to approve the variable pay cap for 'material risk takers'

This page should be read in conjunction with the Notice of AGM which sets out a special resolution "to authorise the Society to apply a maximum ratio of the variable to fixed components of total remuneration for material risk takers of 2:1". This page sets out in detail what this means.

What are members being asked to approve?

Unless a cap of up to a maximum of 2:1 is approved by members, UK remuneration regulations limit the ratio of variable pay to fixed pay that can be awarded to certain staff known as 'material risk takers' (MRTs) in any given year to 1:1. MRTs are those individuals whose professional activities have a material impact on the Society's risk profile, and include the executive directors of the Society, senior management and other staff with key responsibilities.

To be able to operate our new remuneration structure as set out, we are now asking members to support the Remuneration Committee's recommendation to increase the cap to the 2:1 ratio that aligns us with the market practice adopted by our closest competitors.

Why is this change being made now?

The change in the cap is a key part of our revised remuneration framework which shifts the focus away from the achievement of short-term goals and instead ensures pay for our senior leaders is more closely linked to the long-term sustainable performance of the Society.

Most banks and building societies that we compete with to attract and retain talent have already obtained similar approval.

Who at Nationwide is affected by this?

The proposed increase from 1:1 to a 2:1 ratio is applicable to all of our MRTs (108 roles in 2021/22). The increased flexibility will be used for the executive directors and may be used for other MRTs in the future.

What will happen if the variable pay cap resolution is not passed?

We are seeking approval for the increased variable pay cap ratio via a separate resolution in order to operate our new policy as set out.

The absence of such a change would result in an obligation to change the incoming CEO's remuneration to a higher salary, which would reduce the dependency on short and long term performance outcomes. We believe this will be an inferior outcome for members.

Annual report on remuneration for 2021/22

Directors' Performance Award (DPA) 2021/22

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.

The current DPA has two elements: an all-employee element and an element for our most senior leaders. Performance under both elements of the DPA reward the attainment of challenging strategic and financial measures drawn from the Society's Plan. For 2021/22, this included specific measures linked to three of the five strategic cornerstones:

- Building thriving membership, measured through our **number of committed members**;
- Building legendary service, measured through our **customer satisfaction**; and
- Built to last, which ensures we focus on our **total costs**, in addition to a **controls** measure which recognises our focus on continuing to ensure the Society remains safe and secure for the long term.

These measures ensure that we are focused on delivering benefits to our members. The senior element also incorporates an amount based on individual performance and behaviours.

Three 'gateways' must also be passed before any payment is made under the plan. The three gateways are based on measures of profit before tax, leverage ratio and conduct risk. These gateways were passed in 2021/22.

In reviewing performance under the DPA during 2021/22, the Committee assessed the Society's performance against the four measures stated. The Committee must also be satisfied that there are no significant conduct, risk, reputational, financial, operational or other reasons why awards should not be made, taking into account input from the Board Risk and Audit committees.

Directors' Performance Award (DPA) 2021/22 (continued)

Outcomes for DPA 2021/22 (table shows actual outcomes for the executive directors)	Performance pay achieved (% of salary)	
	J D Garner	**C S Rhodes**
Combined Society performance element (note i)	81.1%	63.5%
Individual performance element (note ii)	21.0%	25.0%
Total performance pay achieved based on Society and individual performance	**102.1%**	**88.5%**
Out of a maximum opportunity (as a % of salary) of	**152%**	**112%**

Notes:

i. Comprises number of committed members, customer service satisfaction rating[23], total costs and the controls measure which considered progress in delivering our Process and Controls Improvement Programme (PCIP).

ii. For the element based on individual performance, performance was assessed against both the delivery of the collective performance scorecard for the leadership team, and individual goals, conduct and behaviours.

CEO pay ratio reporting

The ratio of the CEO's total remuneration versus the total remuneration of the median employee of the Society for 2021/22 was 54:1 (38:1 in 2020/21). The increase in the median pay ratio compared to 2020/21 and 2019/20 is due to the return of our normal pay approach following two years in which Covid-19 impacted executive pay decisions, including no variable pay in 2019/20, a two-thirds reduction in variable pay opportunity in 2020/21, and a voluntary reduction of 20% in the CEO's combined salary and pension for 2020/21.

In 2018/19 the median pay ratio was 77:1. Further details of the CEO pay ratio calculation are set out in the full Report of the directors on remuneration.

[23] ©Ipsos 2022, Financial Research Survey (FRS), for the 12 months ending 31 March 2022. For more information, see footnote 17 on page 14.

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, including 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 2022 and 4 April 2021. In the year ended 4 April 2021, as a consequence of the Covid-19 pandemic, J D Garner requested a 20% reduction in his combined salary and pension allowance.

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

Executive directors	Fixed remuneration	Fixed remuneration	Fixed remuneration	Fixed remuneration	Variable remuneration	Variable remuneration	Total pay package
2022	**Salary £'000**	**Pension allowance £'000**	**Travel and other taxable benefits (note i) £'000**	**Total £'000**	**Directors' Performance Award (note ii) £'000**	**Total £'000**	**£'000**
J D Garner	**934**	**149**	**77**	**1,160**	**954**	**954**	**2,114**
C S Rhodes	**667**	**107**	**52**	**826**	**590**	**590**	**1,416**
Total	**1,601**	**256**	**129**	**1,986**	**1,544**	**1,544**	**3,530**
2021							
J D Garner	783	125	39	947	289	289	1,236
C S Rhodes	654	105	30	789	191	191	980
Total	1,437	230	69	1,736	480	480	2,216

Notes:

i. This value is included as fixed remuneration for the calculation of the bonus cap in meeting our regulatory requirements. A full description of the taxable benefits is set out below.

ii. 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.

Our directors receive a number of benefits and, where appropriate, we pay on their behalf the 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.

Non-executive directors' remuneration

The total fees paid to each non-executive director are shown below. For the year ended 4 April 2021, as a consequence of the Covid-19 pandemic, the Chairman and each non-executive director donated 20% of their post-tax fees to Shelter, a charity. The fees for 2021 below are stated before these donations.

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

	2022	**2022**	**2022**	2021	2021	2021
	Society and Group fees £'000	**Travel and other taxable benefits (note i) £'000**	**Total fees and taxable benefits £'000**	Society and Group fees £'000	Travel and other taxable benefits (note i) £'000	Total fees and taxable benefits £'000
K A H Parry (Society Chairman from 1 February 2022) (note ii)	**211**	**2**	**213**	143	-	143
D L Roberts (Society Chairman to 31 January 2022) (note iii)	**344**	**2**	**346**	405	1	406
G Waersted (Senior Independent Director) (note iv)	**106**	**13**	**119**	94	-	94
R A Clifton (note v)	**31**	**1**	**32**	98	-	98
R M Fyfield	**128**	**2**	**130**	130	3	133
A Hitchcock	**96**	**12**	**108**	94	-	94
A M Keir (note vi)	**8**	**-**	**8**	-	-	-
D Klein (note vii)	**80**	**3**	**83**	6	-	6
T Rajah (note viii)	**99**	**-**	**99**	55	-	55
G Riley (note ix)	**-**	**3**	**3**	-	-	-
P G Rivett	**125**	**-**	**125**	109	-	109
T J W Tookey	**136**	**5**	**141**	134	-	134
U K Prashar (note x)	**-**	**-**	**-**	26	-	26
Total	**1,364**	**43**	**1,407**	1,294	4	1,298
Pension payments to past non-executive directors (note xi)			**207**			242

Notes:

i. Taxable benefits for non-executive directors relate to expenses incurred in connection with travel and attendance at Board and committee meetings.
ii. K A H Parry was appointed Society Chairman effective 1 February 2022. Prior to this date, he was the Senior Independent Director. His fees for the year ended 4 April 2022 reflect the change in responsibility during the year.
iii. D L Roberts stepped down from the Board on 31 January 2022.
iv. G Waersted was appointed Senior Independent Director effective 1 February 2022. Her fees for the year ended 4 April 2022 reflect the change in responsibility during the year.
v. R A Clifton stepped down from the Board on 22 July 2021.
vi. A M Keir joined the Board on 1 March 2022.
vii. D Klein joined the Board on 1 March 2021.
viii. T Rajah joined the Board on 1 September 2020.
ix. G Riley joined the Board on 1 April 2022.
x. U K Prashar stepped down from the Board on 16 July 2020.
xi. The Society stopped granting pension rights to non-executive directors who joined the Board after January 1990.

Nationwide cares about the environment – this literature is printed in the UK with biodegradable vegetable inks on paper from FSC® certified and other controlled material.

We are able to provide this document in Braille, large print or audio format upon request. Your local branch will arrange this for you or you can contact us on **0800 30 20 11**. If you have hearing or speech difficulties and are a textphone user, you can call us direct in text on **0800 37 80 01**. We also accept calls via BT TypeTalk. Just dial **18001** followed by the full telephone number you wish to ring. Calls may be recorded.

Nationwide Building Society. Head Office: Nationwide House, Pipers Way, Swindon, Wiltshire SN38 1NW.

AGMROY2022 (June 2022)