15 million members building society, nationwide

Review of the year 2018

Including our Summary Financial Statement
2018 highlights
Building society, nationwide

We are the world’s largest building society. We thrive when our members thrive, and this has been another strong year for us. Together we can achieve more.

**Building thriving membership**
More members are doing more with us

- **Record current accounts opened**
  - 816,000
  - With more people opening with Nationwide than any other brand²
    - 2017: 795,000

- **Member financial benefit¹**
  - **£560 million**
    - 2017: £505 million

- **Record gross prime mortgage lending**
  - **£29.4 billion**
    - 2017: £29.1 billion

- **Record membership**
  - 15.5 million members
    - of which 8.1 million engaged members¹
      - 2017: 15.1 million/7.8 million

- **Record first time buyers**
  - 76,000
    - helped onto the housing ladder,
      - Around 1 in 5 in the UK
    - 2017: 75,000

**Built to last**
A stable and secure Society that uses its members’ money wisely

- **4.9%**
  - UK leverage ratio
  - Reflects our careful approach to looking after our members’ money
    - 2017: 4.4%

- **0%**
  - cost growth while growing membership
    - £1,979 million underlying costs
      - 2017: 10% /£1,979 million

- **£1,022 million**
  - underlying profit¹
    - Within our financial performance framework
      - 2017: £1,030 million

- **£977 million**
  - statutory profit
    - 2017: £1,054 million
Building legendary service
Our members expect the best service

1st Customer satisfaction
With a lead of 4.6% ahead of our high street peer group1
2017: 1st with lead of 6.7%

Specialist Support Service
4,500 members needing extra support helped, returning around £1.4 million in fees

44% More current account members using our 24/7 mobile services.
Now 2 million members in total.
2017: 41% growth and 1.4 million members

Building PRIDE
Happy employees look after our members

297 Carillion employees taken on within 7 days of its collapse

74% Employee engagement
3% below global high performing benchmark, and 9% above financial services sector norm
2017: 78%

Building a national treasure
Our social purpose is at the heart of what we do

UK’s most trusted financial brand6 with a lead of 3.8%.
2017: 1st with 1.3% lead7

Community involvement
66% of employees get involved with fundraising, volunteering or payroll giving
2017: 75%

Started a 5 year programme to invest £20 million in member directed community grants

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1 More information on member financial benefit is included on page 13.
3 Engaged members are defined as those who hold a mortgage or savings account with us (with a balance greater than £5,000) or who hold their main personal current account with us.
4 Further information on underlying profit is included on page 24.
5 © GfK 2018, Financial Research Survey (FRS), 12 months ending 31 March 2018 and 12 months ending 31 March 2017, proportion of extremely/very satisfied customers minus proportion of extremely/very/fairly dissatisfied customers summed across current account, mortgage and savings. High street peer group defined as providers with main current account market share >4% (Barclays, Halifax, HSBC, Lloyds Bank (inc C&G), NatWest and Santander and TSB). Prior to April 2017, high street peer group defined as providers with main current account market share >6% (Barclays, Halifax, HSBC, Lloyds (inc C&G (Lloyds TSB prior to April 2015), NatWest and Santander).
6 ©GfK 2018, Financial Research Survey (FRS), 12 months ending 31 March 2018 and 12 months ending 31 March 2017, proportion of extremely/very satisfied customers minus proportion of extremely/very/fairly dissatisfied customers summed across current account, mortgage and savings. High street peer group defined as providers with main current account market share >4% (Barclays, Halifax, HSBC, Lloyds Bank (inc C&G), NatWest and Santander and TSB).
7 ©GfK 2018, Financial Research Survey (FRS), 12 months ending 31 March 2018 and 12 months ending 31 March 2017, proportion of extremely/very satisfied customers minus proportion of extremely/very/fairly dissatisfied customers summed across current account, mortgage and savings. High street peer group defined as providers with main current account market share >6% (Barclays, Halifax, HSBC, Lloyds Bank (inc C&G (Lloyds TSB prior to April 2015), NatWest and Santander).

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Welcome to your building society’s review of the year. This year, we’ve put all the information in this one document. Hopefully, you’ll find it interesting, clear and informative. Whether you think doing it this way is better or worse, too much, too little or just right, we’d really welcome your feedback.

This document covers the year 5 April 2017 to 4 April 2018. What did we do to improve our service – to support you or make your life easier? Did we help you achieve what you want out of life? Did we make your membership feel valuable while also keeping your building society strong and safe? How did we support our communities?

This is where you’ll find answers to those questions and others.

Plus, this document also contains our Summary Financial Statement and Summary report of the directors on remuneration.

If you’d like to tell us what you think

- Pop into your branch
- Go to nationwide.co.uk
Helping people buy homes of their own, places where they can feel safe, be themselves, build relationships, build a life – was, is and will continue to remain at the heart of what we do. Last year we provided 76,000 mortgages to help people buy their first home – our highest ever number.

We’ve been digging into the history of the home bought with our very first mortgage. 29 Morrison Street in London.

‘Healthy homes’
29 Morrison Street was built as part of the Shaftesbury Park Estate, labelled the ‘Workman’s City’ around Battersea. It was built in response to the terrible housing conditions in central London. To mark this first step towards a better life, the words ‘Healthy homes, first condition of social progress’ were etched into the foundation stone.

There were four levels of class applied to the houses built on Morrison Street and the surrounding estate. 29 Morrison Street itself was a third class home, which provided a total of six rooms, including kitchen, scullery and parlour, plus an outside toilet. Still a vast improvement on the central London slums.

The cost of such luxury?
Alfred Idle purchased the house in 1884 with our first-ever mortgage. We lent him the princely sum of £120 and he repaid us with weekly repayments of 6 shillings and a penny. For that he secured a home for himself, his wife Elizabeth and their many children.

The Idle family around the turn of the century.
Dear fellow member

To some observers, Nationwide might look like a bank. We certainly offer similar products and services. But we start from a very different place. What truly defines us is that, as a mutual, we are owned by our members. This informs fundamentally how we think and what we do.

So I don’t want to begin by talking about our annual profits, as it’s the wrong starting point for Nationwide. Of course we must run a sustainable business, with appropriate capital and leverage ratios, for the safety and security of our members’ money. And our CEO Joe Garner’s review will look at our performance, including profitability.

But what matters more is the fact that we have the most trusted brand in financial services. That we have the best customer satisfaction against our high street peer group. Also that we returned £560 million of member financial benefit in the year by offering better rates, fees and incentives.

It is part of Nationwide’s DNA that we start by doing the right thing for our people. By treating our people well, our people treat members well. I believe the service my colleagues deliver is better, not because our processes and systems are better, but because our people act differently. This ethos goes right through the branch network, right through the contact centres, through all our operations.

Our people deliver the best service among our high street peer group competitors, according to independent research, and have done so for six years. In an industry where trust is low, I believe Nationwide stands apart for service and care.

Two practical examples come to mind.

When construction giant Carillion collapsed, in just one week we secured the jobs of almost 300 contractors by stepping in to take them on. It was simply the right thing to do and shows that our philosophy of care extends to our supplier and other relationships.

Second, one of our employees recently helped protect an elderly lady from fraud, thanks to her attentiveness and sensitivity. We’re very proud of our colleague’s actions.

Our philosophy extends to our approach to pay, where again we are different. We aim to pay fair market rates to the people who serve our members. In our pension scheme, we make one of the highest pension contributions of our peer group. By contrast, for our most senior executives we aim for total financial reward to be lower than most of our key competitors, and it is clear that what brings them here is more than money.

The other important matter on pay relates to gender pay, a subject that has received a lot of publicity in the last few months. The gender pay gap is the difference between the average hourly pay of men and women.

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2 © GfK 2018, Financial Research Survey (FRS), 12 months ending 31 March 2018, proportion of extremely/very satisfied customers minus proportion of extremely/very/fairly dissatisfied customers summed across current account, mortgage and savings. High street peer group defined as providers with main current account market share >4% (Barclays, Halifax, HSBC, Lloyds Bank (inc C&G), NatWest, Santander and TSB).

3 Market interest rates are based on Bank of England whole of market average interest rates over the period, adjusted to exclude Nationwide’s balances.

4 © GfK 2018, Financial Research Survey (FRS), 6 year lead held over period 12 months ending 31 March 2013 to 12 months ending 31 March 2018. Each monthly data point contains customer feedback referring to previous 12 months. Proportion of extremely/very satisfied customers minus proportion of extremely/very/fairly dissatisfied customers summed across current account, mortgage and savings. High street peer group defined as providers with main current account market share >4% (Barclays, Halifax, HSBC, Lloyds Bank (inc C&G), NatWest, Santander and TSB). Prior to April 2017, high street peer group defined as providers with main current account market share >6% (Barclays, Halifax, HSBC, Lloyds Bank inc C&G (Lloyds TSB prior to Apr 15), NatWest and Santander).
women across the whole organisation. (It shouldn’t be confused with an equal pay gap, where we do not have an issue.) Our Gender Pay Report shows that, like many organisations, we have a distributional issue to address, with more men than women in senior roles, and more women than men in junior ones. We have started to address this at Board level, where we now have more female independent directors than male – on which, a warm welcome to Gunn Waersted, our newest director. We can and will do more to make sure more women and Black, Asian and Minority Ethnic (BAME) employees get into senior roles.

Strength in diversity – see page 19

We’re also on a journey to give our members more say on the big decisions facing the Society. We invited members to join our Board strategy day last October and we’ve put local members in control of £20 million of social investment over the next five years.

Join our Connect community – see page 8

Our philosophy of membership also explains why we delivered over half a billion pounds in value to members last year. Nationwide’s philosophy is to pay as much as we can sustainably afford for our members, for example in fair savings rates. Many organisations look to pay as little as circumstances allow.

Our difference also extends to seeking to make a real contribution to the UK housing market. In particular, we focus on first time buyers, because they are the members of the future. We want to make our own contribution to address the supply shortage. This is why we are financing an innovative, community-led redevelopment project in our own backyard in Swindon.

In many ways, Nationwide’s is a traditional model. The challenge is to keep what is great, and to evolve to meet the new and emerging needs of our members. We do this with innovative products like our lifetime mortgage to help older members access the wealth tied up in their homes. We’re also hoping to win funding to enter the small business market, and launch a mutual business bank account for the UK’s millions of small business owners.

My intention isn’t to show that the Society is perfect. We’re human and we will make mistakes. Rather, it is to show that behind the mortgage, ISA or current account, there is something truly different. And a team of people who are different. I believe this difference resonates strongly in Britain today, because, as you will see, we’re attracting record numbers of new members and maintaining our leading satisfaction scores against our high street peer group5.

Thank you, our members: together we are stronger. And on behalf of our members, thank you to Nationwide’s people: you make the difference.

David Roberts
Chairman

It is part of Nationwide’s DNA that we start by doing the right thing for our people

Footnotes:

1 © GfK 2018, Financial Research Survey (FRS), 12 months ending 31 March 2018 and 12 months ending 31 March 2017 proportion of extremely/very satisfied customers minus proportion of extremely/very/fairly dissatisfied customers summed across current account, mortgage and savings. High street peer group defined as providers with main current account market share >4% (Barclays, Halifax, HSBC, Lloyds Bank (inc C&G), NatWest, Santander and TSB). Prior to April 2017, high street peer group defined as providers with main current account market share >6% (Barclays, Halifax, HSBC, Lloyds Bank inc C&G (Lloyds TSB prior to Apr 15), NatWest and Santander).
Connect with our online community

We really want members like you to help shape our products and services. If you’d like to have your say, we’d love to hear from you.

You can:
• give us feedback online at nationwide.co.uk/support/contact-us/give-us-feedback
• join us on social media – we’re on all the usual channels like Facebook and Twitter
• come to one of our Member Talkbacks – these are informal ‘question time’ events that give you a chance to have your say and put your questions to a Nationwide director
• watch one of our Online Talkbacks.

The Connect Community is another way that you can share your thoughts on how the Society is run, as well as on the products and services we provide.

Connect
Nationwide Building Society has always been a collective enterprise, a way of bringing people together so that they can achieve things they wouldn’t be able to achieve alone. Our online Connect Community enables us to do that in a pretty wonderful, vibrant way. Connect also ensures that those of us who work for you and your Society hear your voice. The closer we stay to the Society’s membership, the more likely we are to deliver the products and services you need.

What does it mean to be part of the Connect Community?
You can:
• get involved in discussions – with other members and with Nationwide – on how we give back to our communities
• take part in surveys to help shape new products
• make suggestions for improvement
• find out more about the work that Nationwide is doing in your local community and give your view on key issues.

We’ll keep you in the picture
When you take part in one of our surveys or make a suggestion for improvement, we’ll let you know how your Society is using your feedback.

How do you join? Just go to nationwide.co.uk/about/have-your-say
A safe place to keep your money

In today’s world, it sometimes feels like we’re surrounded by people who want to part us from our money. The good news is that your building society does everything it can to keep your money and information safe.

How we protect your money
• We use the latest technology to monitor all our members’ current accounts round the clock for any unusual activity.
• We have a whole department dedicated to preventing fraud.
• We may contact you if we spot anything like an unusual payment on your account.

You can play your part too
Please visit nationwide.co.uk/fraudawareness where we regularly post updates to ensure our members are aware of the latest scams.

Together we can beat the fraudsters
Fraudsters often phone, or send emails or texts pretending to be an organisation you’d trust to try to persuade you to part with your personal financial information. Sometimes they try to convince people to send payments themselves. As Emma Craven, Operations Manager in our York branch can testify.

Emma’s story
‘A lady came to the counter to pay nearly £2,000 into an account in London. I asked who she was paying the money to and she said the police, and then got very flustered. I began to ask her more about this as I was very concerned and she broke down into tears. I took her aside and learnt that someone had called her earlier in the day pretending to be from the police, saying she owed that money in tax. If she didn’t pay the £2,000 into the account today, she would be arrested that night. She wasn’t to tell anyone, family included.’

Emma spoke to Nationwide’s Financial Crime team and the fraudster’s account was soon restricted. The lady stayed at the branch until her daughter came to collect her, and together they worked out their next steps, including informing the police, not answering the phone that night and changing her number.

As you can imagine, the lady and her family were so appreciative of what Emma did. That’s where the lovely flowers came from.

One key thing to remember
We will never contact you out of the blue by email, text or phone to ask for your PIN, full password, card reader generated passcode, or to move money to another account.
Dear fellow member

Our mutuality is what makes Nationwide Building Society different. We’re owned by you, and our purpose is to build society, nationwide by helping you to finance your goals and make society a better place. Our approach is simple – to focus on quality service, value and financial strength.

We manage members’ life savings and are a major business so it’s essential we have strong finances. We finished the year with capital at an all-time high, and strong underlying profits of over £1 billion.

We and our members thrive thanks to the support of my 18,000 colleagues. I’d like to thank our people for their enormous contribution and the care they show our members.

On service, Nationwide is the UK’s most trusted financial institution and we led our high street peer group on customer satisfaction for the sixth year, ending the year with a lead of 4.6% over our nearest competitor. Satisfaction with our main current account was higher still at more than 10 percentage points ahead of our nearest high street peer group competitor and we attracted a record number of new current accounts. We’re also hoping to offer small businesses a mutual alternative to the big banks in the next year.

We deliver real value to our loyal members through better pricing. This ‘member financial benefit’ added up to £560 million last year, including around 100,000 members who earned ‘Recommend a Friend’ rewards.

Thank you for your loyalty and support for our Society.

Joe Garner

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7 © GfK 2018, Financial Research Survey (FRS), 6 year lead held over period 12 months ending 31 March 2013 to 12 months ending 31 March 2018. Each monthly data point contains customer feedback referring to previous 12 months. Proportion of extremely/very satisfied customers minus proportion of extremely/very/fairly dissatisfied customers summed across current account, mortgage and savings. High street peer group defined as providers with main current account market share >4% (Barclays, Halifax, HSBC, Lloyds Bank inc C&G), NatWest, Santander and TSB). Prior to April 2017, high street peer group defined as providers with main current account market share >6% (Barclays, Halifax, HSBC, Lloyds Bank inc C&G (Lloyds TSB prior to Apr 15), NatWest and Santander).

8 © GfK 2018, Financial Research Survey (FRS), 12 months ending 31 March 2018 proportion of extremely/very satisfied main current account customers minus proportion of extremely/very/fairly dissatisfied main current account customers. High street peer group defined as providers with main current account market share >4% (Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB).
Making an everyday difference

Whether it’s running children’s parties, being a TV extra, taking their eldest on fishing trips with his grandpa, or looking after their lovely twins, Kerrie and James live pretty busy lives.

Kerrie became a Nationwide member when she opened a FlexAccount for herself last year. ‘I know Nationwide has got a packaged current account that could maybe save us money especially with its breakdown, travel and mobile phone cover. So, for our joint account, we’re going to look into that next.’

Increased awareness amongst our members (and non-members) of the difference Nationwide can make to their everyday finances is one of the reasons why we’re turning the current account market upside down and why in 2017/18 more people opened an account with us than any other brand9.

Helping you achieve your goals

We help our members achieve important goals in their lives, so the more members we serve and the more we do with them, the greater our contribution. We’re proud to help members own a home, save for the future, and manage their everyday finances.

Success measure

8.1 million engaged members (2017: 7.8 million).

A place to call home

We remain true to our founding aim of helping members into homes of their own. We helped a record 76,000 first time buyers (2017: 75,000) and almost 400,000 (2017: 326,000) homeowners in all. In the last five years we’ve helped over 250,000 first time buyers onto the housing ladder, and continue to provide them with access to competitive products, and incentives like cashback.

Members’ needs change in later life, so we expanded our mortgage range with a lifetime mortgage to help members access the capital in their property. We plan to launch a retirement interest only mortgage, giving members more choice in managing their finances in later life.

Overall, we had a record year for gross prime lending, at £29.4 billion (2017: £29.1 billion).

Total net lending for the year was £5.8 billion (2017: £8.8 billion) in line with our decision to reduce our buy to let lending through The Mortgage Works, along with increased prime mortgage redemptions as we managed margins in the long-term interests of the Society in a fiercely competitive market.

Supporting savers

With interest rates at historic lows, people are saving less. We’ve done our best to protect depositors and encourage a savings habit by offering rates on average more than 50% higher than the market average10, and by offering a range of loyalty rewards.

We launched a range of loyalty bonds and fixed rate ISAs for members with at least one year’s membership; we doubled the maximum balance allowed in our Loyalty Saver account to £100,000; and in March we launched a Loyalty Single Access ISA paying 1.40%, which attracted £8.5 billion in deposits by the end of April 2018.

This commitment to rewarding loyalty helped our savings members to grow to 11.6 million. In a highly competitive market our deposit balances grew by £3.5 billion primarily driven by higher current account balances and the success of our Single Access ISA. And overall, the Society continues to provide a safe home for £1 in every £10 saved in the UK.

Doing more with and for our members: meet Vaniya and Neena – see page 14

First choice for everyday finances

We attracted record new current accounts for the fourth year running, opening 816,000 accounts in all (2017: 795,000), more than any other financial brand in the last year11, taking our current account base to 7.3 million (2017: 6.8 million). Our share of main standard and packaged accounts grew to 7.9% (2017: 7.6%), a new high, and our share of all current accounts to 9.4% (2017: 8.9%). We improved our student account, and doubled account openings to 21,000.

“The Society continues to provide a safe home for £1 in every £10 saved in the UK”
Read about Kerrie, who opened one of our 816,000 new current accounts – see page 11

Focusing on the features members value most, we extended travel and mobile phone insurance on our FlexPlus account and we reduced fees for transactions and unauthorised overdrafts on our FlexAccount. We also introduced text alerts for unauthorised overdrafts to help members manage their finances.

We began to move our credit cards, personal loans and insurance products to be available ‘just for members’. Although we issued fewer credit cards, in line with our expectations, at 160,000 (2017: 206,000), overall balances were higher, as were balances on our personal loans. We’re making good progress with the transition of our existing home insurance policies to RSA and have successfully launched our new home insurance product in response to member feedback.

Meeting the needs of small businesses
Around a million of our members run their own business, and many have asked if we can provide a business account. The costs of market entry have been prohibitive in the past but thanks to the Alternative Remedies Fund, financed by RBS to boost competition in banking, we are applying for up to £50 million to launch a business current account. If successful, we’ll launch an account targeted at small and micro-businesses, providing a mutual business alternative to the big five banks, who hold 85% of business accounts.

Just for members

We want our members to feel part of something special. Part of a Society that puts members’ interests first, does the right thing, and gives back to society.

• Rewarding loyal members with ‘just for members’ products
• ‘Recommend a Friend’ to earn rewards – around 100,000 of our members benefited last year
• Take pride in the 1% of pre-tax profits we give to charity
• Help shape our Society at Member Talkbacks, through Member Connect and at our AGM
• Our specialist support service is here for you when you need it most

£560 million of member financial benefit

As a mutual, our members’ interests are at the heart of all we do. Members benefit from our investment in service excellence, delivered in branches and over mobile channels. And because we do not have shareholders to reward, our members benefit financially from the better value products we can offer. We put an extra £560 million in members’ pockets last year, for example by:

• paying better rates – our average deposit rates were over 50% higher than the market average
• average interest rates for mortgages being lower than the market average
• fees on our packaged current account product (FlexPlus) being lower than competitors on a like for like basis
• offering rewards such as ‘Recommend a Friend’
Vaniya and Neena have been married 45 years now and Nationwide members for nearly half that time. They chose Nationwide for entirely pragmatic reasons. ‘It was the better rates and lower charges. And they had a branch nearby.’

Vaniya spent his working life looking after others, first as a gynaecologist and then in General Practice and he is still a trustee of the local branch of a care charity.

Nowadays, with more time on their hands, Vaniya and Neena love to travel. This year, they’re visiting Japan and North America.

‘We have our current account and savings with Nationwide,’ says Vaniya. ‘We also have some stocks and shares ISAs through their investment service. The reason we stick with Nationwide hasn’t really changed over the years. It continues to deliver better rates and recognise their members’ loyalty.’
As we do not have to pay dividends to shareholders, instead of seeking ever higher profits we seek to use our profitability to balance financial strength, investment in our Society and future growth.

Financially strong and secure
We finished the year financially stronger than ever thanks to excellent trading in our core business, and an efficiency programme we put in place last year. We held our costs flat thanks to initiatives ranging from our ‘Right First Time’ programme to reduce errors, to a simplification of our management structure and the Arthur Webb Challenge Cup, which invited our people to suggest how to spend our members’ money more wisely.

Investing in technology and infrastructure
An important part of being built to last is investing in our business. This means building on earlier investments that have enabled our very rapid current account growth, increased mobile adoption by members, and underpinned our service distinction.
Looking ahead we expect the rate of technology innovation to accelerate sharply. We live in an increasingly ‘always on’ world and the availability of internet and mobile banking has become a service that members rely on. It will also become an increasingly important part of who consumers trust with their information. This will only be multiplied by the advent of Open Banking and all financial providers will have room to improve.
We are therefore developing plans to ensure Nationwide is fit for the future and able to take advantage of the opportunities that change presents. This will include providing capacity for the significant business volumes our strong growth trajectory generates, and increasing the speed of innovation across the Society. At the same time, we will look to further reinforce our resilience against the increasing dependence on technology platforms, and growing cyber threats. We will refine our operational and technology strategy and the investment this is likely to require accordingly, and provide an update on these plans later in the year.

Giving better value to members
Serving our members’ interests by offering really good value products is a priority. That value comes from better rates on our savings and mortgages. Our deposit rates were on average more than 50% higher than the market average in the last year\(^2\).
It also comes from better fees and incentives – such as Recommend a Friend. Last year this member financial benefit totalled £560 million (2016/17: £505 million).
More information on member financial benefit is shown on page 13.

\(^2\) Market interest rates are based on Bank of England whole of market average interest rates over the period, adjusted to exclude Nationwide’s balances.
The quality of our service matters to us because it matters to our members. We believe it’s a key part of why Nationwide remains the UK’s most trusted financial institution, and remained number one for customer satisfaction in our high street peer group.

We’re in a strong position, but if we want to be truly legendary, we need to be among the best in the UK, not just in financial services. That’s why we will start to measure our success using the all-sector UK Customer Satisfaction Index published by the Institute of Customer Service. Today we’re ranked no. 7, in a top 10 that includes Amazon and John Lewis but we want to be in the top 5.

Digital convenience with a human touch
Members want to use traditional and digital channels seamlessly – to manage their finances on the move, while also being able to speak to us when they need to.

We’ve extended what members can do on our Banking app, including instant registration, reporting lost and stolen cards, setting up new payees and viewing pending transactions. More improvements are in hand, including the ability to freeze or unfreeze your card if you have mislaid it; a MoneyWatch service to put members in control of their spending; and an auto-investment advice service.

As a result, more members are choosing digital as their first point of call – mobile active current account members grew by 44% to 2 million. We have launched a ‘Discover Mobile’ campaign to promote our mobile services.

Branches for the future
Members still value a personal service in our branches, and we invested £73 million in our network this year. But the way our members use our branches is changing. We’ve designed a new concept branch which we’ll use as the model to update our branches over the next four years. Look out for our ‘4C branches’ with zones for:

- Convenience – quick and easy services from machines or a staffed counter;
- Conversation – a space to chat when you need some help;
- Consultation – somewhere to talk privately;
- Community – a relaxed space for members with time to spare.

Open Banking: making the most of your money
Open Banking is an industry-wide initiative launched in January 2018. It aims to give consumers more choice and control over their money by letting them share their financial data with authorised organisations. We’re looking at how we can use Open Banking to serve the Society and our members better.

Money worries? We’re here for you when you need it most – see page 17
Fraud defences: protecting you and your money – see page 9

Notes:
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15 UK Customer Satisfaction Index, January 18.
Supporting members experiencing tough times and financial difficulty is what our Collections & Recoveries team do, day-in, day-out. An everyday responsibility that’s also a real opportunity to give our members the support they need when they most need it.

One member, who was going through a particularly tough time, wrote to express their thanks for the ‘valuable support’ they received. They also confessed to feeling very low and overwhelmed before our help and support.

They said, ‘In future when people question why I have my mortgage with Nationwide, I will simply say “because it cares”.’

Supporting each other at such times is just something we can and should do as a member-owned organisation.

Jasper Davy, who heads up the team, put it like this:

‘When people are struggling with their borrowing, we pride ourselves on helping them find a way through. If we can get the right and affordable solution in place and treat our members with the dignity they deserve, irrespective of their circumstances, we can make a real difference to our members at the time when they most need help.’

During the Second World War, when many people lost their homes to bombing, the Society adopted the principles of ‘sympathy, simplicity and speed’ to help those who were affected. This included bringing in special measures, like waiving survey fees for ‘hardship’ cases. The way we help members experiencing tough times and financial difficulty today is just one way in which we stay true to our longstanding building society values.
Making Nationwide a great place to work

PRIDE is about our people, culture and values. In January we were proud to live our values by taking on 297 Carillion contractors after the company collapsed.

Success measures
Employee engagement 74% (2017: 78%).
Employee enablement 70% (2017: 72%).

We want to be one of the country’s best places to work. Engaged and valued colleagues are more likely to deliver the service our members deserve, which in turn helps grow our business and deliver more value to our members. We measure engagement and enablement through an independent employee survey each year and compare very well with most organisations, with an engagement score of 74%. We didn’t hit our stretching global high performing benchmark target this year, but our engagement remains extremely high, and 9 percentage points above the financial services norm.

One part of being a good place to work is rewarding our people fairly. We were one of the first to offer a living wage in 2014, and in recent years we increased our pension contributions significantly. This year, we stepped away from paying bonuses linked to individual performance, replacing these with a ‘Sharing in Success’ scheme that rewards colleagues for working together to grow our business and serve our members – for doing the right thing in the right way.

Working practices also contribute to employee satisfaction. Our colleagues value the flexible working contracts we offer to fit around their lives – from flexi-time, part time, job sharing, compressed hours and remote working – as well as providing for specific needs, such as flexible working during religious festivals, plus adoption and fertility treatment leave.

PRIDE is also about developing our people. We’re investing in our leadership capabilities from development aimed at a Leadership 200 group – including 20 ‘People’s Choice’ leaders chosen by an all-employee vote – to a business-wide ‘Developing My Leadership’ programme for all our people to expand their capabilities and leadership skills.

Putting our members and their money first
Rising to the challenge
Inspiring trust
Doing the right thing in the right way
Excelling at relationships
We are focused on delivering our equality, diversity and inclusion strategy for 2015-2020. As a result we are pleased to have increased the representation of women on our Board (including non executive directors (NEDs)) and we are confident we will meet our 2020 target of 33-35% for female senior managers. Progress towards the 2020 target of 8-15% for Black, Asian and Minority Ethnic (BAME) senior leaders is proving more of a challenge and we are redoubling our efforts to achieve our target by, for example, offering sponsorship and mentoring.

**Gender pay gap reporting**

We issued our first gender pay gap report in March 2018. Our mean gender pay gap – the difference in average hourly pay between all men and women – is 29% and is on a par with the rest of the UK retail banking sector. This is very much a function of the nature of our business and our resulting employee profile. The gender pay gap for our senior population of approximately 300 managers is just 4%. This gap could be closed by moving only a handful of people. Our overall gender pay gap is therefore driven by having far fewer men in our junior roles – for example, only one in five of our junior branch roles is occupied by a man. To reduce our gender pay gap to zero would require us to change approximately 4,000 of these junior positions to be held by men. Nevertheless, we remain committed to identifying opportunities to help women to progress to senior roles. We have already made good progress on our Board with 38% female representation.
Making society a better place together

Social purpose has been part of our founding DNA for over 130 years, and we want to use our trusted status to become a driving force for good in society.

**Success measures**

- 2nd for prompted brand consideration, 1.3% behind the leader (2017: 2nd; 2.6% behind the leader). UK’s most trusted financial brand with 3.8% lead (2017: 1.3% lead).  

We’re a responsible business: the 11th highest UK business taxpayer in PwC’s annual Total Tax Contribution survey of the 100 Group; we pay decent wages, treat suppliers fairly and work hard to improve our sustainability. We will continue to invest at least 1% of our pre-tax profits to support good causes, of which 0.25% is donated to The Nationwide Foundation. That won’t change.

The Nationwide Foundation – see page 21

**Everyone deserves a place fit to call home**

But we want to do more. With decent homes to buy or rent increasingly out of reach for more and more people, we’re using our knowledge and experience to help make a difference to Britain’s housing market with a new, five year community programme that will invest tens of millions of pounds in housing initiatives:

**Helping local communities provide better homes**

We will make available some £20 million in grants for housing-related charities and organisations over the next five years. Support for local projects will be driven by local needs and chosen by local members.

Community Boards – see page 22

**A blueprint for sustainable development**

In Swindon, where we’re headquartered, we’re partnering with the borough council, and engaging local people, to turn a housing development into a living community.

**Reinventing renting**

With more people renting, and our membership including both renters and small-scale landlords, we wanted to help raise standards across the rental market. We’ve put together a cross-industry Partnership Board to stay close to tenant needs and help deliver high quality properties for rent.

**Building pride**

This year, 66% of our people supported the local causes they’re most passionate about through fundraising, volunteering or payroll giving, raising a total of £1.8 million. Our people can volunteer for up to 14 hours in work time each year, and the value of colleagues volunteering was £0.7 million.

Treading lightly

We’re making progress toward our 2020 environment targets to reduce our carbon footprint and the waste we produce by:

- Signing an agreement to make our electricity supply 100% ‘green’;
- Reducing waste produced by 216 tonnes (12%), beating our 2020 target two years early;
- Becoming certified to the Carbon Trust’s ‘Triple Standard’ and, since April 2018, to its level 2 ‘Supply Chain Standard’.

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18 The 100 Group represents the views of the Finance Directors of FTSE 100 and several large UK organisations.
The Nationwide Foundation

Having a place you can call home enables people to settle down, build their lives and make the most of their opportunities. It also helps people to cope with, and sometimes overcome, physical and mental health problems. All those good things can’t really happen if people can only afford inadequate accommodation. In addition, the high cost of housing in many areas is a direct cause of poverty.

We give 0.25% of our profits to The Nationwide Foundation, a charity that aims to increase the availability of decent, affordable homes for people in need by awarding grants to charitable causes around the UK. It also seeks to change the way key decision-makers – from central government to local communities – think about and tackle the housing problems we as a country face, by supporting and testing solutions.

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 655113.

Their answers to any questions they receive will be published at the end of July on the Foundation’s website. Registered charity number 1065552.
Everyone deserves a place fit to call home. That basic human right is really why building societies were founded and why we still exist today. Yet we know many people can’t afford to buy or rent somewhere decent, so they end up in unsuitable or unsafe accommodation. That’s the reason why we launched our community grants programme: a chance for local organisations with great housing solutions to apply for grants of up to £50,000. A chance too for members to get involved. Members helped us develop the strategy, members can join the Community Boards that shortlist the projects we support, and members get to vote on who should receive funding.

Over the next five years, we’re planning to put £20 million into this programme. Our members have already voted for nine housing projects in the northern region of England, which have received a total of £270,000. For example, one of the first projects to receive a Nationwide grant was ‘My Sisters Place’, a specialist domestic abuse service based in central Middlesbrough, that supports over a thousand women a year through a range of challenges, choices and decisions – including housing.

If you’d like to be part of our community funding programme
As a member, you can volunteer for one of our regional Community Boards and help decide which local housing projects your Society should consider supporting. Or if you know an organisation with an innovative housing project that needs funding, why not see if applications are open for your region? Each UK region will get £250,000 of funding a year to support solutions that’ll make a real, local impact.

Go to nationwide.co.uk/communityfunding for more information

How our funding is helping My Sisters Place

With experience of helping provide short-term accommodation for women fleeing violence, the charity would like to provide ‘homes’, rather than temporary shelter. The grant will be used to support a Housing Manager who will (amongst other things):

• identify properties to rent and later to buy
• negotiate terms and conditions, and
• set up a repairs and maintenance scheme.
Outstanding service
Service matters to us because it matters to our members. We want our members to experience service that is genuinely heartfelt, easy, lifelong and personal. We measure ourselves against our high street competition using the Financial Research Survey (FRS) and, to stretch ourselves further, we will also measure ourselves against the UK’s very best organisations using the Customer Service Institute’s UK Satisfaction Index (UKCSI).

Target
FRS – 1st with a lead of more than 4% over our nearest high street competitor
UKCSI – UK top 5

Value for members and society
We aim to help members achieve important goals in their lives. The more members we have, and the more we do for them, the bigger our contribution. That’s why we measure the number of ‘engaged members’ – those holding their current account, savings or mortgage with us. As we want to deepen relationships with existing members, we will also measure ‘committed members’ – those with an engaged member product plus another product.

We share our success with members through better pricing than the market average. This ‘member financial benefit’ added up to £560 million last year. The amount varies each year, depending on our trading environment and investment priorities.

Our social purpose motivates us to contribute to local communities. We’re proud to have committed 1% of our pre-tax profits to charities since 2007 and are concentrating on helping people across the UK find a place fit to call home.

Target
Engaged members: 10 million by 2022
Committed members: 4 million by 2022
A threshold of returning at least £400 million in member financial benefit next year
Community investment: 1% of pre-tax profits as voted on by our members

Financial strength
First and foremost, members deserve to know their money is safe and secure. As a mutual, we approach profitability differently to most organisations. We don’t have shareholders to pay and our members own us. So profit is not an objective in itself, rather a means for Nationwide to stay strong and invest in employees and infrastructure.

We are built to last so our financial performance framework is designed to keep our capital at prudent levels and greater than regulations require. We will measure our success using the UK leverage ratio, which assesses the Society’s ability to meet its financial obligations and withstand unforeseen events. It’s a universally recognised indicator of long-term safety and sustainability.

Target
UK Leverage ratio: greater than 4.5%
Summary financial statement

For the year ended 4 April 2018

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 13 June 2018. They will also be available on the internet at nationwide.co.uk. The auditors’ report in relation to the full financial statements was not qualified in any respect.

Summary directors’ report

The Summary directors’ report comprises the 2018 highlights on pages 2-3, Chairman’s letter 2018 on pages 6-7, and Chief Executive’s review on pages 10, 12-13, 15-16, 18-20, and 23.

Approved by the board of directors on 21 May 2018 and signed on its behalf by:

D L Roberts, Chairman
J D Garner, Chief Executive Officer
M M Rennison, Chief Financial Officer

<table>
<thead>
<tr>
<th>Results for the year</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>3,011</td>
<td>2,960</td>
</tr>
<tr>
<td>Other income and charges</td>
<td>121</td>
<td>325</td>
</tr>
<tr>
<td>(Losses)/gains from derivatives and hedge accounting</td>
<td>(1)</td>
<td>66</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(2,024)</td>
<td>(2,021)</td>
</tr>
<tr>
<td>Impairment losses and other provisions</td>
<td>(130)</td>
<td>(276)</td>
</tr>
<tr>
<td>Profit for the year before taxation</td>
<td>977</td>
<td>1,054</td>
</tr>
<tr>
<td>Taxation</td>
<td>(232)</td>
<td>(297)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>745</td>
<td>757</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reconciliation of statutory profit to underlying profit</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory profit for the year before taxation</td>
<td>977</td>
<td>1,054</td>
</tr>
<tr>
<td>FSCS and bank levy (note i)</td>
<td>44</td>
<td>42</td>
</tr>
<tr>
<td>Loss/(gain) from derivatives and hedge accounting (note ii)</td>
<td>1</td>
<td>(66)</td>
</tr>
<tr>
<td>Underlying profit for the year before taxation</td>
<td>1,022</td>
<td>1,030</td>
</tr>
</tbody>
</table>

The reconciliation above adjusts statutory profit before tax for a number of 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.

Notes:

i. Fees we pay to the Financial Services Compensation Scheme (FSCS) reflect our share of the interest payable on the loan from HM Treasury to the FSCS.

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.

iii. Other lending includes consumer banking and commercial lending.

iv. Comparatives have been restated to categorise items on a consistent basis with the current year. More information can be found in the Annual Report and Accounts 2018, note 1 to the financial statements.
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 the UK leverage ratio, a measure of capital strength, and underlying profit, which are shown in the 2018 highlights section of this document.
Independent auditors’ statement

on the Summary Financial Statement to the members of Nationwide Building Society

We have examined the Summary Financial Statement of Nationwide Building Society (the ‘Society’) set out on pages 24 and 25, which comprises results for the year ended 4 April 2018, reconciliation of statutory profit to underlying profit, the financial position at the end of the year and summary of key financial ratios required by the Building Societies Act 1986.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Summary Financial Statement, in accordance with the Building Societies Act 1986.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the Financial Statements, the Annual Business Statement and the Directors’ Report within the full Annual Report and Accounts and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and the regulations made under it.

We also read the other information contained in the Review of the year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. The other information comprises only the Summary Directors’ Report as defined in the Summary Financial Statement and Summary Report of the Directors on Remuneration.

This statement, including the opinion, has been prepared for and only for the Society’s members as a body in accordance with Section 76 of the Building Societies Act 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion


Opinion

In our opinion the Summary Financial Statement is consistent with the Financial Statements, Annual Business Statement and Directors’ Report within the full Annual Report and Accounts of Nationwide Building Society for the year ended 4 April 2018 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made under it.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors London
21 May 2018

Change of auditors in 2019

The Society is required to change its audit firm no later than 2020, and has undertaken a selection process for the appointment of new auditors for the year ending 4 April 2020. The process is described in the Audit Committee report in the Annual Report and Accounts 2018. This resulted in the proposal, subject to member approval at the 2019 AGM, to appoint Ernst & Young LLP as external auditor for the year ending 4 April 2020.
Summary report of the directors on remuneration

For the year ended 4 April 2018

“I am pleased that we have a remuneration structure which unites everyone in the Society behind a set of common goals – service, growth and efficiency – which are important to our members and employees alike”

Dear fellow member

I am pleased to present the Remuneration Committee’s report, including details of our directors’ pay for the year to 4 April 2018. It is an important subject, as remuneration plays an instrumental role in how Nationwide Building Society both attracts and retains your management team.

Our approach
As a mutual, our approach to reward is different, reflecting our commitment to create a remuneration structure that is aligned with our members’ interests. Variable pay for everyone employed by the Society is based on the achievement of goals such as the growth of our membership and service quality, things you have told us are of critical importance to you and are also linked to our core purpose – building society, nationwide. This is what drives our team culture.

Most of the performance related reward for our senior managers is deferred for up to seven years, which means that their money is ‘at risk’ over a period of time. This allows us to take into account their and the Society’s performance over both the short and long term.

People join the Society for a number of reasons beyond the financial, and in overall terms we pay less than the market for our executive team, relative to their peers in large financial service businesses. However, we must accept that we operate in a competitive market and have to recognise that we compete for talent. We do that by looking at base pay and benefits which reflect these market realities.

We voluntarily disclose details of our executive pay arrangements to the extent it is appropriate for us to do so as a mutual.

Our policy
Our remuneration policy was approved by our members in 2017, and sets the framework for our directors’ remuneration. Last year we moved to an approach where all employees, including our executive directors, are assessed based on the same measures in relation to their variable pay. In addition, our most senior team have tailored team and personal goals which feed into their annual performance award. This will continue to apply in 2018/19. Further details of the structure of our remuneration plan for the executive directors are set out in this report.

How the directors have performed
We have continued to deliver strong performance this year, driven by consistent focus on our key goals of growth of membership and service. We have grown our engaged members to 8.14 million and we have made £105 million in sustainable saves against our target of £100 million, showing our progress across the Society in improving efficiency. We remain ahead of our customer satisfaction target for the year and our trading performance has been strong, with record gross lending over 2017/18 and a record number of new current accounts opened.

The impact on directors’ performance pay
Our strong results have led to payments being awarded under the Directors’ Performance Award (DPA). Details of how these payments have been calculated, including the discretion applied by the Committee, are set out in this report. In achieving these targets, the Committee considers that our directors have continued to deliver real benefits for the Society and all our members.

On behalf of the Remuneration Committee, I recommend that you support our Annual Report on Remuneration.

Lynne Peacock
Chair – Remuneration Committee
Report on the Year

Annual Report on Remuneration – Outcomes for DPA 2017/18

Two gateways must be passed before any payment is made under the plan, based on measures of statutory profit and leverage ratio. These gateways were achieved in 2017/18. The Board must also be satisfied that there are no significant conduct, risk, reputational, financial, operational or other reasons why awards should not be made. In reviewing performance under the DPA during 2017/18, the Committee then assessed the Society’s performance against three equally weighted measures. In addition, each director’s individual performance is assessed against the delivery of the Society performance scorecard as well as individual goals, conduct and behaviours:

<table>
<thead>
<tr>
<th>Cornerstone/Measure</th>
<th>Performance target range: threshold – maximum</th>
<th>Performance relative to targets</th>
<th>Outcome</th>
<th>Performance pay achieved (% of salary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building thriving membership – Number of engaged members</td>
<td>7.75m - 8.54m</td>
<td>Target</td>
<td>8.14 million customers</td>
<td>Chief Executive: 23.5</td>
</tr>
<tr>
<td>Building legendary service – Customer service satisfaction rating</td>
<td>1st - 1st + 4%</td>
<td>Maximum</td>
<td>1st in our high street peer group with a 4.6% lead¹</td>
<td>Chief Executive: 36.7</td>
</tr>
<tr>
<td>Built to last – Sustainable cost savings²</td>
<td>£80m - £140m</td>
<td>Above target</td>
<td>£105m</td>
<td>Chief Executive: 25.5</td>
</tr>
</tbody>
</table>

Individual performance element

Total performance pay achieved based on Society performance (prior to Remuneration Committee adjustment)

Remuneration Committee discretionary performance and risk assessment – In addition to the measures above, in determining overall award levels, the Committee considered a broad range of factors and for 2017/18 decided to apply a downward adjustment of 7.5% to the total value of performance pay achieved (as set out in the totals above)

Total performance pay achieved based on Society performance (after Remuneration Committee adjustment)

Out of a maximum opportunity (as a % of salary) of:

For awards in respect of 2017/18, 20% of the award is payable in June 2018 with 20% retained until June 2019. The remaining 60% is deferred, payable in five equal amounts between years three and seven following the date of award. 50% of the upfront portion and 60% of the deferred portion is linked to the performance of the Society’s core capital deferred shares (CCDS). These elements are payable in cash subject to a 12 month retention period.

¹ © GfK 2018, Financial Research Survey (FRS), 12 months ending 31 March 2018, proportion of extremely/very satisfied customers minus proportion of extremely/very/fairly dissatisfied customers summed across current account, mortgage and savings. High street peer group defined as providers with main current account market share >4% (Barclays, Halifax, HSBC, Lloyds Bank (inc C&G), NatWest, Santander and TSB).
² Subject to remaining within an adjusted cost position of £1,910 million after excluding costs of incremental investment relating to our efficiency programme.
Executive directors’ pay for the year

Audited information

The tables in the following sections have been audited by PricewaterhouseCoopers LLP. The table below shows the total remuneration for each executive director for the years ended 4 April 2018 and 4 April 2017.

<table>
<thead>
<tr>
<th>Executive directors</th>
<th>Fixed remuneration</th>
<th>Variable remuneration</th>
<th>Total pay package</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary (note i)</td>
<td>Benefits (note ii)</td>
<td>Pension allowance</td>
</tr>
<tr>
<td>2018</td>
<td>2017</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>J D Garner</td>
<td>855</td>
<td>217</td>
<td>342</td>
</tr>
<tr>
<td>T P Prestedge</td>
<td>580</td>
<td>146</td>
<td>191</td>
</tr>
<tr>
<td>M M Rennison</td>
<td>625</td>
<td>189</td>
<td>206</td>
</tr>
<tr>
<td>C S Rhodes</td>
<td>580</td>
<td>68</td>
<td>191</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,640</strong></td>
<td><strong>620</strong></td>
<td><strong>930</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Executive directors</th>
<th>Salary (note i)</th>
<th>Benefits (note ii)</th>
<th>Pension allowance</th>
<th>Variable remuneration (note iii)</th>
<th>Buy-out award (note iv)</th>
<th>Total pay package including buy-out award</th>
<th>Total pay package excluding buy-out award</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2016</td>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J D Garner</td>
<td>840</td>
<td>181</td>
<td>336</td>
<td>958</td>
<td>1,071</td>
<td>3,386</td>
<td>2,315</td>
</tr>
<tr>
<td>T P Prestedge</td>
<td>560</td>
<td>87</td>
<td>185</td>
<td>496</td>
<td>-</td>
<td>1,328</td>
<td>1,328</td>
</tr>
<tr>
<td>M M Rennison</td>
<td>614</td>
<td>152</td>
<td>203</td>
<td>523</td>
<td>-</td>
<td>1,492</td>
<td>1,492</td>
</tr>
<tr>
<td>C S Rhodes</td>
<td>568</td>
<td>50</td>
<td>187</td>
<td>484</td>
<td>-</td>
<td>1,289</td>
<td>1,289</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,582</strong></td>
<td><strong>470</strong></td>
<td><strong>911</strong></td>
<td><strong>2,461</strong></td>
<td><strong>1,071</strong></td>
<td><strong>7,495</strong></td>
<td><strong>6,424</strong></td>
</tr>
</tbody>
</table>

Notes:

i. As disclosed in last year’s report, salaries were increased with effect from 1 April 2017. J D Garner and M M Rennison received an increase of 1.8%, C S Rhodes 2.1% and T P Prestedge 3.6%.

ii. Benefits include private medical cover, car allowance and the use of a company vehicle and driver when required for business purposes.

iii. Variable remuneration consists of the awards under the DPA. Details of this plan and associated performance measures are set out earlier in this report.

iv. This buy-out figure represents two elements: i) the initial total value of a deferred award linked to the value of the Society’s core capital deferred shares (CCDS). 74% of which was paid in 2016/17 with the remaining 26% paid in March 2018; and ii) cash payments totalling £589,029 paid in four instalments between July 2017 and August 2018. The buy-out awards do not form part of ongoing remuneration.
Non executive directors’ pay for the year

Audited information

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

<table>
<thead>
<tr>
<th>Non executive director</th>
<th>2018 Society and Group fees (£’000)</th>
<th>2017 Society and Group fees (£’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>D L Roberts (Chairman)</td>
<td>389</td>
<td>383</td>
</tr>
<tr>
<td>R Clifton</td>
<td>96</td>
<td>95</td>
</tr>
<tr>
<td>M Fyfield</td>
<td>76</td>
<td>74</td>
</tr>
<tr>
<td>M A Lenson</td>
<td>106</td>
<td>105</td>
</tr>
<tr>
<td>K A H Parry (note i)</td>
<td>121</td>
<td>99</td>
</tr>
<tr>
<td>L M Peacock (Senior Independent Director) (note ii)</td>
<td>141</td>
<td>138</td>
</tr>
<tr>
<td>R K Perkin (Senior Independent Director) (note ii)</td>
<td>-</td>
<td>43</td>
</tr>
<tr>
<td>U K Prashar (note iii)</td>
<td>81</td>
<td>16</td>
</tr>
<tr>
<td>T Tookey</td>
<td>125</td>
<td>130</td>
</tr>
<tr>
<td>G Waersted (note iv)</td>
<td>63</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,198</strong></td>
<td><strong>1,083</strong></td>
</tr>
<tr>
<td>Pension payments to past non executive directors (note v)</td>
<td>251</td>
<td>252</td>
</tr>
</tbody>
</table>

Notes:

i. K A H Parry joined the Board on 23 May 2016.
ii. L M Peacock succeeded R K Perkin as Senior Independent Director on 21 July 2016.
iii. U K Prashar joined the Board on 18 January 2017.
iv. G Waersted joined the Board on 1 June 2017.
v. The Society stopped granting pension rights to non executive directors who joined the Board after January 1990.

The year ahead

The Committee will continue to focus on ensuring that our remuneration structure supports the right culture and behaviours as well as our values as a mutual. Key priorities for 2018/19 include reviewing the impact for Nationwide of the proposed changes to the UK Corporate Governance Code and the introduction of UK legislation requiring quoted companies to publish the ratio of pay between their Chief Executive and average employee.

Our current remuneration policy was approved by our members at the 2017 AGM, and unless changed will continue to apply until 2020.

A summary of the remuneration policy is set out below, together with an overview of how the policy will be applied in 2018/19 and a table setting out the potential pay under the policy. This summary does not replace or override the full approved policy, which is available at nationwide.co.uk

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

The increase in base salary of 3.5% for J D Garner outlined in the table below takes into account the reduction in pension allowance from 40% to 33% of salary with effect from 1 April 2018. This reduction aligns J D Garner to the other executive members of the Board, whilst ensuring that his total on target remuneration remains broadly flat year on year.
Breakdown of total remuneration for 2018/19 (£’000)

<table>
<thead>
<tr>
<th>Remuneration policy</th>
<th>Operation</th>
<th>Implementation in 2018/19 for executive directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary</td>
<td>• Reviewed annually, taking into account market levels of pay, individual skills, performance and experience, and the approach to salaries throughout Nationwide.</td>
<td>An overall aggregate increase of 2.3% applies across the executive directors which is in line with the pay review for the wider employee population: • J D Garner £885,000 (3.5%) • T P Prestedge £590,000 (1.7%) • M M Rennison £635,000 (1.6%) • C S Rhodes £590,000 (1.7%)</td>
</tr>
<tr>
<td>Benefits</td>
<td>• Include car benefits, healthcare and insurance benefits.</td>
<td>No change for 2018/19.</td>
</tr>
<tr>
<td>Pension</td>
<td>• Executive directors receive a cash allowance in lieu of pension.</td>
<td>A reduction in pension allowance has been agreed for J D Garner from 1 April 2018 as set out above. No change for other current executive director pensions for 2018/19 set at 33% of salary. The maximum pension allowance for new appointments is capped at 25% of salary.</td>
</tr>
<tr>
<td></td>
<td>• Maximum allowance is 40% of salary.</td>
<td></td>
</tr>
<tr>
<td>Our performance pay plan, the Directors’ Performance Award (DPA), comprises two elements: (i) an all-employee element; and (ii) an element in which the most senior team participate subject to deferral provisions</td>
<td>• Rewards annual performance against stretching Society, team and individual measures and objectives • Performance measures reflect the priorities of the Society and are drawn from the Society’s plan • Deferral periods are such that no more than 40% of total performance pay is paid after the performance period and 60% is deferred for between three and seven years • At least 50% of awards are linked to the value of the Society’s core capital deferred shares and subject to a 12 month retention period • Awards are subject to clawback for up to ten years • The all-employee element operates on the same basis for all employees.</td>
<td>No change in maximum award opportunity for 2018/19: • Chief Executive 152% of salary • Other executive directors 112% of salary. Performance measures: • Gateway measures based on statutory profit, 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 – Sustainable cost savings. Up to 28% of the award assessed based on individual contribution and behaviours including in relation to conduct matters.</td>
</tr>
<tr>
<td>Chairman and non executive director fees</td>
<td>• Chairman fees normally reviewed and approved by the Remuneration Committee on an annual basis • Non executive director fees normally reviewed and approved by the executive directors and the Chairman on an annual basis • Non executive directors receive a basic fee and an additional supplement is paid for serving on or chairing a Board Committee • The Chairman and non executive directors do not participate in any performance pay plans or pension arrangements. Benefits may be provided if considered appropriate.</td>
<td>Inflationary increases of 1.5% have been made to the Chairman and non executive director basic fee and the fee for membership of the Nomination and Governance Committee has also been increased for 2018/19.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

What our executive directors could earn in 2018/19 based on performance

The table below illustrates the amounts that executive directors would be paid under three different scenarios.

Breakdown of total remuneration for 2018/19 (£’000)

<table>
<thead>
<tr>
<th>Remuneration policy</th>
<th>J D Garner</th>
<th>T P Prestedge</th>
<th>M M Rennison</th>
<th>C S Rhodes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Pay</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>885</td>
<td>590</td>
<td>635</td>
<td>590</td>
</tr>
<tr>
<td>Pension as a % of salary</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Performance pay</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target as a % of salary</td>
<td>98%</td>
<td>78%</td>
<td>78%</td>
<td>78%</td>
</tr>
<tr>
<td>Maximum as a % of salary</td>
<td>152%</td>
<td>112%</td>
<td>112%</td>
<td>112%</td>
</tr>
<tr>
<td>Total remuneration1</td>
<td>1,394</td>
<td>931</td>
<td>1,034</td>
<td>853</td>
</tr>
<tr>
<td>Fixed pay – base salary, pension and benefits</td>
<td>2,261 - 2,739</td>
<td>1,391 - 1,592</td>
<td>1,529 - 1,745</td>
<td>1,313 - 1,514</td>
</tr>
<tr>
<td>Total remuneration (target – maximum, taking into account performance)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Includes benefits based on 2017/18 actuals.
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