Your Society. 
Strong today, investing for tomorrow.

Review of the year 2019 
Including our Summary Financial Statement

Jade, member since 2013 and 
Sienna, member since 2016
Welcome
to our review of what we’ve achieved together over the last 12 months.

It covers the financial year from 5 April 2018 to 4 April 2019, and tells you all you need to know about your Society.

Find out how we’ve been working with you, our members, in our local communities, how we’re helping you make the most of your money and why we’re introducing a new business current account. There’s also an update from our Chairman, David Roberts, and Chief Executive Officer, Joe Garner.

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

Thank you for being part of Nationwide. Your membership really does make all the difference.
When Nationwide was founded in 1884, we were known as the Co-operative Permanent Building Society. And, over the years, we joined with lots of other smaller, local societies up and down the country.

While all of these societies had one thing in common – ordinary people saving money to help each other buy homes – many of them supported local small businesses too.

One was the Exeter Building Society who lent out mortgages on pubs, hotels and cinemas. At one point they even took over the running of a pub while it was being sold to make sure the licence kept going.

Fast forward to today, and many of our members are still small business owners, and we know from our own research that an alternative to the established high street business banking providers would be very welcome.

Which is why we’re going to support small businesses once again with our new business current account.

Our CEO, Joe Garner, talks about how the account is being specially designed to suit small, local enterprises.

“We want to support small businesses as much as we can during a time when our high streets are under pressure. And we want to support them with the same level of service and trust we offer our members.”}

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Giles, small business owner
Review of the year 2019

What have we done to build society this year?

15.9 million members
2018: 15.5 million

UK’s most trusted financial brand

Banking Brand of the Year 2018

£788 million underlying profit
2018: £977 million

£833 million statutory profit
2018: £977 million

17,000 first-time buyers helped into their own homes
2018: 76,000

Nationwide for Business:
our commitment to launch an everyday current account for small businesses

More than 1 in 5 current account switchers came to us

We’re investing an extra £1.3 billion in technology over five years

Our branch promise:
every town and city which has a branch today will still have one until at least May 2021

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2 2018 comparative has been restated to reflect a change in the components of underlying profit. See page 26 for more information.

3 Pay.UK monthly CASS data. 12 months to March 2019: 21.5%, 12 months to March 2018: 18.9%.
How’s your Society performing?

We track our performance by focusing on the things that matter most to our members: great service, long-term value, and financial strength. Pursuing profits isn’t our primary goal. Instead, we manage our profits to strike the right balance between giving great value and service to our members, making sure their money is safe and secure, and investing so that we can continue to do our best for them in the future.

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

We aim to deliver at least £400m of value to our members each year through better pricing than the market average.

We’ve committed to give at least 1% of our pre-tax profits to charitable activities.

We aim to have a UK leverage ratio (a measure of money put aside to protect us and our members’ money) of at least 4.5%.

Service
Giving our members the best service possible

Value
Helping more members achieve their financial goals, giving them better value products and contributing to local communities

Strength
Keeping our members’ money safe and secure

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

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

We’re aiming to have 10 million engaged members by 2022, with 4 million committed members using at least two of our products.

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Engaged members have at least one of their main personal current account, a mortgage with a balance greater than £5,000, or a savings account with a balance greater than £1,000 with us. Committed members have two or more of our products, of which at least one is an engaged membership product. Previously, the savings threshold was £5,000. 2018 data has been restated to be shown on the new basis. Figures are as at 31 March each year.

The 1% is calculated based on average pre-tax profits over the previous three years. It includes internal costs associated with managing our social investment activities, but excludes employee volunteering.

© Ipsos MORI 2019, Financial Research Survey (FRS), 12 months ending 31 March 2019 and 12 months ending 31 March 2018, c.60,000 adults surveyed per annum. Proportion of extremely/very satisfied customers minus proportion of extremely/very/fairly dissatisfied customers summed across main current account, mortgage and savings. Peer group defined as providers with main current account market share >4% (Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB).

1 Institute of Customer Service’s UK Customer Satisfaction Index January 2019 and January 2018.

6 Engaged members have at least one of their main personal current account, a mortgage with a balance greater than £5,000, or a savings account with a balance greater than £1,000 with us. Committed members have two or more of our products, of which at least one is an engaged membership product. Previously, the savings threshold was £5,000. 2018 data has been restated to be shown on the new basis. Figures are as at 31 March each year.

7 The 1% is calculated based on average pre-tax profits over the previous three years. It includes internal costs associated with managing our social investment activities, but excludes employee volunteering.
Review of the year 2019

From my perspective as your Chairman, I see a Society that is thriving. We’re attracting record numbers of members, and our service continues to be better than that of our peer group. The strength of our finances means we can invest for the future, while maintaining strong capital reserves – the amount we set aside to protect ourselves from unexpected events.

This makes our Society a point of stability in an uncertain world.

Our strong capital position and cautious approach to risk means we can continue to support more members to buy homes, save for the future and manage their finances.

Today we are also facing transformational changes in technology and financial services. New competitors are emerging, and consumers have more choice – and higher expectations of service – than ever before.

To remain relevant, valued and competitive, we have chosen to increase significantly the amount we are investing in technology, taking our planned five-year strategic investment to over £4 billion. The additional investment will allow us to develop new digital and branch technologies to serve the changing needs of members, however they choose to interact with us; and to remain safe and secure.

Dear fellow member,

As a member of Nationwide Building Society, you are also an owner, so this review is for you – to find out how we’ve done in the last year, and how the Board and management are leading the Society on your behalf.

A letter from David Roberts
Your Society’s Chairman
This investment has, as planned, reduced our profits in the short term, but they remain sufficiently strong for our requirements. We were able to take this decision because, as a building society, we are not here to maximise profits but to balance sufficient profit while providing members an excellent service, long-term value and financial strength.

The Society must be fit for the future and so must the Board. We evaluate the Board’s capabilities and performance annually, and in 2018 this took the form of an externally facilitated review. This found the Board to be operating effectively, with a strong focus on the interests of our members. The review identified some areas for us to prioritise, including preserving our culture and mutual values in a time of great change, and spending more time on strategic issues, as well as overseeing operational performance.

The balance of the Board’s skills, capabilities and independence is important to our success. We welcomed Albert Hitchcock to the Board, whose wealth of experience in technology transformation will strengthen the Board’s oversight of the Society’s technology investment programme. After eight years, Mitchel Lenson will retire from the Board at our AGM in July 2019 and I would like to thank him on behalf of the Board for his valuable contribution over that time.

Another important part of the Board’s work is to ensure we pay our colleagues fairly. We pay the vast majority of our people at or above the market average while also consciously paying our most senior executives less than most of our competitors, balancing this decision with the need to attract the right people to lead the Society now, and in the future. I would encourage you to read more on this in our Summary report of the directors on remuneration on page 29.

Our Board benefits hugely from hearing the views of members and colleagues. We gain invaluable insights from members through live TalkBack events and our online forum, Member Connect. Colleagues are given many opportunities to hear from and, as importantly, have open conversations with the CEO and his leadership team. Our ‘People’s Choice’ leaders, for example, are chosen by their colleagues and share insights at Board and committee meetings. We have also given non-executive director Mai Fyfield responsibility for ensuring the Board hears the views of our employees.

I’ve talked a lot about change, so I’d like to close by assuring you that some things will remain the same. Our values and aspirations are constant, allowing us all to thrive together.

Our Society is financially strong and growing, and we look to the future with confidence

There is no other member-owned financial business in the UK that can match our scale and reach, and we feel a real sense of responsibility to provide a service- and values-driven alternative to the big banks.

We have the strength, experience and values, as well as the steadfast support of our members and colleagues, to continue to succeed. Thank you all for your support for our Society.

David Roberts
Chairman

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© Ipsos MORI 2019, Financial Research Survey (FRS), 12 months ending 31 March 2019 and 12 months ending 31 March 2018, c.60,000 adults surveyed per annum, proportion of extremely/very satisfied customers minus proportion of extremely/very/fairly dissatisfied customers summed across main current account, mortgage and savings. Peer group defined as providers with main current account market share >4% (Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB).
Dear fellow member,

Nationwide is a building society, the largest in the UK. A quarter of adults in the country have chosen us to help them into a home, save or manage their finances. By doing so, they have become not only a member but an owner of our building society.

Being owned by you, our members, makes us approach our work differently. We have a deep and true member focus: we are here to serve our membership’s needs, now and in the future.

We are committed to delivering great service, long-term value and financial strength to our members

Our Society is in good health today and I hope you will read our more detailed reports later. Here I’d like to mention several highlights of the year:

• We’ve led our peer group on service for seven years running and have risen to joint fifth place for service in the all-sector UK Customer Satisfaction Index.

• Members have benefited from extra value on rates, fees and incentives. Our aim is that this member financial benefit will be at least £400 million a year – this year it added up to £705 million in extra value (2018: £560 million). More information is shown on page 17.

• We’ve grown our membership to a new high of 15.9 million as more people chose Nationwide for mortgages, savings and current accounts. If you’ve
been part of that story and recommended us to your friends or family, or have come to us for more of your financial needs, thank you.

- Financially we are strong. Our key measure of financial strength, our UK leverage ratio, is above our target at 4.9%. We continue to manage our risks very carefully, in an uncertain environment.

So our Society is growing and in good health. However, we must also look to the future and ensure we are best able to serve the needs of our members for many years to come. We’re anticipating a world where technology plays an even bigger role in how our members manage their money and interact with us. That’s why we’ve committed to invest an extra £1.3 billion over five years to develop new technologies that will help us continue to serve our membership better.

This investment will allow us to meet our members’ needs today and in the future, even though it reduces our profits in the short term. This is a decision we can choose to make as a building society. Nevertheless, our underlying profit of £788 million (2018: £977 million) is in line with expectations.

We’ve included lots of real-life stories in this Review, so you can see how Nationwide Building Society really is building society, nationwide. We all achieve more together than we can alone.

It’s a real privilege for me to lead an organisation that is truly focused on looking after its members. Thank you to you all, and to my colleagues, for your tremendous support for our Society.

Joe Garner
Chief Executive Officer

Our investment will make us more efficient, innovative and responsive, and help us address our members’ needs today and in the future.
We regularly hear from members at our live TalkBack events and through our online forum, Member Connect. Here are some of the questions our members ask us.

**Q**

**Why aren’t your savings rates higher?**

*Brian, Chelmsford, Essex*

Our aim is to give the best value we sustainably can, over the long-term. We’ve kept our average deposit rates more than 50% higher than the market average, providing members with £515 million in extra interest. However, in an environment where mortgage rates are low there are limits on how much we can pay to our savings members. We always try our hardest to give great value to our membership as a whole.

**Q**

**How are you protecting your members’ money from fraud?**

*Mark, Kings Lynn, Norfolk*

Members need to be able to rely on us to keep their money safe. Our colleagues in our branches play an important role in educating members on the risks of fraud and providing help when needed. We constantly strengthen our fraud defences but recognise we can only beat the fraudsters by working together and giving you the know-how you need to keep safe. Our website’s Security Centre is the place to go for our latest tips and advice.

**Q**

**How much can you guarantee that you won’t close any branches?**

*Jill, Waltham Cross, Herts*

While we can’t guarantee to keep every branch open, we’ve pledged to keep a branch in every town or city that has one today until at least May 2021. Members tell us clearly at Member TalkBacks and through our online member forum, Member Connect, how much they value our branches. We will continue to listen to members and adapt to their changing needs.

**Q**

**What are you spending over £4 billion of the Society’s funds on?**

*Sharon, Market Harborough, Leics*

A significant part of this investment is to develop the technology and services to meet our members’ changing needs in the future, and to make sure our systems are reliable, secure and efficient. Page 12 tells you more about our technology investment.

**Q**

**Why are you launching a business current account?**

*Christopher, Andover, Hampshire*

We estimate that up to a million members own a small business and our proposition will meet the straightforward needs of businesses, offering a fair value current account with leading service. We’ve decided to launch a business account because technologies and funding to boost competition in business banking now make it more economical.
At Nationwide, one of our core beliefs is that everyone deserves a place fit to call home. That’s why we’ve partnered with homelessness charity, St Mungo’s, to educate our branch colleagues on what to do if they come across someone sleeping rough.

As part of that, we’re supporting St Mungo’s new initiative, HomelessWise. It’s an online portal where our employees can take part in e-learning, access a range of local services and find practical information for people living on the streets.

Charlotte Kensett, leader of our Social Investment team, is really pleased we’re involved.

“We wanted to make sure there’s consistent and meaningful advice on the high street for the most vulnerable in our communities. We were the first organisation to join HomelessWise, and we’re encouraging others on the high street to do the same.”

Petra Salva, St Mungo’s Director of Rough Sleepers, Ex-Offenders and Migrant Services, said:

“Our partnership with Nationwide will help those who are sleeping rough receive a consistent and compassionate response. Together, we can improve the support for people sleeping rough and make a real difference to someone’s life.”

**Everyone deserves a place fit to call home**
More about our technology investment

We’re investing an extra £1.3 billion in technology, bringing our total strategic investment over five years to £4.1 billion. This will help make sure we can keep meeting our members’ needs in the future.

Why are we making this investment?

Our Society is growing, and digital technologies are changing how our members manage their money. For example, last year, they made almost 50% more contactless payments and over 40% more logins to our mobile app. Members also expect our services to be there whenever and wherever they need them.

The world around us is changing too, as new digital banks emerge, and regulators focus on making sure firms continue to use their customers’ data appropriately.

Our technology investment will help us to meet our members’ changing needs and expectations in the future, as well as making sure that our systems are reliable, secure and efficient.

This new investment means we can...

- Give our members new features and services more quickly, especially on our mobile and internet bank, by using new tools and changing how we work.
- Keep Nationwide, our members’ money and their data safe and secure by making sure we are protected against potential security threats.
- Be there when our members need us by designing our systems to make sure they are always available.
- Keep improving our products and services by getting better insight from our data.
- Give our members faster service by automating everyday tasks.
- Use our members’ money more efficiently by streamlining our technology to reduce future costs.
- Make sure our people have the right technology skills to deliver these changes.
As more and more of our members consider borrowing into retirement, we wanted to make sure they were able to get advice and borrowing options from a trusted provider.

Retirement is one of the great life stages. And for many people in later life, the start of retirement means the start of an exciting new chapter, one that they’ve worked and saved and prepared for.

But from talking with some of our members in later life, we found that however much they’d worked and saved and prepared for this moment, what they had just wasn’t quite enough for all the things they’d planned to do: that trip of a lifetime, offering a little financial help to their family, or simply enjoying a few more of life’s little luxuries.

That’s why we’ve become the first high street lender to offer a range of later life borrowing products and, more importantly, the clear and honest advice needed to help choose the solution that best suits a member’s needs.

We’re really proud to offer this service. And we’re determined to do it right.
Helping more members make more of their money

Jay’s had her current account and savings with Nationwide for over 20 years. So, when she came to buy her first home, she turned to us again.

“I’ve been with Nationwide since I was little, and I’ve worked here for 15 years, so I didn’t think twice about choosing them for my mortgage. I took a look at some other providers, but Nationwide was the one for me.”

Jay also used our MyNationwide app to help her along the way.

“The app was great – I could ask questions any time and get the answers I needed.

As a first-time buyer that was super helpful as I was a bit clueless at the start of it all! I also used the calculators to check how much I could borrow and which rates were best for me.

I’ve always trusted them to look after my money, so it made perfect sense to trust Nationwide with my home. And with the money I saved, I bought my beautiful boxer puppy, Olive.”

“It made perfect sense to trust Nationwide with my home.”
Building thriving membership

We help millions of our members into a home, to save for the future, or to manage their everyday finances, which means that mortgages, savings and current accounts are the foundation of our relationships with members.

In 2018/19 our membership grew to a new high and the number of committed members – those with two or more of our products – grew from 3.2 million to 3.4 million11. We were proud to be named Which? Banking Brand of the Year for the second year running.

As a building society, we can and do choose to give extra value to members through better rates, fees and incentives on our products. Members benefited from £705 million (2018: £560 million) in member financial benefit, well above our aim of at least £400 million.

We know our savers are hard-pressed after years of low interest rates, and continue to give members the best rates the Society can sustainably afford. However, in an environment where mortgage rates are low there are limits to how much we can pay our savings members. As a result of us keeping average deposit rates more than 50% above the market average, members earned an extra £515 million in deposit interest (2018: £435 million). Members responded enthusiastically to new products to reward loyalty and meet evolving needs, opening more than 470,000 new Single Access and Loyalty ISAs, and over 75,000 Future Saver accounts for children. These helped us grow deposits strongly, increasing by £6.0 billion (2018: £3.5 billion).

Thanks to our competitive mortgage range, we helped more members into homes, including a record 77,000 first time buyers, one in five of all first time buyers across the country. As a result, our gross mortgage lending grew to £36.4 billion (2018: £33.0 billion) and net lending to £8.6 billion (2018: £5.8 billion). We improved our buy to let range and grew our lending to landlords through The Mortgage Works.

In 2019 we are expanding your home loan choices with the launch of a Later Life Lending range for older homeowners.

We relaunched our home insurance proposition which was well received by members who took out 97,000 policies, almost 30% more than in 2018 and we were the top-placed insurance provider in the Institute of Customer Service’s UK Customer Satisfaction Index12.

More people are choosing Nationwide to manage their everyday finances; 794,000 new current accounts were opened with us this year (2018: 816,000), and we attracted more than one in five switchers13. Our market share of main current accounts increased to 8% for the first time14 – a milestone for your Society.

We hope to replicate our current account success among small firms, with the launch of our business current account backed by £50 million in funding from the Banking Competition Remedy Limited’s Capability and Innovation Fund. We hope those of you who own a small firm will consider switching to us and take advantage of a market leading digital platform combined with the personal service you already receive.

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11 Committed members have two or more of our products, of which at least one is their main personal current account, a mortgage with a balance greater than £5,000, or a savings account with a balance greater than £1,000.
12 Institute of Customer Service’s, Customer Satisfaction Index, January 2019.
13 Pay.UK monthly CASS data, 12 months to March 2019.
14 Source: CACI (April 2018 - February 2019) and internal calculations ‘Main accounts’ refers to main standard and packaged accounts.
Mr L visited our Woodley branch and asked to transfer £95,000 from his bonds to his current account.

When the branch team routinely asked why he wanted to move the money, he told them it was for personal reasons. Our Branch Manager, Andreas (pictured), thought something didn’t seem quite right. He took Mr L into a private room and asked him if everything was ok.

“Mr L’s one of our regulars and we know him well here in the branch, so I could tell that he wasn’t his normal self. I asked if anyone had told him to take out the money. After a bit of hesitation, he told me someone claiming to be the police and trading standards had told him he needed to pay them £95,000 to repair the foundations of his house.”

The rogue traders had told Mr L if he didn’t pay, they’d name and shame him in the newspaper. They’d also warned him not to tell anyone what he was doing.

“I’m so glad Andreas intervened and was persistent in trying to help me, as the alternative would have been too scary. I would have had nothing.

Nationwide is, and always has been, looking after us. I’m so grateful to Andreas and the team for being so vigilant.”
We are committed to running a financially secure Society, providing a safe home for members’ money. As a building society, we are able to make decisions in the long-term interests of our members.

We are well placed to withstand the current uncertainties. Our capital – the funds that are a cushion against unexpected economic events – is above our own targets and regulatory requirements. Our UK leverage ratio – the key measure of our financial strength – is at 4.9%, and our common equity tier 1 capital ratio has increased to 32.4% (2018: 30.5%). We are managing our risks conservatively, although lower house price growth resulted in a slightly higher loan to value ratio on total lending of 58% (2018: 56%).

We have continued to manage costs and have delivered over £100 million in sustainable savings in each of the last two years and are on track to achieve our increased target of £500 million in sustainable cost savings by 2023.

As a building society, our decisions are driven by what is in our members’ long-term interests rather than the need to make ever-higher profits.

We’ve provided members with extra value by continuing to compete in a crowded savings and mortgage market. By providing better rates and incentives and lower fees than the market average, members benefited from £705 million in member financial benefit, well above our aim of at least £400 million. It is a conscious decision to forgo net interest and fee income, which reduces our margin and therefore makes us less profitable. In a competitive market we will continue to offer our members long-term good value and we expect pressure on our margins to continue during the coming financial year.

We also chose to invest an additional £1.3 billion in technology over five years, taking our total strategic investment, including investment in branches to £4.1 billion. This will allow us to continue to meet your changing needs and expectations, improve our products and services, and ensure our systems are reliable, secure and efficient. There’s more about our investment on page 12.

As a result of these conscious choices our underlying profit was down to £788 million (2018: £977 million). The reduction in profits was largely due to a charge related to asset write-offs and our additional technology investment.

£705 million of member financial benefit

As a building society, we seek to maintain our financial strength whilst providing value to our members through pricing, propositions and service. We use member financial benefit to measure the additional financial value from the highly competitive mortgage, savings and banking products that we offer compared to the market. The value for individual members will depend on their circumstances and product choices. This year, members benefited from £705 million in aggregate through:

- 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
- rewards such as ‘Recommend a Friend’.
Striving to serve our members better every day

Emma’s sons told her they wanted to look after their own money. That’s why she took Carl and Jacob into their local branch to open their very own FlexOne current accounts.

“I chose Nationwide because I wanted an organisation that I can trust to look after my sons’ interests. The team were so welcoming and I knew instantly that I’d made the right choice. To me, a building society feels safer and more caring than the big banks, and that’s what I want for my boys.”

Carl and Jacob had a fab time when they went into branch and met Luke, one of our Personal Banking Managers.

“We loved opening our accounts. Luke was really nice and he told us all about saving our money. He even told us we own Nationwide and that we’re his boss!”

Emma’s really pleased that she and her family have a branch nearby.

“It means we feel like we have a real relationship with Nationwide. It makes us trust them and know that we’re part of something. And thank you so much to Luke for being so amazing. You made my boys feel like they matter. That they’re not just a number.”

“You made my boys feel like they matter. That they’re not just a number.”
We all know what good service feels like. When you’re in a hurry, it’s quick and efficient. When you’re faced with a dilemma, it’s unhurried and personal. In other words, good service is not ‘one-size-fits-all’: it combines the best of human and digital communications.

Your Society starts from a strong place. For seven years running, we’ve been no.1 for service among our peer group. We’ve moved up to joint fifth in the all-industry UK Customer Satisfaction Index, from joint seventh last year. Satisfaction with our current account is better than our peer group, which we lead by over 10%, and we were proud to be named Which? Banking Brand of the Year for the second year running.

However, as service expectations continue to grow, we continue to work hard to improve our service across all channels.

We know members still want to talk to someone face-to-face about big financial decisions, so we continue to invest in our branches. We’ve pledged to keep a branch in every town or city where we have one today until at least May 2021, and we’re investing £350 million over five years to transform our network. Last year, we converted over 100 branches to an open plan format, with high-definition video and iPads, comfortable seating for coffee and conversation, and private spaces for personal consultations. We also merged a handful of branches that were near each other and refurbished the remaining branch to offer you better services and technology.

Many members want to make the most of the speed and convenience of digital devices. Over 2.7 million members are now active mobile users – almost a third more than last year. Net satisfaction with our app is over 90% but we are not complacent, and continue to invest in new functionality.

You can now set up new payees and standing orders, report lost or stolen cards, create and track savings goals, and change your passcode on the move. Later this year, we will launch a service that lets you choose to see your accounts with other providers in our mobile banking app.

We’ll be able to go further and faster in developing our digital services over the next few years, thanks to our technology investment, providing you with excellent service however you choose to deal with us.
Creating the right culture to do the best for our members

Here at Nationwide, all our employees are from different backgrounds with different perspectives. And we know that those differences make us stronger and help us understand our members, who are also hugely diverse. Some of our people have been with us for over 40 years, some are brand new. Some have come from university, others have joined us from other organisations. And recently, we’ve had more and more apprentices coming to work with us.

Elrich is 21. He went to school in Swindon and as the time came to leave, he decided to look into an apprenticeship. That’s when he thought of us. He joined the Society’s apprenticeship scheme back in 2016.

“Since then, I’ve been promoted to IT Disaster Recovery Analyst and have been given extra time to study for my degree in Business Management. I feel like Nationwide has really supported me, both in my work and my studies.”

Kate, our Emerging Talent Manager here at Nationwide, looks after our apprentices.

“We believe that encouraging our employees to build their careers in the way that’s best for them means they’re happier at work. And that means they’ll be doing their best for our members, too.”

“I feel like Nationwide has really supported me, both in my work and my studies.”
PRIDE is about the culture, values and principles we strive to live by. It’s about how we treat you, our members and each other. It’s about creating a working environment where people are valued, teamwork is celebrated, and everyone can grow and develop their careers.

We’ve worked hard to create a strong culture and have committed colleagues. This is evident from this year’s employee engagement score, which at 79% (March 2018: 78%) continues to be above the high-performing benchmark of 77%. Our ethic of care for our members and each other is also strong: the culture survey carried out by the Banking Standards Board found that 92% of our people believe we put our customers at the centre of business decisions.

However, our rapidly changing world demands new skills and behaviours from our people to support greater innovation and pace. As a result, we developed a new people strategy last year with several key goals.

This includes several initiatives to support individuals feeling more accountable and empowered, most notably the Arthur Webb Challenge Cup, which this year has seen over 700 employees generating innovative solutions to improve our employee and member experience.

Leadership behaviour plays a key role in creating the right environment for this to be successful, so our strategy includes accelerating leadership capability through career pathways. This builds on our flagship Leading for Mutual Good programmes, which over 1,000 leaders have now participated in.

We’ve also introduced a Developing My Leadership programme that puts our people in control of their skills development. This is part of a renewed focus on learning, which also includes a move to provide expanded learning resources online.

Enabling our people to be the best they can be also involves increasing focus on wellbeing in and outside work. We have introduced a wellbeing campaign to encourage employees to take a proactive approach to their social, mental, physical, emotional and financial wellbeing.

Fair pay and reward remain an important part of our ethos. This was the second year of our Sharing in Success reward scheme, by which all our people receive an award which reflects how well the Society has performed against targets that serve your interests: giving you better service than our peer group, serving more of your needs, and achieving our cost saving targets. In 2019, the award was 8.7% (2018: 9.5%). We also made a significant change in how we celebrate loyalty and long service.

In the coming year, we will be actively recruiting up to 1,000 technology specialists to support our technology investment. We’ve created a Technology Talent Squad to address this people challenge and have created an inclusive assessment process to make sure we have access to the widest talent pool possible.

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19 The comparative for Nationwide’s employee engagement score in 2018 has been restated based on updated information. The high-performing benchmark is based on data from more than 35 companies around the world across a range of industries. It covers more than 450,000 employees.

20 This is an annual survey undertaken by the Banking Standards Board covering 26 firms, including 9 systemically important institutions in the UK (of which Nationwide is one) plus a range of other mid-sized and small banks and building societies. It aims to raise standards across the sector. Over 3,000 colleagues at NBS participated in the last assessment.
Promoting diversity and inclusion

Our diversity and inclusion agenda is about how we create a working environment where all our people feel valued and able to use their unique talents with those of other colleagues to make our Society stronger and more successful.

By the end of 2020, our goal is for women to fill between 33-35% of our most senior roles (currently 34.9%), and for 8-15% of these roles to be filled by Black, Asian and Minority Ethnic (BAME) employees (currently 4.7%). We’re also aiming for 2.6% of roles at all levels to be filled by disabled people (currently 2.5%). We set these challenging targets in 2015 and we’re pleased to have met our gender target ahead of schedule and to be close to achieving our disability target. However, despite considerable efforts, achieving our BAME target has proved much more challenging than we anticipated. We are creating progressive and sustainable plans to address this and continue to stretch our ambition on all areas of diversity and inclusion.

Each part of the Society is working to address its own priorities with tailored diversity and inclusion action plans. For example, the Finance & Efficiency community has begun cultural awareness workshops to prevent potential unconscious bias. Each area of the Society has also appointed a senior manager to report progress monthly to our new Strategic Diversity and Inclusion Action Group.

As we are planning on recruiting up to 1,000 people to support our technology investment, we have also created a distinct people proposition and assessment process to help attract quality candidates who share our values. This includes making sure we are attractive to candidates who are neuro-diverse, such as people on the autism spectrum, and thereby widening our potential talent pool.

Gender pay gap

We published our second gender pay gap report in November 2018, which showed our mean average gender pay gap as at 5 April 2018 was 28% (compared with 29% in 2017). This is very much a function of the nature of our business and our resulting employee profile. Our overall gender pay gap is therefore driven by having far fewer men in our junior roles which reflects our long-term success in offering a variety of work patterns which appeal to individuals at different stages of their career. We are committed to achieving a more balanced gender distribution and are putting new programmes in place to help improve opportunities for women at senior levels.
The Rock Trust aims to prevent youth homelessness and support young people to build better futures. Last year, they received a £50,000 Community Grant from Nationwide’s Community Board in Scotland.

Ally is Head of Services at the Rock Trust.

“When young people leave foster care, they face temporary accommodation and uncertain futures. Our Housing First project helps them break out of that cycle by offering them a permanent place to live, and support to stand on their own two feet. With Nationwide’s help, we’ve doubled the number of young people we can support.”

Hannah is 17 and used to be Scotland’s most reported missing person.

“The Rock Trust stepped in when I most needed it. I used to run away all the time and I didn’t feel like I could trust anyone. Now I’ve got a place to call my own, I’m at college and I don’t drink or do drugs anymore. I feel like this is my home. And I know I have help no matter what.”

Adam (pictured) is one of Hannah’s Rock Trust project workers who supports her day-to-day.

“The biggest change I’ve seen in Hannah is her confidence. She lives on her own, supports herself and has made such a positive change to her life. And Nationwide’s grant is helping us do that for so many others now, too.”

Nationwide Community Grants have been rolled out across the whole of the UK.
Building a national treasure is our most ambitious element of our strategy. It’s not about how we see ourselves, but about how others see us: how well we are trusted, recognised as a brand, and seen as a force for good in society.

We’re pleased to be no.1 for trust in our peer group, with a lead of 2.3% (March 2018: 1.4%), and to be joint top for brand consideration (this measures how many consumers would consider Nationwide for their financial needs). Both our trust and brand consideration were our highest ever year-end scores21.

We believe that as a building society, guided by a social purpose, we have a responsibility to make our communities better places to live and work22.

In 2007 members voted to commit at least 1% of pre-tax profits to charitable activities. In 2018/19 we invested £10.6 million in community projects, including our own programmes and the Nationwide Foundation (see page 25).

Our social investment reflects our founding purpose of helping people into better homes. Through our social investment strategy, built on the idea that everyone should have a place fit to call home, our Community Boards made grants totalling £3.9 million to more than 100 housing-related projects. We’ve helped older people in Scotland live independently for longer and homeless young people in Gloucestershire rebuild their lives, and in Wales we’ve helped to give young vulnerable people vital out of hours support with funding of a new helpline.

We’re also working with Swindon Borough Council and the local community to develop an innovative housing scheme to transform a brownfield site in Swindon creating the start of a new community of 239 homes. We’ll share what we learn to encourage other responsible businesses to do more as part of our commitment to find local solutions to the national housing shortage.

There are around 13 million people in the country who are coping financially, but only just keeping their heads above the water. We are funding a £3 million Open Banking for Good challenge, to encourage technology firms to use Open Banking standards to develop apps and services that put people more in control of their money. We’re working with seven firms, with the most successful solutions going forward to be developed.

Finally, we’re also using our expertise and influence to improve the quality of private rented homes through our cross-industry Partnership Board. We have already successfully backed a Private Member’s Bill to let tenants bring claims against landlords for poor quality homes, and succeeded in widening access to the rogue landlord database.

21 Source: Nationwide Brand and Advertising tracker compiled by Independent Research Agency, based on all consumer responses, 12 months ended 31 March each year since the surveys began in 2012. Financial brands included Nationwide, Barclays, Co-operative Bank, First Direct, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB. Joint top for brand consideration with Halifax.

22 Social investment statements on this page have been assured to ISAE 3000 standard by Corporate Citizenship, an external Corporate Responsibility Consultancy. The assurance statement is available on nationwide.co.uk.
We give 0.25% of our pre-tax profits to The Nationwide Foundation, a charity that aims to increase the availability of decent, affordable homes for people in housing need. The Nationwide Foundation awards grants to charitable causes around the UK, supporting and testing housing solutions. It also seeks to change the way key decision-makers think about and tackle the housing problems we face as a country.

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

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

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

For the year ended 4 April 2019

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 12 June 2019. 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.

Results for the year

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>2,915</td>
<td>3,004</td>
</tr>
<tr>
<td>Other income and charges</td>
<td>255</td>
<td>128</td>
</tr>
<tr>
<td>Gains/(losses) from derivatives and hedge accounting</td>
<td>36</td>
<td>(1)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(2,254)</td>
<td>(2,024)</td>
</tr>
<tr>
<td>Impairment losses and other provisions</td>
<td>(119)</td>
<td>(130)</td>
</tr>
<tr>
<td>Profit for the year before taxation</td>
<td>833</td>
<td>977</td>
</tr>
<tr>
<td>Taxation</td>
<td>(215)</td>
<td>(232)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>618</td>
<td>745</td>
</tr>
</tbody>
</table>

Reconciliation of statutory profit to underlying profit

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory profit for the year before taxation</td>
<td>833</td>
<td>977</td>
</tr>
<tr>
<td>FSCS (note ii)</td>
<td>(9)</td>
<td>(1)</td>
</tr>
<tr>
<td>(Gains)/losses from derivatives and hedge accounting (note iii)</td>
<td>(36)</td>
<td>1</td>
</tr>
<tr>
<td>Underlying profit for the year before taxation (note iv)</td>
<td>788</td>
<td>977</td>
</tr>
</tbody>
</table>

Notes:

i. Comparatives have been restated to categorise items on a consistent basis with the current year.

ii. Financial Services Compensation Scheme (FSCS) costs which are excluded from statutory profit arise from institutional failures. Ongoing FSCS management expenses are included within underlying profit.

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

iv. The components of underlying profit have changed in the period to reflect more appropriately ongoing business performance. Underlying profit now includes the bank levy and FSCS management expenses, which were previously excluded. Comparatives have been restated.

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.

Summary directors’ report

The Summary directors’ report comprises ‘What have we done to build society this year?’ on page 4, ‘How’s your Society performing?’ on page 5, the Chairman’s letter on pages 6-7, and the Chief Executive’s review on pages 8-10, 12, 15, 17, 19, 21-22 and 24.

Approved by the board of directors on 20 May 2019 and signed on its behalf by:

D L Roberts, Chairman

J D Garner, Chief Executive Officer

M M Rennison, Chief Financial Officer
We are required to disclose the above ratios under legislation originally drafted in 1986. Today, we use different measures for capital strength, liquidity, profitability and efficiency. These include our common equity tier 1 capital ratio, UK leverage ratio and underlying profit. More information on these measures is shown on page 17.

### Financial position at the end of the year

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquid assets (note i)</td>
<td>32,736</td>
<td>30,855</td>
</tr>
<tr>
<td>Mortgages</td>
<td>185,806</td>
<td>177,154</td>
</tr>
<tr>
<td>Other lending (note i, ii)</td>
<td>13,245</td>
<td>14,439</td>
</tr>
<tr>
<td>Derivative financial instrument assets</td>
<td>3,562</td>
<td>4,121</td>
</tr>
<tr>
<td>Fixed and other assets</td>
<td>2,952</td>
<td>2,529</td>
</tr>
<tr>
<td>Total assets</td>
<td>238,301</td>
<td>229,098</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Members’ interests, equity and liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares (member deposits)</td>
<td>153,969</td>
<td>148,003</td>
</tr>
<tr>
<td>Borrowings</td>
<td>61,165</td>
<td>59,247</td>
</tr>
<tr>
<td>Derivative financial instrument liabilities</td>
<td>1,593</td>
<td>2,337</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,449</td>
<td>1,348</td>
</tr>
<tr>
<td>Subordinated liabilities</td>
<td>6,706</td>
<td>5,497</td>
</tr>
<tr>
<td>Subscribed capital</td>
<td>250</td>
<td>263</td>
</tr>
<tr>
<td>Core capital deferred shares</td>
<td>1,325</td>
<td>1,325</td>
</tr>
<tr>
<td>Other equity instruments</td>
<td>992</td>
<td>992</td>
</tr>
<tr>
<td>Reserves (note iii)</td>
<td>10,852</td>
<td>10,086</td>
</tr>
<tr>
<td>Total members’ interests, equity and liabilities</td>
<td>238,301</td>
<td>229,098</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross capital as a percentage of shares and borrowings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This ratio helps us measure how much capital we have to protect our members and other creditors against shocks.</td>
<td>9.4%</td>
<td>8.8%</td>
</tr>
<tr>
<td><strong>Liquid assets as a percentage of shares and borrowings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This ratio is a measure of our ability to meet normal cash demands, such as savings withdrawals or providing new mortgages.</td>
<td>15.2%</td>
<td>14.9%</td>
</tr>
<tr>
<td><strong>Profit for the year as a percentage of mean total assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This ratio measures the profit made in the year relative to the average amount of assets held.</td>
<td>0.26%</td>
<td>0.33%</td>
</tr>
<tr>
<td><strong>Management expenses as a percentage of mean total assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This ratio is a way of measuring how efficient we are being.</td>
<td>0.96%</td>
<td>0.90%</td>
</tr>
</tbody>
</table>

**Notes:**

i. Comparatives have been restated to categorise items on a consistent basis with the current year.

ii. Other lending includes consumer banking and commercial lending.

iii. Reserves include a general reserve of £10,418 million (2018: £9,951 million). The remainder relates to a cash flow hedge reserve, revaluation reserve and other reserves.
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 26 to 27, which comprises results for the year ended 4 April 2019, a reconciliation of statutory profit to underlying profit, the financial position at the end of the year and a 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, the Annual business statement and the Directors’ Report within the full Annual Report and Accounts of Nationwide Building Society for the year ended 4 April 2019 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
20 May 2019

Change of auditors in 2019

Following the completion of a competitive tender in 2017, Ernst & Young LLP (EY) will be recommended to the members as Nationwide’s auditor for the year ending 4 April 2020, at the AGM in 2019. Further details on auditor rotation are described in the Annual Report and Accounts 2019.
How we pay our directors
Summary report of the directors on remuneration

For the year ended 4 April 2019

“We believe it is vital that all of our employees share in the collective success of the Society, which is why our culture is supported by a common set of goals directly linked to members’ interests”

Dear fellow member,
I am pleased to present the Remuneration Committee’s report, which includes a summary of our remuneration policy, together with the key decisions made in the year.

How we decide how much to pay our people

Our approach to pay takes into account our mutual status and our commitment to create a remuneration policy that is aligned with our members’ interests. We want to be fair to our members who rightly expect us to use their money wisely and fair to our people who work hard to deliver for our members.

Across the Society in addition to salary, what people earn takes into account how well we perform for our members each year. We do not reward people for maximising profit, instead we focus on sharing in success in our reward scheme whereby all employees, including executive directors, are rewarded on delivering what we know matters most to members, delivering the highest quality service, attracting more business from members and sustainable cost savings. Moreover, the Board will only pay any variable award if it is sure that the Society is financially secure.

The targets we set ourselves are challenging. For example, we have to be at least first for customer service against our peer group for any part of the ‘building legendary service’ element of the variable award to pay out.

For our directors, a significant proportion of pay is performance related and is based on the same assessment of the Society’s performance, together with team and personal goals. The way we manage performance pay for our most senior people has to be different because there are regulations in place that mean that a significant part of their pay has to be held back for up to seven years, and may not be paid in part or at all if misconduct is found. A substantial proportion therefore remains ‘money at risk’ which may be reduced or cancelled at the Committee’s discretion, taking into account the Society’s and the individual’s performance over the seven-year period.

Our 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 services businesses and other organisations of similar scale and complexity. We are also not out of step with the building society sector when you consider the size and scale of the organisation. However, we must accept that we operate in a competitive market. It is in the interest of the Society and members to recruit the most competent people which means that we have to be able to compete for talent. We do that by looking at a pay package which reflects 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.
Activities during the year

During the year, the revised UK Corporate Governance Code was published which sets out a number of changes in the way in which remuneration committees are expected to operate and approach the structure of executive remuneration. Nationwide has, to date, applied the principles of the UK Corporate Governance Code and will continue to do so, whenever practicable.

The revised Code applies to accounting periods beginning on or after 1 January 2019 and I am pleased to say that we are already well placed in a number of areas from a remuneration perspective. For example, the Committee is already responsible for determining the pay of senior management roles below the Board and has oversight of the pay policies and practices for the broader workforce. The Committee also has wide discretionary powers to adjust variable remuneration outcomes to take account of broader performance considerations.

As with our entire workforce, our directors receive pension contributions. Over the next two to three years, we will reduce these contributions from 33% to 16% of salary in line with the contributions we make for employees in the Nationwide Group Personal Pension. As a first step, the pension allowance for executive directors will reduce from 33% to 24% of salary with effect from 1 April 2019.

The Committee undertook a review of our remuneration policies and approaches across the Society during the year. The Committee concluded that no other material changes be made to the structure of pay for our directors in 2019/20.

Broader context

The Committee pays close attention to the relationship between pay policies and practices for executive directors and all other employees. The Board and Committee directly engages with the Nationwide Group Staff Union and one member of the Committee has accountability for the ‘Voice of the Employee’ to ensure that the Board considers this broader perspective in its decision making.

This year, the Society has decided to publish the ratio of the Chief Executive's pay to the wider employee population, ahead of the formal disclosure requirement coming into force next year. This ratio reflects the nature of our business with a high proportion of our employees working in branches and contact centres.

How the directors have performed

Our results for the year to 4 April 2019 demonstrate that the Society has continued to deliver strong performance against our purpose of building society, nationwide, and the strategic cornerstones that underpin it. We have retained our position of first amongst our peer group on customer satisfaction and have increased our committed members to 3.4 million. We have also achieved sustainable cost savings of £103 million and passed all performance gateway measures based on statutory profit, UK leverage ratio and conduct matters.

The impact on directors’ performance pay

In considering directors’ pay for the year, the Committee took into account the Society’s results together with an assessment of the underlying performance of the Society with input from the Board Risk and Audit committees. Based on this assessment, payments have been awarded under the Directors’ Performance Award (DPA) in respect of the year. Details of these payments, including the measures set and factors considered, are set out in this report. The Committee believes that our directors have continued to deliver real benefits for the Society and all our members.

The year ahead

Our remuneration policy was approved by our members in 2017 and sets the framework for our directors’ remuneration. A summary of the remuneration policy is set out in this report and this will continue to apply in 2019/20. We will be presenting a new policy for approval at the 2020 AGM and accordingly during the forthcoming year the Committee will continue to review the Society’s approach to executive remuneration taking into account the Society’s strategy, together with developments in the external environment and feedback from members.

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

Lynne Peacock
Chair – Remuneration Committee
Annual Report on Remuneration – Outcomes for DPA 2018/19

Audited information

Three ‘gateways’ must be passed before any payment is made under the plan, based on measures of statutory profit, UK leverage ratio and conduct risk. These gateways were achieved in 2018/19. 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, taking into account input from the Board Risk and Audit committees. In reviewing performance under the DPA during 2018/19, 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’s 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 committed members</td>
<td>3.23 million - 3.57 million</td>
<td>Above target</td>
<td>3.4 million committed members</td>
<td>Chief Executive: 24.6</td>
</tr>
<tr>
<td>Building legendary service – Customer service satisfaction rating (note i)</td>
<td>1st - 1st + 6%</td>
<td>Above target</td>
<td>1st in our peer group with a 4.8% lead</td>
<td>Chief Executive: 28.9</td>
</tr>
<tr>
<td>Built to last – Sustainable cost savings (note ii)</td>
<td>£80 million - £140 million</td>
<td>Above target</td>
<td>£103 million</td>
<td>Chief Executive: 24.6</td>
</tr>
<tr>
<td><strong>Total performance pay achieved based on Society performance</strong></td>
<td></td>
<td></td>
<td></td>
<td>Chief Executive: 78.1</td>
</tr>
<tr>
<td><strong>Individual performance element</strong></td>
<td></td>
<td></td>
<td></td>
<td>Chief Executive: 36</td>
</tr>
<tr>
<td><strong>Total performance pay achieved based on Society and individual performance</strong></td>
<td></td>
<td></td>
<td></td>
<td>Chief Executive: 114.1</td>
</tr>
<tr>
<td><strong>Out of a maximum opportunity (as a % of salary) of:</strong></td>
<td></td>
<td></td>
<td></td>
<td>Chief Executive: 152</td>
</tr>
</tbody>
</table>

Notes:

i. © Ipsos MORI 2019, Financial Research Survey (FRS), 12 months ending 31 March 2019, c60,000 adults surveyed per annum, proportion of extremely/very satisfied customers minus proportion of extremely/very/fairly dissatisfied customers summed across main current account, mortgage and savings. Peer group defined as providers with main current account market share >4% (Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB).

ii. Subject to remaining within an adjusted cost position of £2,198 million after excluding costs of incremental investment relating to our efficiency programme.

For awards in respect of 2018/19, 20% of the award is payable in June 2019 with 20% retained until June 2020. The remaining 60% is deferred, payable 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 CCDS linked elements are payable in cash subject to a 12 month retention period.
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 2019 and 4 April 2018.

<table>
<thead>
<tr>
<th>Executive directors</th>
<th>Fixed remuneration</th>
<th>Variable remuneration</th>
<th>Taxable benefits</th>
<th>Total pay package</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary (note i)</td>
<td>Pension allowance</td>
<td>Directors’ Performance Award (note ii)</td>
<td>Travel and other taxable benefits (note iii)</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J D Garner</td>
<td>885</td>
<td>292</td>
<td>1,010</td>
<td>185</td>
</tr>
<tr>
<td>T P Prestedge</td>
<td>590</td>
<td>195</td>
<td>522</td>
<td>141</td>
</tr>
<tr>
<td>M M Rennison</td>
<td>635</td>
<td>210</td>
<td>511</td>
<td>141</td>
</tr>
<tr>
<td>C S Rhodes</td>
<td>590</td>
<td>195</td>
<td>499</td>
<td>67</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,700</strong></td>
<td><strong>892</strong></td>
<td><strong>2,542</strong></td>
<td><strong>534</strong></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J D Garner</td>
<td>855</td>
<td>342</td>
<td>903</td>
<td>217</td>
</tr>
<tr>
<td>T P Prestedge</td>
<td>580</td>
<td>191</td>
<td>493</td>
<td>146</td>
</tr>
<tr>
<td>M M Rennison</td>
<td>625</td>
<td>206</td>
<td>511</td>
<td>189</td>
</tr>
<tr>
<td>C S Rhodes</td>
<td>580</td>
<td>191</td>
<td>480</td>
<td>68</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,640</strong></td>
<td><strong>930</strong></td>
<td><strong>2,387</strong></td>
<td><strong>620</strong></td>
</tr>
</tbody>
</table>

Notes:

i. As disclosed in last year’s report, salaries were increased with effect from 1 April 2018. J D Garner received an increase of 3.5%, T P Prestedge 1.7%, M M Rennison 1.6% and C S Rhodes 1.7%.

ii. Variable remuneration consists of the awards under the DPA. A substantial proportion of this award is subject to deferral with payments spread over the following seven years. Details of this plan and associated performance measures are set out earlier in this report.

iii. 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.

Our directors receive a number of benefits and, where appropriate, we pay tax associated with those benefits. In the single figure table above, ‘taxable benefits’ includes certain essential travel costs met by the Society, including any tax due under HMRC regulations, provided to enable the executive directors to work whilst travelling and undertake their responsibilities most effectively. Other benefits include medical insurance, car allowance and security.
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>Society and Group fees</th>
<th>Travel and other taxable benefits</th>
<th>Total fees and taxable benefits</th>
<th>Society and Group fees</th>
<th>Travel and other taxable benefits</th>
<th>Total fees and taxable benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>D L Roberts (Chairman)</td>
<td>395</td>
<td>2</td>
<td>397</td>
<td>389</td>
<td>2</td>
<td>391</td>
</tr>
<tr>
<td>R Clifton</td>
<td>97</td>
<td>8</td>
<td>105</td>
<td>96</td>
<td>15</td>
<td>111</td>
</tr>
<tr>
<td>M Fyfield</td>
<td>92</td>
<td>9</td>
<td>101</td>
<td>76</td>
<td>7</td>
<td>83</td>
</tr>
<tr>
<td>A Hitchcock (note i)</td>
<td>28</td>
<td>5</td>
<td>33</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>M A Lenson</td>
<td>106</td>
<td>4</td>
<td>110</td>
<td>106</td>
<td>3</td>
<td>109</td>
</tr>
<tr>
<td>K A H Parry</td>
<td>123</td>
<td>6</td>
<td>129</td>
<td>121</td>
<td>10</td>
<td>131</td>
</tr>
<tr>
<td>L M Peacock (Senior Independent Director)</td>
<td>142</td>
<td>4</td>
<td>146</td>
<td>141</td>
<td>6</td>
<td>147</td>
</tr>
<tr>
<td>U K Prashar</td>
<td>82</td>
<td>11</td>
<td>93</td>
<td>81</td>
<td>13</td>
<td>94</td>
</tr>
<tr>
<td>T Tookey</td>
<td>131</td>
<td>6</td>
<td>137</td>
<td>125</td>
<td>7</td>
<td>132</td>
</tr>
<tr>
<td>G Waersted (note ii)</td>
<td>78</td>
<td>10</td>
<td>88</td>
<td>63</td>
<td>8</td>
<td>71</td>
</tr>
<tr>
<td>Total</td>
<td>1,274</td>
<td>65</td>
<td>1,339</td>
<td>1,198</td>
<td>71</td>
<td>1,269</td>
</tr>
</tbody>
</table>

Pension payments to past non executive directors (note iii) 243

Notes:

i. A Hitchcock joined the Board on 2 December 2018.
ii. G Waersted joined the Board on 1 June 2017.
iii. The Society stopped granting pension rights to non executive directors who joined the Board after January 1990.
iv. Taxable benefits for non executive directors relate to expenses incurred in connection with travel and attendance at Board meetings. HMRC deem these expenses to be taxable where the meetings take place at the Society’s main offices and the Society settles the tax on behalf of the non executive directors.
CEO pay ratio reporting

The Society has decided to publish the ratio of the Chief Executive’s pay to the wider employee population, ahead of the formal disclosure requirement coming into force next year. This ratio will build annually to cover a rolling 10-year period. The ratio compares the total remuneration of the Chief Executive against the total remuneration of the median employee and those who sit at the 25th and 75th percentiles (lower and upper quartiles).

The total remuneration and salary values for the 25th, median and 75th percentile employees for 2018/19 are:

<table>
<thead>
<tr>
<th></th>
<th>25th percentile pay ratio</th>
<th>Median pay ratio</th>
<th>75th percentile pay ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total remuneration</td>
<td>£23,969</td>
<td>£30,939</td>
<td>£49,466</td>
</tr>
<tr>
<td>Salary</td>
<td>£19,059</td>
<td>£24,773</td>
<td>£35,968</td>
</tr>
</tbody>
</table>

Notes:

i. The calculation is based on Option A as set out in the regulations which is considered to be the most statistically accurate methodology.

ii. Employee data includes full time equivalent total remuneration for all UK employees as at 1 March 2019. For each employee, remuneration was calculated based on all components of pay including base pay, performance pay for 2018/19, core benefits and pension payments.

iii. Whilst the majority of employees participate in a defined contribution scheme with a fixed maximum employer contribution, there are other pension arrangements in place for some employees including a defined benefit pension scheme which has been closed to new participants since 2007. Although it would be possible to recognise a higher value under the defined benefit scheme, in order to ensure accurate year on year comparative data going forward, a fixed value equal to the maximum employer contribution available to the defined contribution scheme members is included for all defined benefit scheme members.

iv. The Committee has considered the pay data for the three individuals identified for 2018/19 and confirms that the ratios reasonably represent the Society’s approach to pay and reward for employees taken as a whole.

The year ahead

A summary of the remuneration policy approved by our members in 2017 is set out opposite together with an overview of how it will be applied in 2019/20. 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. This summary does not replace or override the full approved policy, which is available at nationwide.co.uk.

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 2019/20 include preparation of a new policy for approval at the 2020 AGM and accordingly during the forthcoming year the Committee will continue to review the Society’s approach to executive remuneration taking into account the Society’s strategy, together with developments in the external environment.

The Committee agreed base salary increases with effect from 1 April 2019, in line with the all-employee pay settlement. The exception is T P Prestedge where the increase reflects his additional responsibilities in his role of Deputy Chief Executive. In addition, with effect from 1 April 2019, the pension allowance for all executive directors has been reduced from 33% to 24% of base salary as part of a wider three-year strategy to align contributions to those made for employees in the Nationwide Group Personal Pension.
What our executive directors could earn in 2019/20 based on performance

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

<table>
<thead>
<tr>
<th>Remuneration policy</th>
<th>Operation</th>
<th>Implementation in 2019/20 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></td>
</tr>
<tr>
<td>Benefits</td>
<td>• Include car benefits, healthcare and insurance benefits.</td>
<td></td>
</tr>
<tr>
<td>Pension</td>
<td>• Executive directors receive a cash allowance in lieu of pension</td>
<td></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</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Performance measures reflect the priorities of the Society and are drawn from the Society’s plan</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 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</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• At least 50% of awards are linked to the value of the Society’s core capital deferred shares (CCDS) and subject to a 12 month retention period</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Awards are subject to clawback for up to ten years</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The all-employee element operates on the same basis for all employees.</td>
<td></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</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Non executive director fees normally reviewed and approved by the executive directors and the Chairman on an annual basis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Non executive directors receive a basic fee and an additional supplement is paid for serving on or chairing a Board Committee</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 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></td>
</tr>
</tbody>
</table>

### Breakdown of total remuneration for 2019/20 (£’000)

<table>
<thead>
<tr>
<th></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><strong>Fixed Pay</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>916</td>
<td>635</td>
<td>654</td>
<td>605</td>
</tr>
<tr>
<td>Pension as a % of salary</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Performance pay</strong></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><strong>Total remuneration</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed pay – base salary, pension and benefits (note i)</td>
<td>1,321</td>
<td>928</td>
<td>952</td>
<td>817</td>
</tr>
<tr>
<td>Target – assuming we deliver target levels of performance against the measures set out in the DPA</td>
<td>2,219</td>
<td>1,424</td>
<td>1,462</td>
<td>1,289</td>
</tr>
<tr>
<td>Maximum – assuming DPA arrangements pay out in full. This would only occur where performance has been truly exceptional across all the measures set</td>
<td>2,713</td>
<td>1,640</td>
<td>1,684</td>
<td>1,495</td>
</tr>
</tbody>
</table>

**Note i:** Includes benefits based on 2018/19 actuals.
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