

Redefining service for a digital world

14 September 2018



Joe Garner

Chief Executive Officer

Our mutual difference is our business model

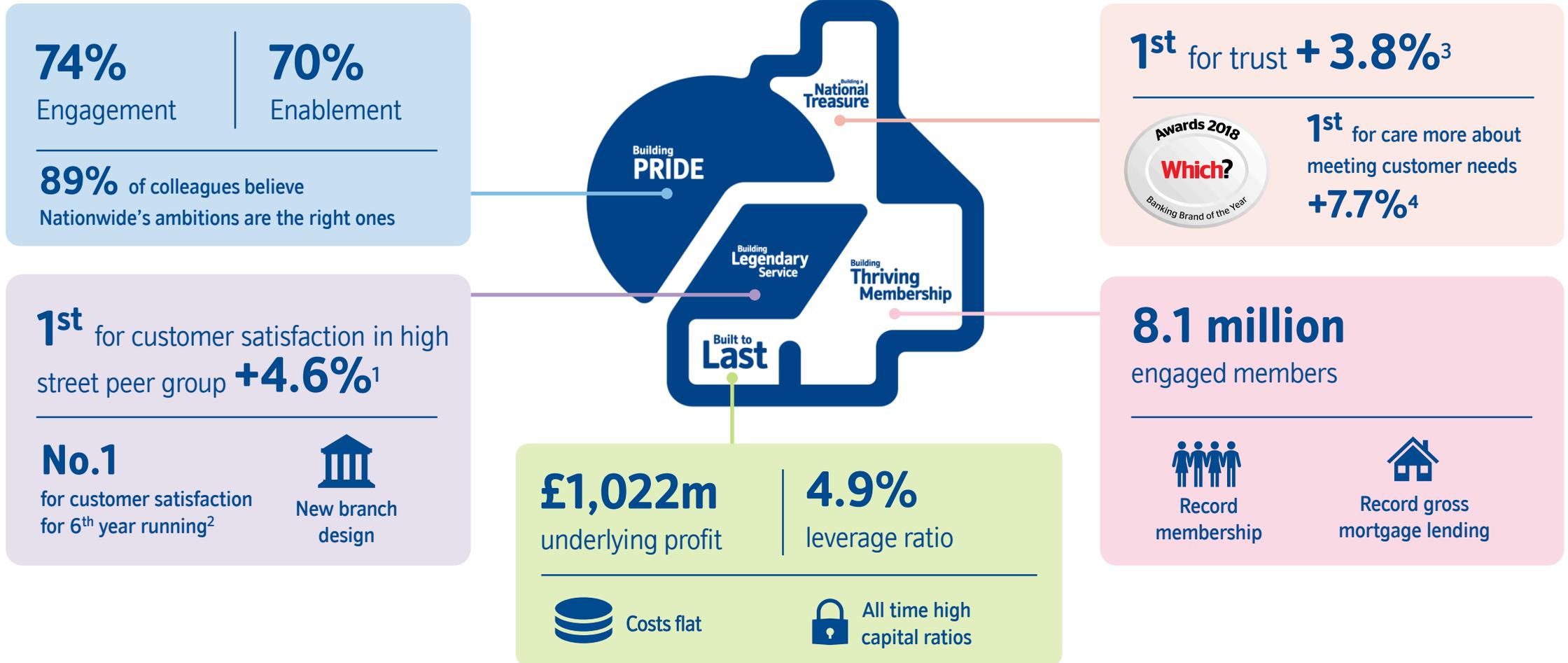


In 2016 we refreshed our strategy for a new chapter focused on our core purpose, leveraging our unique mutual difference, underpinned by five cornerstones

Core purpose: **building society, nationwide**



We are delivering on all fronts against our 2016 commitments and are going further to build society, nationwide



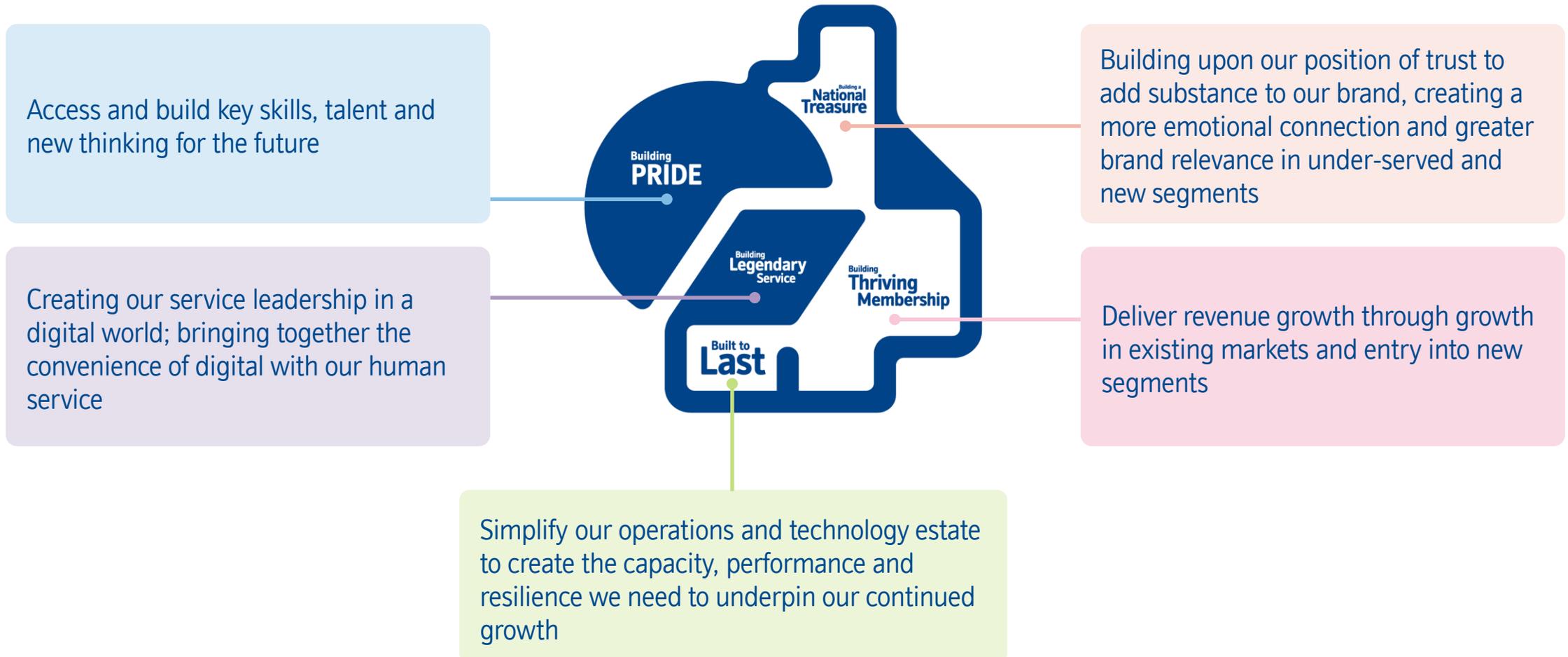
The external environment is rapidly changing, driven by profound changes in technology

	ECONOMIC	TECHNOLOGY
Drivers	<p>Ageing population Brexit Quantitative Easing Protectionism</p> <p>Low interest rates Central bank funding schemes Exchange rates Rising house prices Trade wars</p>	<p>Robotics Machine learning Artificial intelligence APIs Ecosystems Automation Cloud Big data</p>
Consumer impact	<p>Economic uncertainty Pressure on household finances Rise of renting Housing affordability Low savings rates</p> <p>Stagnating wages Asset inequality Home ownership decline</p>	<p>Always on expectations Data security Personalisation Connected Choice Intuitive Instant Ultra convenience Seamless Smart</p>

Old concepts are being re-defined by new technology



In this context we must seize new opportunities to remain relevant to our members and ensure our financial sustainability



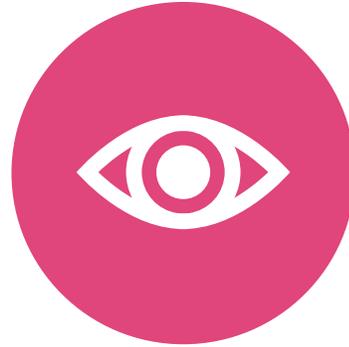
Tony Prestedge

Deputy Chief Executive

Our delivery model leverages our structural business model advantages



UK only,
simple business
model



Single integrated
strategy and
organisational
structure



Member focus
through mutuality



Transformation
expertise

A unique mutual transformation programme with significantly enhanced strategic investment

Strategic cornerstones	Programmes of investment	Outcomes of investment
Built to Last	1 Operational and technology simplification	<ul style="list-style-type: none"> Simplifying and updating core infrastructure to reduce complexity and mitigate the risk of unplanned downtime
Building Thriving Membership	2 New technology platforms	<ul style="list-style-type: none"> Using technology to create new capabilities, loosely coupled with or separate from our existing IT estate, to allow faster entry into new markets
Building Legendary Service	3 Member experience and channel transformation	<ul style="list-style-type: none"> Demonstrate our commitment to the high street through investment in the branch estate, as well as embracing technology to drive an improved, consistent member experience across all channels
	4 Digitising the Society	<ul style="list-style-type: none"> Creating end-to-end digital member experiences to save member time, compete with digital start-ups and deliver sustainable saves
Building a National Treasure	5 Transform insight through data	<ul style="list-style-type: none"> Improving our understanding of our members' lives through data and insight and an enhanced single member view
Building PRIDE	6 Build new skills and transform ways of working	<ul style="list-style-type: none"> Reskilling for a new operating model for change that increases pace and reduces cost, and creation of new specialised roles

1 Operational and technological simplification

Execution focus

Technology simplification

De-commission legacy systems and exploit value from SAP platform

Shared services

Across back office that leverage AI and robotics

Cloud

Exploit the benefits of cloud computing

Automation

Increased use of robotics to reduce handling errors

2 New technology platforms

Execution focus

Nationwide for Business

Serve businesses' straightforward banking needs (subject to RBS grant)

Automated advice

Launch of digitally enabled automated advice platform

Digital natives

Targeted propositions for younger life stages

3 Member experience and channel transformation

Execution focus

New branch format and operating model

Transform member experience, demonstrating human touch

Chat

Deploy chatbot technology at scale

In-app messaging

Suite of interoperable apps targeting specific member needs

Voice transformation

Efficient, digitised contact centres for moments that matter

4 Digitising the Society

Execution focus

Single Digital Platform

Agnostic of device, common to both members and colleagues

New mobile and internet bank

Replace existing internet bank and evolve the mobile bank app

Member journeys

Re-engineer digital sales journeys and decommission existing platforms

Open Banking

Develop and mature our Open Banking platform

5 Transform insight through data

Execution focus

Analytics

Expand use of AI and machine learning

Reporting excellence

Self-service ways of consuming data

Regulatory

Deliver GDPR and BCBS 239 requirements

Data simplification

Build out our strategic warehouse platform and decommission legacy estate

6 Build new skills and transform ways of working

Execution focus

Capabilities

New job roles created to develop and execute strategy

Talent for the future

Ongoing upskilling and recruitment for capabilities and skills

New location

Additional UK technology hub

Way of working

Agile embedded as the norm for change

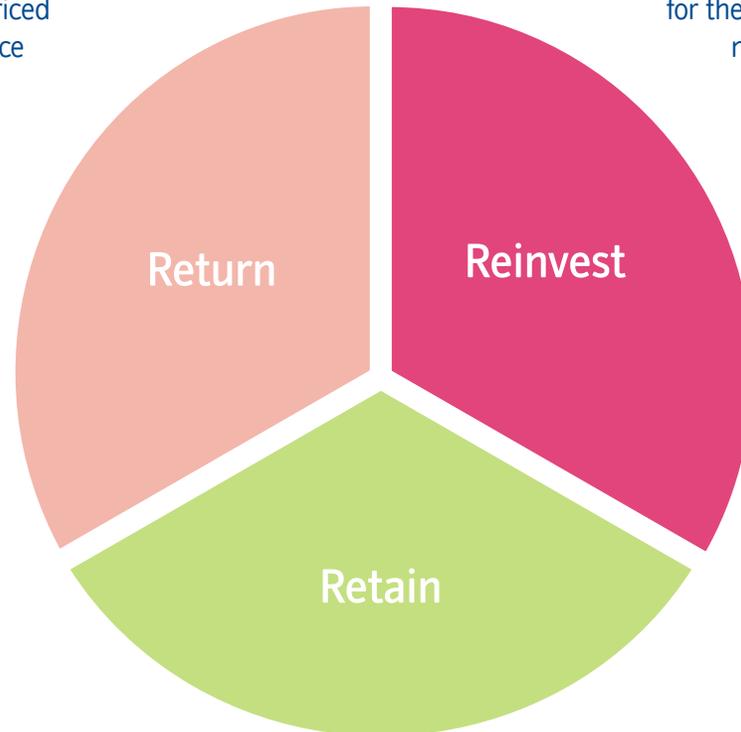
Mark Rennison

Chief Financial Officer

Strong profitability and capital self-sufficiency allow us to accelerate investment to capitalise on opportunities

We return value to our members through competitively priced propositions and service

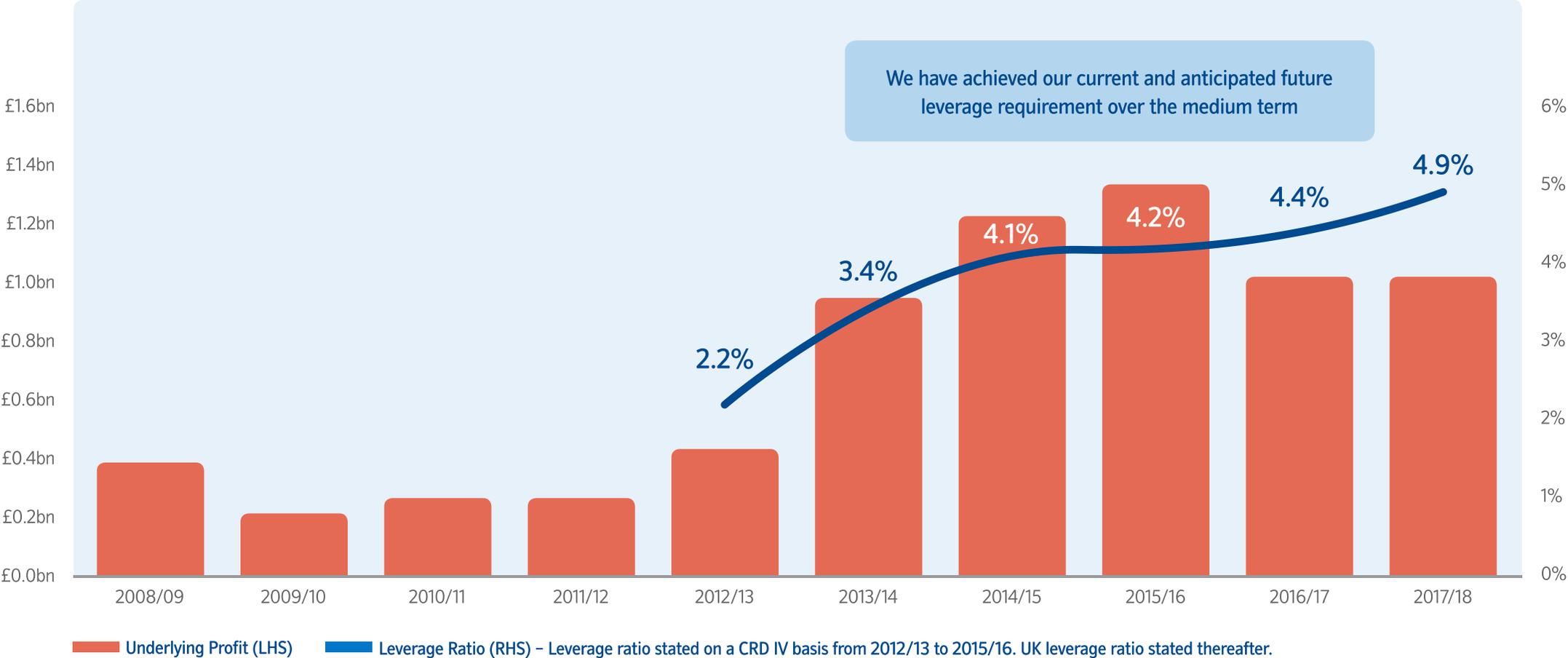
We reinvest in our business for the benefit of our members



We retain profits to ensure that we are safe and secure for our members

- We will continue to grow our capital base organically, and ensure that we offer good long-term value to our members
- We are choosing to reinvest a greater proportion of our earnings in the future services and capabilities we can offer
- This will support the sustainability of our long-term business model, benefiting both our members and investors
- Our aggregate total investment over 5 years will be £4.1bn, representing c£1.3bn in excess of our previously planned investment

Significantly strengthened capital levels over last decade to record levels, well above regulatory minimums



Increased investment will reduce short-term profitability, but our mutual model uniquely allows us to adopt a longer-term approach

Whilst there will be additional costs...

- In light of the additional investment, we expect to recognise a **charge for the current financial year of c£200m-£250m**, with approximately half recognised in H1

...this approach seeks to strike the right balance of priorities...

- We believe this approach strikes **the right balance** between returning pricing benefits to our members, retaining earnings and reinvesting for the future

...will enable greater efficiencies...

- This strategy, which **enables greater efficiencies**, will contribute to an increase in our sustainable saves, with **sustainable saves of £500m to be achieved by 2023**

...and will not impact our capital strength

- Expect to continue our recent track record of **improving capital ratios over the period**, excluding the impact of any capital calls we choose to make and proposed regulatory changes

We are reaffirming our CCDS distribution policy, whilst remaining committed to the FPF and delivering long-term value to our members

We remain committed to the FPF*...

- Committed to a **range for Underlying Profit from £0.9bn to £1.3bn over the cycle** to meet our objective for sustainable capital strength

...whilst seeking to diversify our income...

- We will **diversify income and funding** from business banking (subject to RBS grant) and increase new income drivers from propositions that meet our members' needs

...remaining committed to members...

- Remain committed to delivering **long-term good value to our members**; in each of the last two financial years Member Financial Benefit was >£500m

...and not impacting our CCDS distributions

- Our Board reaffirm their **commitment to our existing Core Capital Deferred Shares distribution policy** and do not envisage any impact on our approach to, or level of, distributions as a result of this announcement

*The Financial Performance Framework provides parameters which allow us to ensure we achieve the right balance between distributing value to members, investing in our business and maintaining our financial strength. The range quoted is not a forecast of the likely level of profit in any financial year or period. Profit may fall within or outside this range in any individual financial year, depending on a number of internal and/or external factors including conscious decisions to return value to members or invest in the business.

Joe Garner

Chief Executive Officer

Appendix

Glossary

Measure	Definition
Net satisfaction in core products (slide 5)	© 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).
Net satisfaction in core products (slide 5)	© 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).
Trust (slide 5)	Nationwide Brand and Advertising tracker - compiled by Independent Research Agency, based on all consumer responses, 3 months ending March 2018. Financial brands included Nationwide, Barclays, Co-operative Bank, First Direct, Halifax, HSBC, Lloyds, NatWest, TSB and Santander. +3.8% is Nationwide's lead over the next best provider.
1 st for care more about meeting customer needs (slide 5)	Nationwide Brand and Advertising tracker - compiled by Independent Research Agency, based on all consumer responses, 3 months ending March 2018. Financial brands included Nationwide, Barclays, Co-Operative Bank, First Direct, Halifax, HSBC, Lloyds, NatWest, TSB and Santander. Full statement asked is Care More About Meeting Customer Needs Than Maximising Profit. +7.7% is Nationwide's lead over the next best provider.

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