



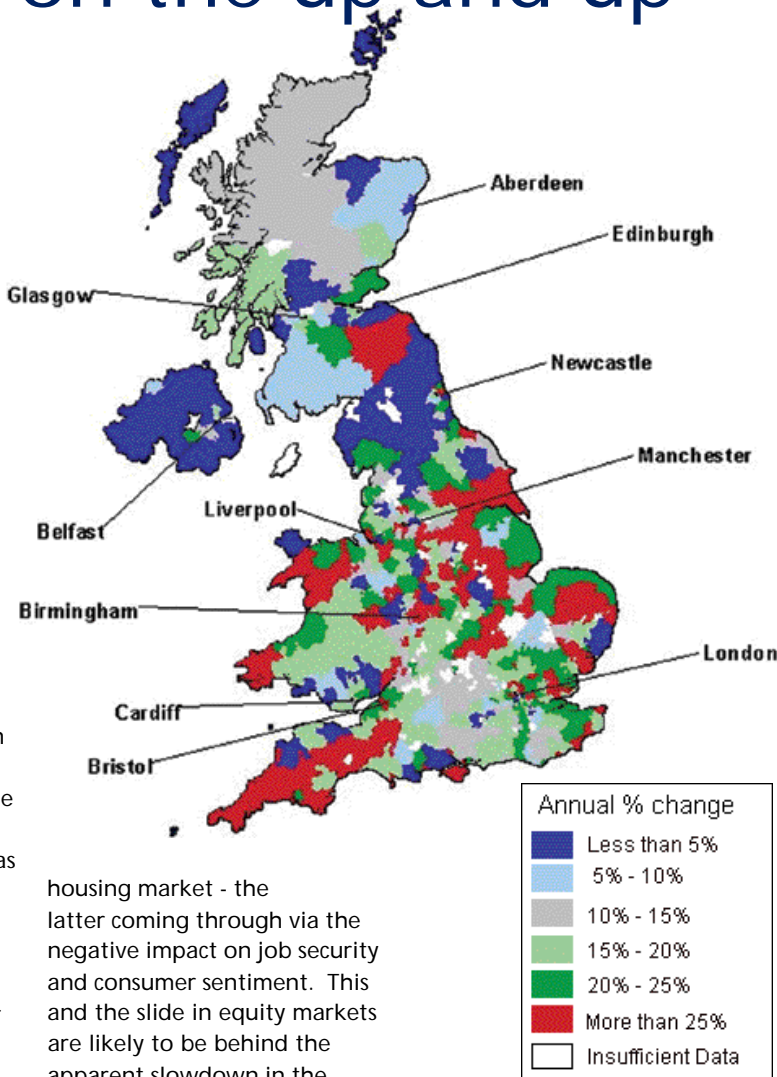
Property prices still on the up and up

Nationwide reported that property prices rose a further 1.4% in October, although there are tentative signs of moderation in house price growth.

Commenting on the figures, Alex Bannister, Nationwide's Group Economist said:

October saw another strong month for the housing market with prices rising 1.4%, resulting in the average house being almost 25% higher than it was a year earlier. The rise in prices in October was the lowest month-on-month change since March.

In the past, the South East has tended to lead the national housing market. There is some evidence that this is happening once again with prices rising less quickly than in many other regions. Affordability is of course the key with many first-time buyers priced out of the market and, increasingly, existing home-owners unable to trade up as they would wish. In addition, high profile job losses in the financial sector (again concentrated in the South East) may also be having both a direct and indirect effect on the



housing market - the latter coming through via the negative impact on job security and consumer sentiment. This and the slide in equity markets are likely to be behind the apparent slowdown in the upper end of the London market.

We expect the rate of price increase to moderate further over the course of the next twelve months. However, a slump looks unlikely given base rates are set to remain at around 4%. In addition, if the

personal sector did retrench, base rates may well be cut or increases postponed. This potential support from monetary policy, combined with the reasonably strong economic fundamentals, makes us believe that robust price growth will persist next year.

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- Nationwide launches an initiative to cut through the complexity and enable consumers to compare credit cards at a glance

Philip Williamson

Putting Members First

Chief executive Philip Williamson joined Nationwide in 1991.

Philip was heavily involved in the defence of Nationwide's mutual strategy during the attempt by carpetbaggers to convert Nationwide in 1997 and 1998. He played a key role in articulating the Society's strong commitment to its building society status throughout this period.

He was chairman of the Council of Mortgage Lenders throughout 2000, and was a founder director of the Regulatory and Retail Faculty Board of the Institute of Financial Services. He is an Executive Council member of the Building Societies Association.



Age: 54.

Born and brought up in Liverpool.

Education:

Caldy Grange Grammar School; Economics degree from Newcastle University. Studied at Harvard Business School whilst a senior manager at Lloyds Bank.

Career:

Joined Lloyds as a graduate management trainee in 1970, progressing to senior executive appointments. Left in 1989. Worked with property group UK Land plc from 1989-1991. Joined Nationwide Building Society as Head of Commercial Lending in 1991. He became divisional director in 1994. In 1996, Philip joined the main board, becoming chief executive from 1 January 2002.

Interests:

Sport, particularly hockey and golf. At university, Philip captained the men's hockey team to the UAU championship over arch rivals Durham. He remains a proficient golfer (handicap 7). In the sixth form, Philip played in a rock band 'Lee Shirelle and the Big Beat Dominators' - he claims the band's name was the only thing that held them back!

Personal:

Philip is married with two daughters.

Philip shares some of his thoughts on Nationwide's principles below:

Why do you think your members choose Nationwide ?

Every day, people make choices. From toothpaste to TV channels, from breakfast cereal to financial services, they decide where to save or borrow depending on what they know and feel about who they prefer to do business with. Nearly 11 million people have chosen to be members of Nationwide, and we have a responsibility to ensure that they have made the right choice - from the quality and value of our products, to how easy it is to do business with us. If we succeed, our members will choose us again and others will want to join. If we don't, we will lose business to competitors.

What do you feel differentiates Nationwide from its competitors ?

Whilst many of our competitors claim to share our values - fairness, honesty, straightforwardness, good value, looking after customers' best interests - we know that one thing makes us truly different, we put our members first. This is supported by our spirit, our belief in, and our passion for what we do.

Nationwide recently received the Unisys/Management Today award for Service Excellence 2002. What are your thoughts on this achievement ?

Enviied by our competitors, this is an organisation united by strong and simple beliefs. Winning the Service Excellence Award reflected this. We were delighted to have won the award for our commitment to our members, and I am extremely proud of our employees without whom this success would not have been achieved. In a rapidly changing market we need to make sure we provide the best service experience to everyone and this award recognises the efforts our people have made in driving forward excellence in all areas of our business.

What is your vision for Nationwide over the next five years ?

My vision for the Nationwide brand can be summed up as follows: a name, 15,000 committed employees and a great range of products and services that our members can trust. I am proud of what we stand for and I passionately believe that, if we work together, we can delight our members, grow our business and build a great future for all of us.

A simpler process to lead to improved savings



The Sandler Report, published in July 2002, includes proposals that could change the face of the long term savings market in the UK.

Whilst the industry has given a broad welcome

to the Report, many have been critical of Sandler's key proposal to introduce a suite of simple investment products

- Consumer groups like the proposal for a price cap, but are concerned about a lighter sales regime leading to potential mis-selling;
- Trade bodies and providers like the proposals to simplify the way

investment products are bought (as it will reduce their costs) but do not like the idea of a price cap.

Nationwide's view is that the Sandler proposals have to be viewed as a package. If the FSA can deliver a simplified sales regime that offers consumers adequate protection, we think it is reasonable to expect a degree of price control.

Many of Sandler's views concur with feedback from our members on how they would like to purchase simple investment products:

- Products need to be very simple;
- Products should be more accessible, available through all channels - not only regulated sales advisors, but bought directly from branches, over the telephone and via the internet;
- The current regulated sales process is

too complex and acts as a barrier to purchase;

- Consumers want more control over the way they purchase rather than being forced down a regulated advice route.

If Sandler's proposals are implemented, we see the potential to reach far more of our members with a range of good value long term savings products, because a simpler process is what Nationwide's members want.

We believe this approach should help with the Government's own policy objectives of increasing the take up in savings and investment products and encouraging individuals to take greater responsibility for their financial futures.

Tom Henry
Planning and Strategy Controller
Nationwide Life

Building trust and transparency in the financial services jungle

Tracy Morshead, Divisional Director Mortgages & Insurance



Today, it has never been easier for the consumer to get a mortgage, but the choice is bewildering. The Financial Times estimates that there are around 4,000 mortgage products available

in the UK, but only 50 meet the Government sponsored CAT (Charges, Access and Terms) Standard. However, all of Nationwide's new mortgage products are CAT standard and all our mortgages, old and new, have daily interest, flexible features and no hidden charges. Our current CAT standard base mortgage rate of 4.74% currently beats the standard variable rates of other major high street lenders by around 1%. Through this fair and transparent mortgage policy, we are working hard to continue building trust with our members.

Furthermore, over the past six and a half years, we have given back around £2.2 billion to members through better mortgage and savings rates and reduced fees, when compared to the banks - if banks had adopted similar pricing over the same period, consumers would have

been £19 billion better off.

Nationwide believes that Government action is needed to help UK consumers better understand the wide variety of financial services products available to them because, at present:

- Almost two thirds feel the financial services industry should do more to help people understand their products
- More than seven in 10 (72%) feel products are not explained simply enough and there is too much jargon
- Two in five (42%) complain of very little face-to-face contact to help them understand the available options

GB Financial Awareness Report, MORI, September 6th, 2002

Ruth Kelly, Financial Secretary to the Treasury said, during a debate in the House at the end of the last session, that, "**Trust is the most important commodity that the retail financial services industry can possess.**" In light of the various recent scandals including pensions and endowments, consumer trust in financial services is not easily found, hard to win and easily lost. Therefore, we were very pleased, earlier this year, to be voted the most trustworthy organisation in the MORI survey of personal finance journalists, for the fourth successive year.

John Butterfill, MP for Bournemouth West and Vice Chairman of the All Party Building Society and Financial Mutuals Group, commented that, "Nationwide's mortgage strategy is an example to the industry."

The New Economics Foundation's report *What's Trust Worth* concluded "**Few sectors appear to have such low trust as financial services** (NEF, 2002)."

Nationwide was seen to be different and was pleased to score highly as a trust builder in the report. As a mutual organisation, Nationwide is focused on protecting and promoting the interests of our members. We call for greater transparency in the marketplace, which will foster increased trust. For empowered consumers to make informed choices about mortgages, for example, Nationwide calls for Government support in:

- Promoting transparency, fairness and value in mortgage pricing
- Encouraging the FSA to include internet search filters for mortgages by CAT standard and by TAP (Total Amount Payable) and
- Applying a CAT logo across the industry to illustrate which products meet the standard

By concerted action on the development, roll out and regulation of CAT standard mortgages, UK consumers will find it easier to navigate at least part of the financial services jungle and choose trusted products better able to serve them in the long term.

Cats' Eyes for Kids campaign receives international award

Every minute, nationwide, someone needs a helping hand. We work in partnership with the community - for the community - to make a real difference to people's lives.

Nationwide has won the prestigious Prince Michael International Road Safety Award in recognition of its outstanding commitment to road safety. The award for the Cats' Eyes for Kids campaign was presented by chairman of Roadsafes and former transport minister Steve Norris.

Last year Nationwide distributed about six million reflectors to primary schools and self-teaching groups around

the country. Wearing a reflector, a child can be visible at 150 meters with low beam headlights compared to only 30 meters without one, giving a driver five times the distance to react.

Andrew Litchfield, Nationwide's head of community relations, said "It is a real honour to receive this award. We are distributing around one million Cats' Eyes to the new intake of primary school children this autumn and will

continue to do so for the next four years."

Road Safety Minister David Jamieson MP said "I am delighted to hear the project has been so well received and that young lives have already been saved. Campaigns like Cats' Eyes for Kids will help us achieve, or exceed our target of halving the number of children killed or seriously injured on our roads by 2010."

Nationwide calls for greater transparency in credit cards

The Society is the first financial organisation in the UK to provide its customers with a simple table containing details of the key features and costs associated with its credit cards. This table is along similar lines to a system that is compulsory in the USA.

There are 1,300 credit card brands available in the UK offering a myriad of rates, fees and complex terms and conditions, making it very difficult for consumers to make an informed choice. The Society's comparison table will enable consumers to accurately compare the value of credit cards at

a glance.

Treasury Select Committee Chairman, John McFall MP welcomed the initiative, saying "The Committee concluded that the lack of transparency in the credit and charge card industry acts against consumers' interests. It recommended that credit and charge card companies publish, with equal prominence, details of all the factors that make up the actual cost of credit. The Nationwide's 'Consumer Box' is indeed a welcome first step towards improving clarity for consumers in this complex and



competitive market area."

Labour MP Mark Lazarowicz also welcomed the initiative in his recent Westminster Hall debate on Consumer Debt, saying "That is an excellent initiative, and I hope that other lenders will follow its example."

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'Look out for the next issue in Spring 2003'

This is the first issue of Mutual Interest. We would welcome your comments. Please complete the enclosed feedback form and fax it back to Nationwide on 01793 655045.