Nationwide

Interim Results Presentation

Six months ended

30 September 2009

Mark Rennison
Group Finance Director

Agenda

- Results Summary
- Asset quality
  - Residential Mortgages
  - Commercial Lending
  - Regional Brands
  - Treasury
- Liquidity & Funding
- Capital
- Summary & Outlook
- Q&As

Solid performance

- Underlying profit of £117m (H1 08/09: £322m, H2 08/09: £71m)
  - Margin compression
  - Increased provisions

- Trading conditions in core markets remain tough
  - Gross lending of £5.8bn (market share of 8.3%)
  - Adjusted funding mix to mitigate impact of high cost retail funds
  - Second largest savings provider with balances of £122.7bn

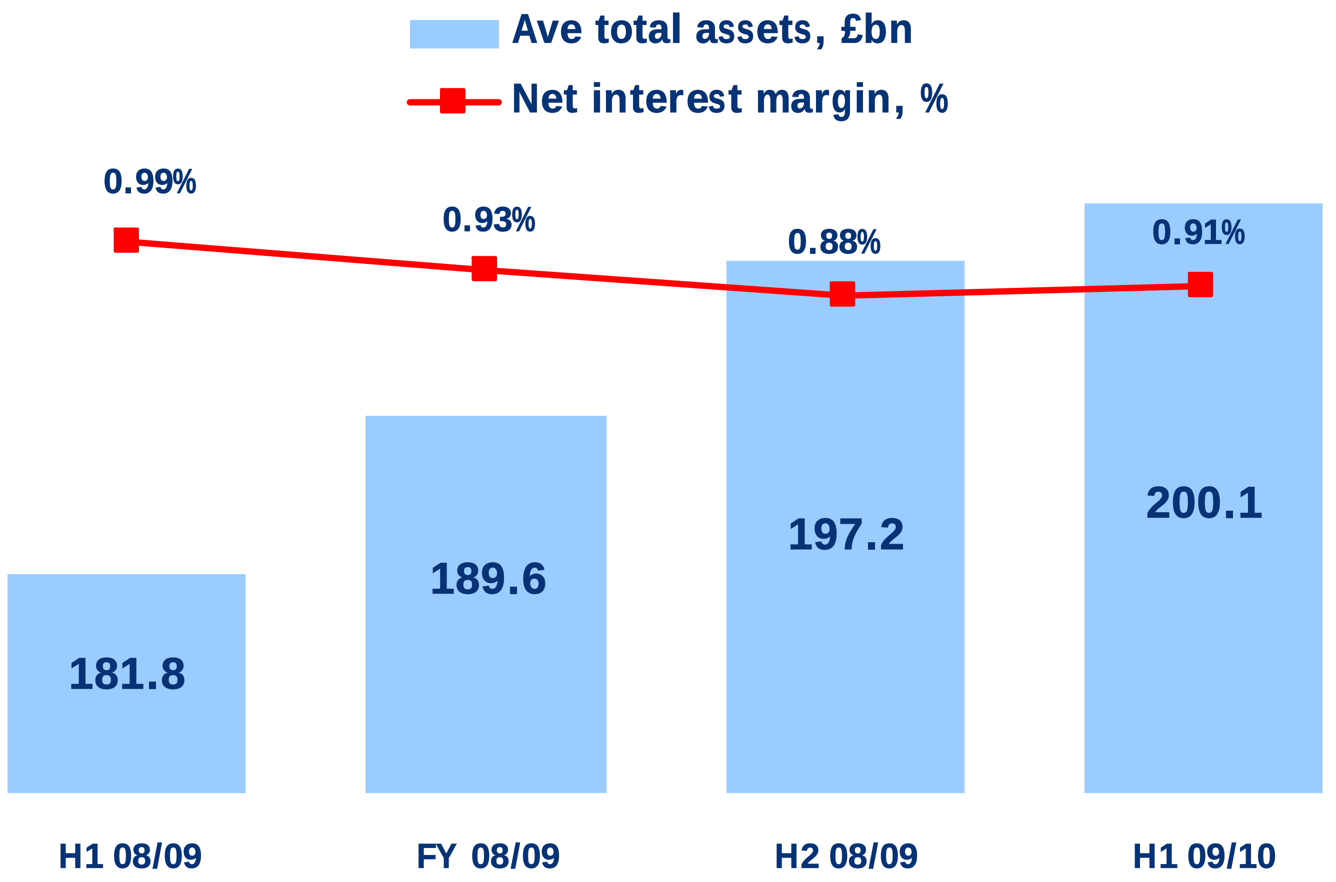
- Robust and stable capital base
  - Core Tier 1 of 12.0%
  - Total Tier 1 of 15.0%
  - Total Capital of 19.1%

Income Statement

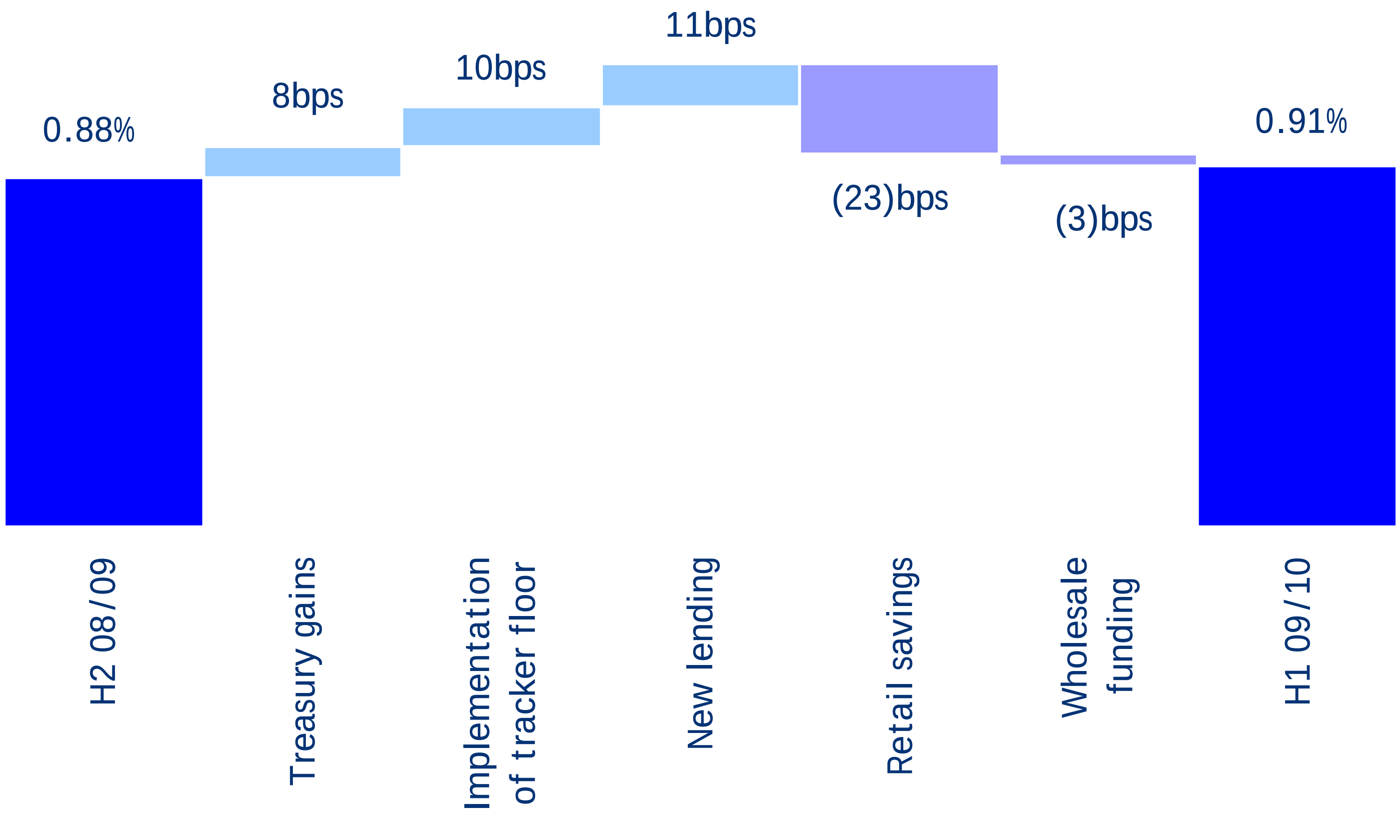
£m	H1 08/09	H2 08/09 (adjusted)*	H1 09/10
Total income	1,065	1,052	1,069
Expenses	(627)	(644)	(636)
Impairment and other provisions	(116)	(337)	(316)
Underlying profit before tax	322	71	117
Gains on acquisitions and business combinations	-	135	40
Transformation costs	(6)	(101)	-
Other adjustments	58	(48)	(15)
FSCS costs	-	(241)	1
Reported profit before tax	374	(184)	143

* Adjusted to reflect changes made to the initial accounting for the acquisition of core parts of Dunfermline

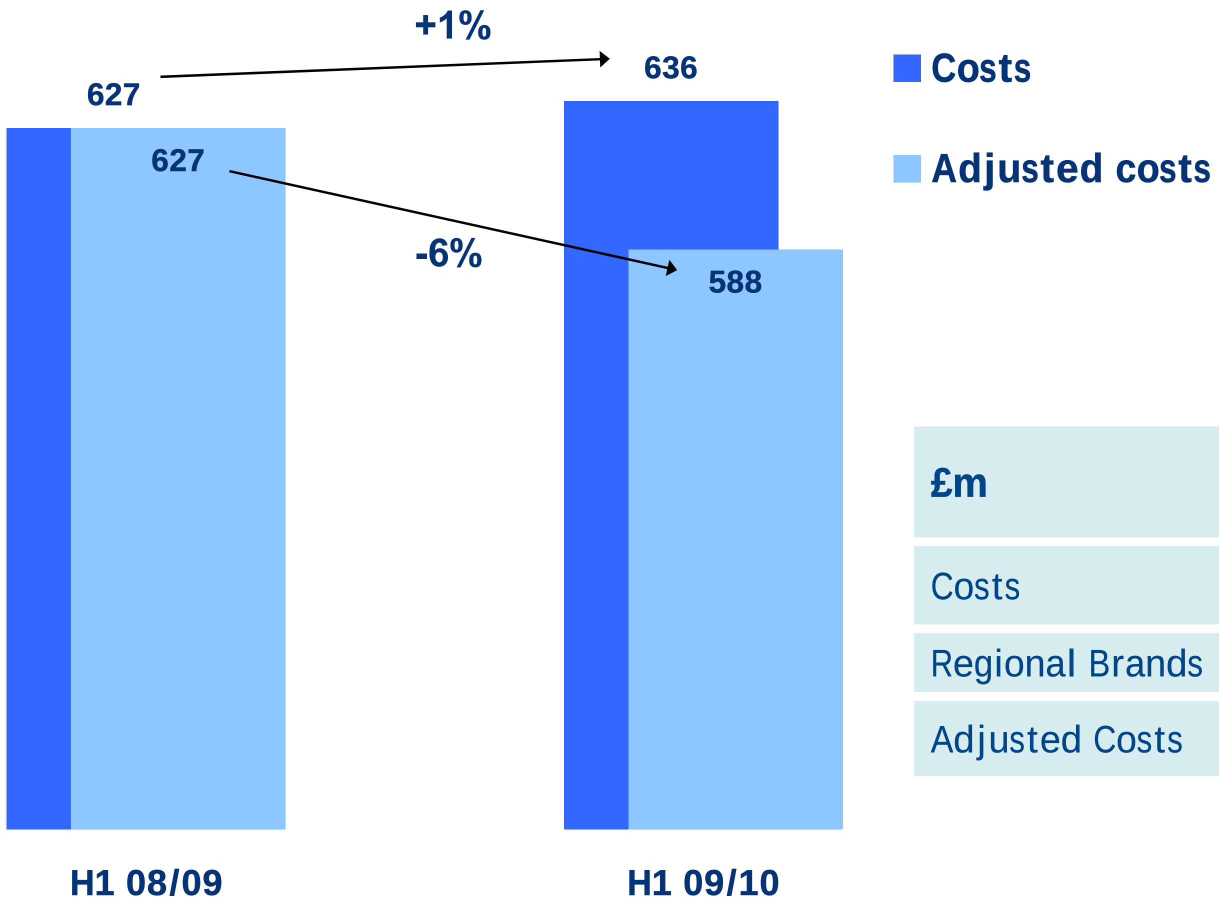
Group net interest margin



Group net interest margin



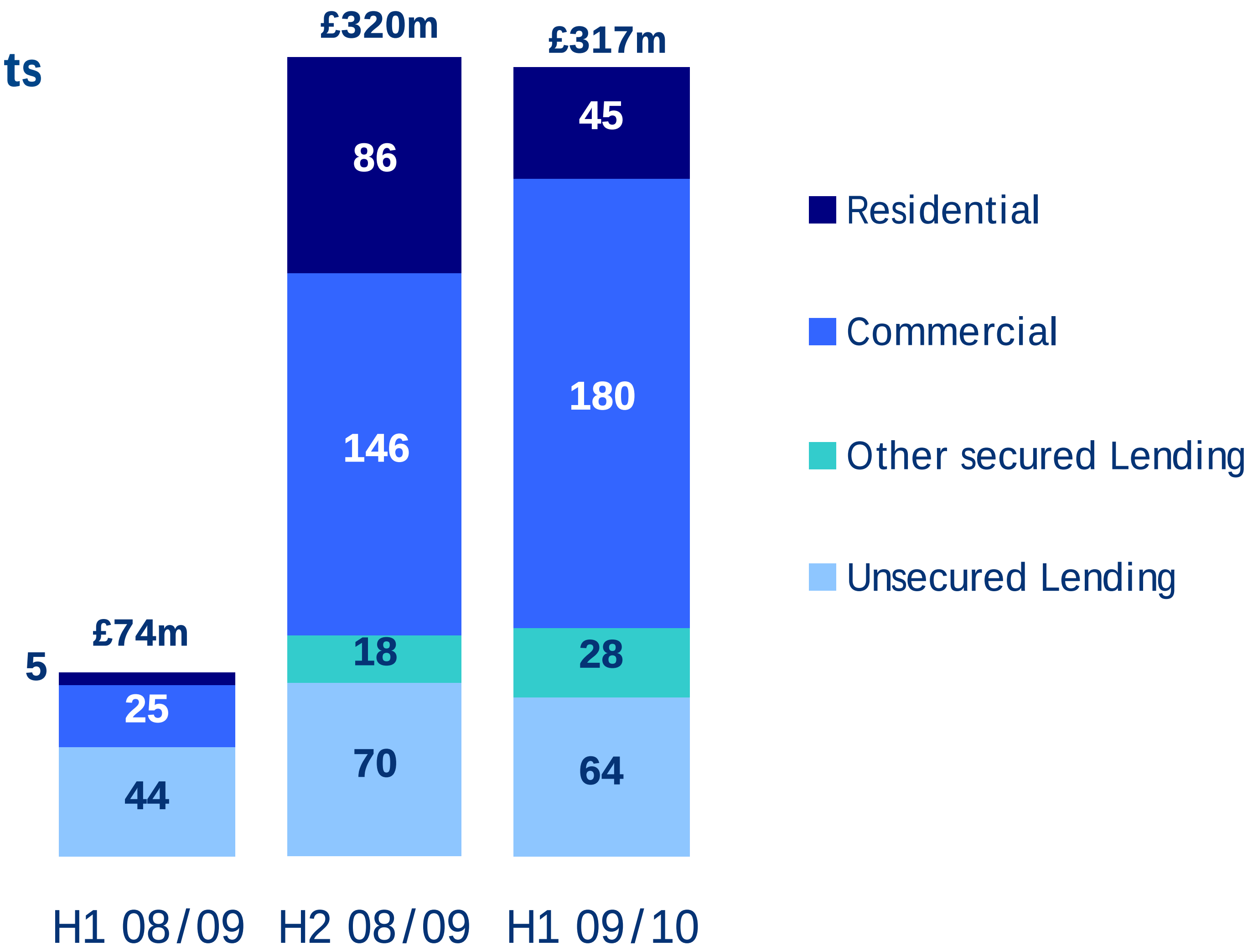
Expenses



£m	H1 08/09	H1 09/10	YoY
Costs	627	636	↑ 1%
Regional Brands	-	(48)	
Adjusted Costs	627	588	↓ 6%

Impairment losses and other provisions

Loan impairments



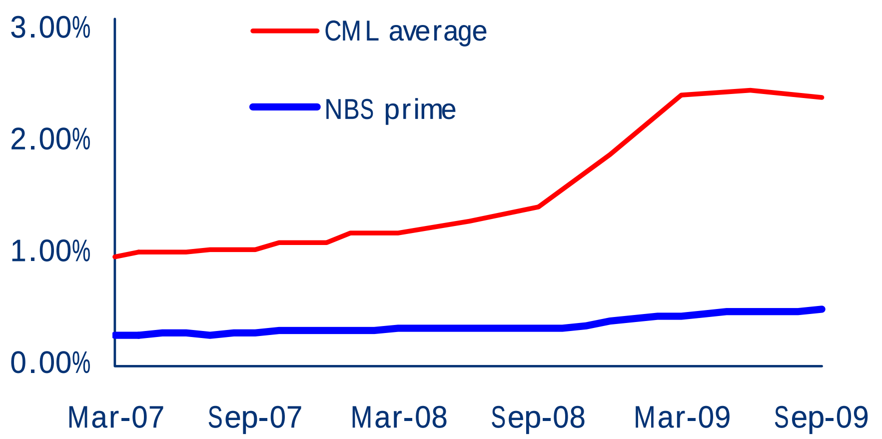
- Impairment provision charge on Treasury investments – £1m credit

Retail - Mortgage Asset Quality

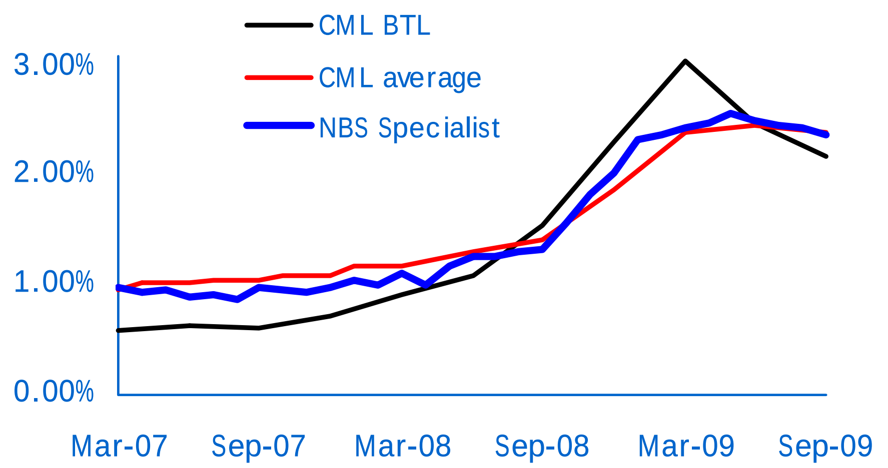
PRIME	April 09	Sept 09
Average: LTV of stock % LTV on new lending %	 50 61	 47 63
Total balance	£111.9bn	£110.4bn
Balance as % Total loans & advances	72.1%	71.6%

SPECIALIST	April 09	Sept 09
Average: LTV of stock % LTV on new lending %	 73 63	 73 63
Total balance	£18.2bn	£18.4bn
Balance as % Total loans & advances	11.7%	11.9%

Proportion of mortgage arrears (3 month +)



Proportion of mortgage arrears (3 month +)



Retail – Mortgage Arrears Summary

3 month + arrears cases as % of total book[1]	Sept 08	April 09	Sept 09
Prime	0.34	0.49	0.50
Specialist	1.33	2.45	2.39
Group	0.42	0.64	0.66
Industry Average (exc. LPA cases)	**1.33**	**2.41**	**2.40**

(1) Excluding acquired Societies

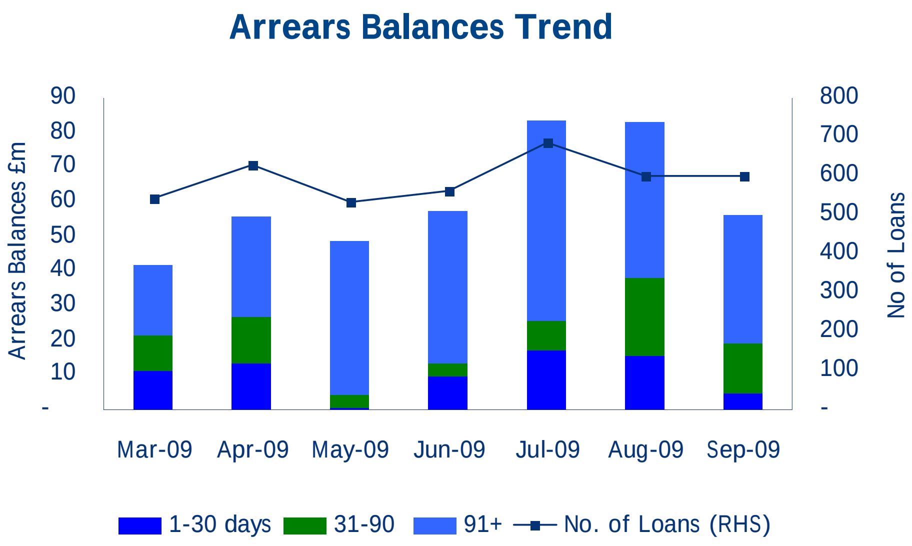
Possessions Taken in as % of total book[1](Number of Properties)	Sept 08 (6 months)	April 09 (12 months)	Sept 09 (6 months)
Group	0.024	0.070	0.054
Industry Average (exc. LPA cases)	**0.180**	**0.402**	**0.210**
No. of Properties Taken in	300	941	720
Properties Taken in as % of Industry	**1.42**	**2.13**	**3.12**

(1) Excluding acquired Societies

Commercial Lending

- Limited exposure to subordinated debt (£246m)
  - Exposure to further risk is limited as £113m is fully provided
- Minimal exposure to development finance (£133m)
  - Total further commitment of £68m
- No exposure to housebuilders
- No equity exposures
- No unsecured business loans

Commercial Lending



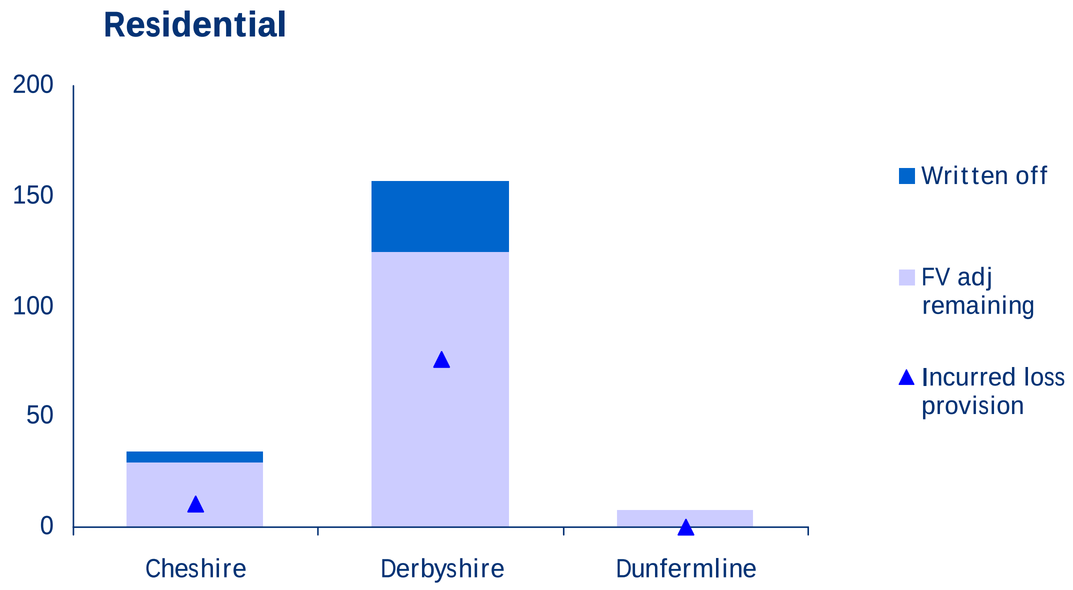
Provision Cover	Subordinated £m	Non Subordinated £m	Total £m
Provision	113	255	368
Balance	246	20,822	21,068
Provision Cover %	45.9%	1.22%	1.75%

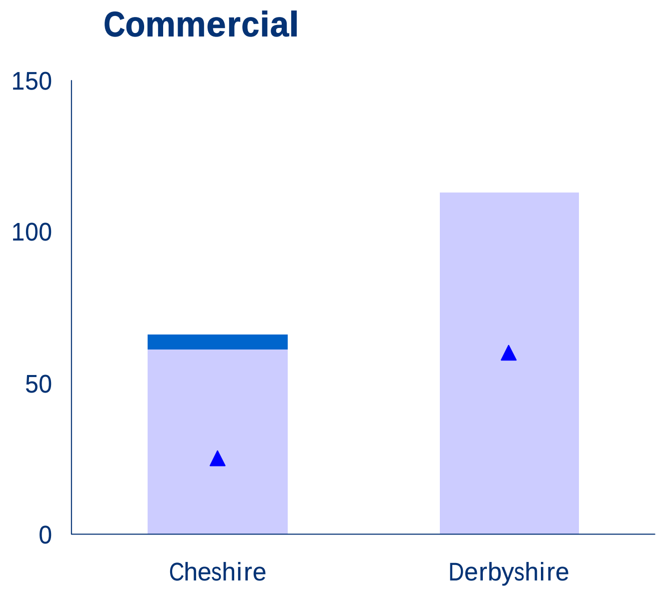
- Severe conditions encountered
- Prudent impairment charge of £180m (H2 08/09: £146m)
- Arrears stabilising/first signs of capital value growth
- Focus on loss mitigation
- Next 2-3 quarters are key

Excludes Derbyshire, Cheshire and Dunfermline Building Societies

Regional Brands

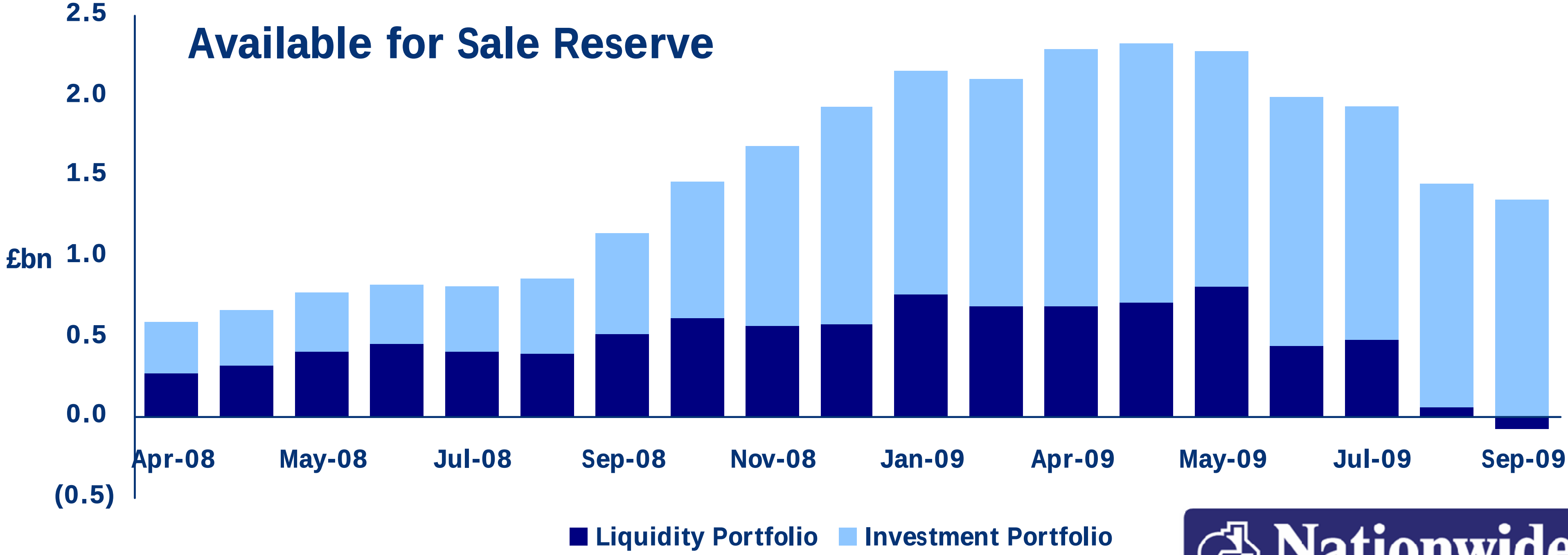
	Gross balances £m	Credit fair value adjustment £m	Amount written off £m	Credit fair value remaining £m	Credit fair value remaining as % of assets
Residential	8,026	199	37	162	2.0%
Commercial	1,036	179	5	174	16.8%
Total	**9,062**	**378**	**42**	**336**	**3.7%**





Treasury

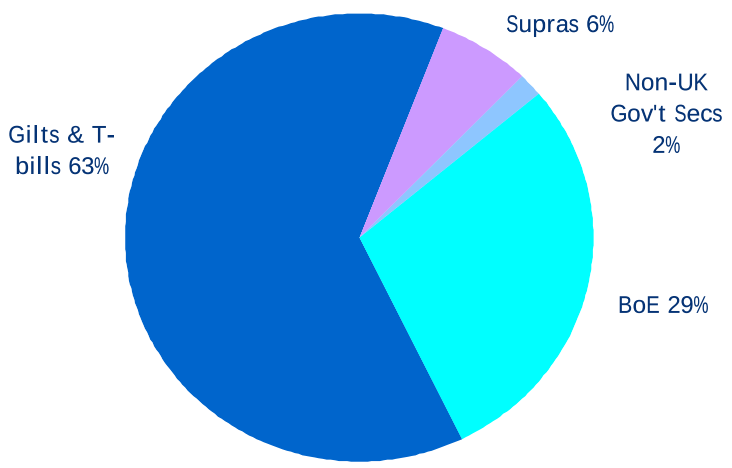
- Treasury asset portfolio of £34.5bn
  - Liquidity portfolio £31.1bn
  - Investment portfolio £3.4bn
- 68% rated AAA, 78% rated AA or above, 97% rated A or above
- Market values have improved since H2 08/09 reflecting improved sentiment in global credit markets
- Total mark to market deficit on available for sale assets portfolio (£26.8bn) improved by £0.8bn to £1.2bn



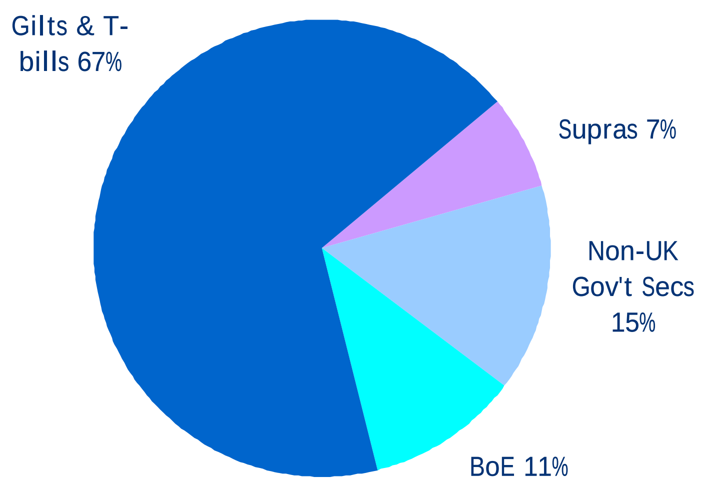
Liquidity

- Core Liquidity ratio is 12.9%, all rated AAA
- 94% of the core liquidity portfolio is eligible collateral for narrow BoE operations or reserves held at the BoE
- Significant progress towards PS 09/16, CP 09/17 and other regulatory guidance

Core Liquidity - 4 April 2009 (12.8%)



Core Liquidity - 30 September 2009 (12.9%)



Nationwide

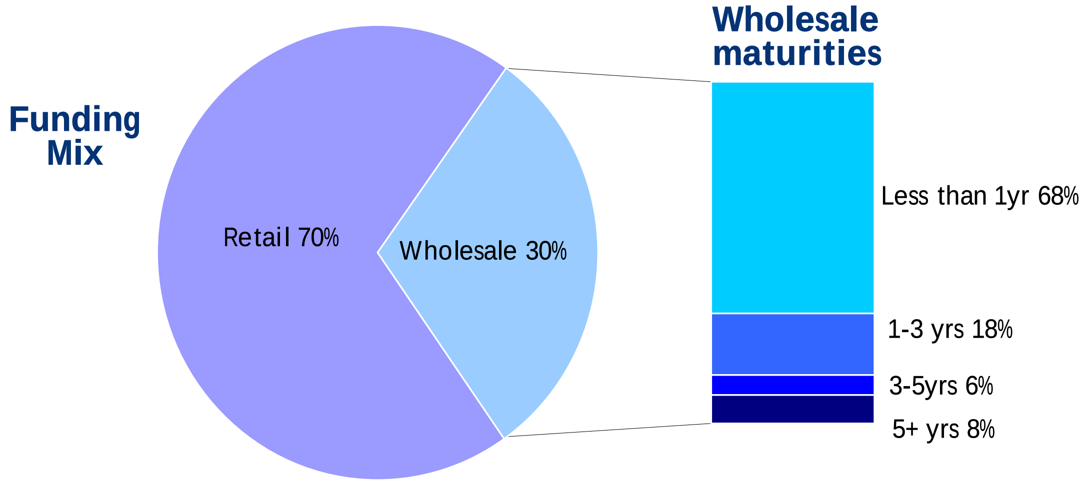
Funding

Retail

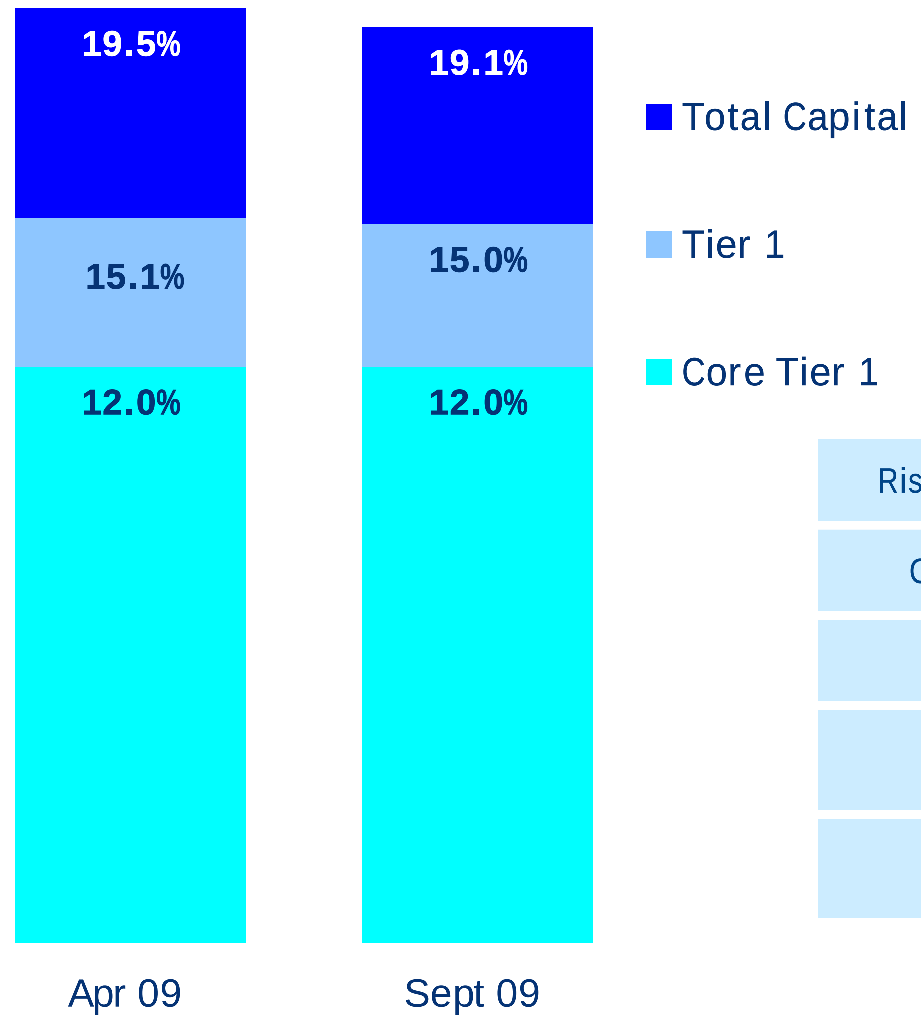
- Balance sheet predominantly funded by retail savings (69.6%)
- Exercised choice in source of funding
- Net reduction in retail savings balances (£5.6bn)
- Remain second largest savings provider with balances of £122.7bn
- Sales of GEBs increased by 400% resulting in £580m invested

Wholesale

- Well diversified funding base
- ST:LT ratio stable at 68:32
- Significant long term funding in wholesale markets
  - Raised $4bn under CGS (Aug 09)
  - £700m issuance of 10 year senior, unsecured bond (Sept 09)
  - Raised £3.25bn RMBS funding (Oct 09)



Capital & Solvency



	April 2009 IRB	Sept 2009 IRB
Risk Weighted Assets	£49.8bn	£50.7bn
Core Tier 1 Capital	£6.0bn	£6.1bn
PIBs	£1.5bn	£1.5bn
Tier 2 Capital	£2.2bn	£2.1bn
Total Capital	£9.7bn	£9.7bn

Nationwide Summary

- Solid performance in challenging market conditions
  - Compressed margin due to sustained low interest rate environment
  - Increased credit impairment provisions
- Strong asset quality
  - Stable residential arrears
- Well capitalised and liquid balance sheet
  - Maintained Core Tier 1 ratio at 12%
  - High levels of liquid government bonds
- Significant long term funding in wholesale markets
  - Almost £4bn completed in September and October

Nationwide Outlook

- Base rate expected to remain at or near current level for most of 2010
  - Margin pressures to impact profitability throughout 09/10 and 10/11
  - High cost of retail funds is likely to have a proportionately greater impact
- Rising level of unemployment anticipated
  - Mortgage arrears to trend higher
  - Downward pressure on house prices still to feed through
  - Impairment charges on residential loans to rise
- Early signs of commercial market stability
  - Run rate of impairment charges not expected to increase
- Overall profitability will remain under pressure
  - H2 result expected to be lower than H1

Interim Results Presentation

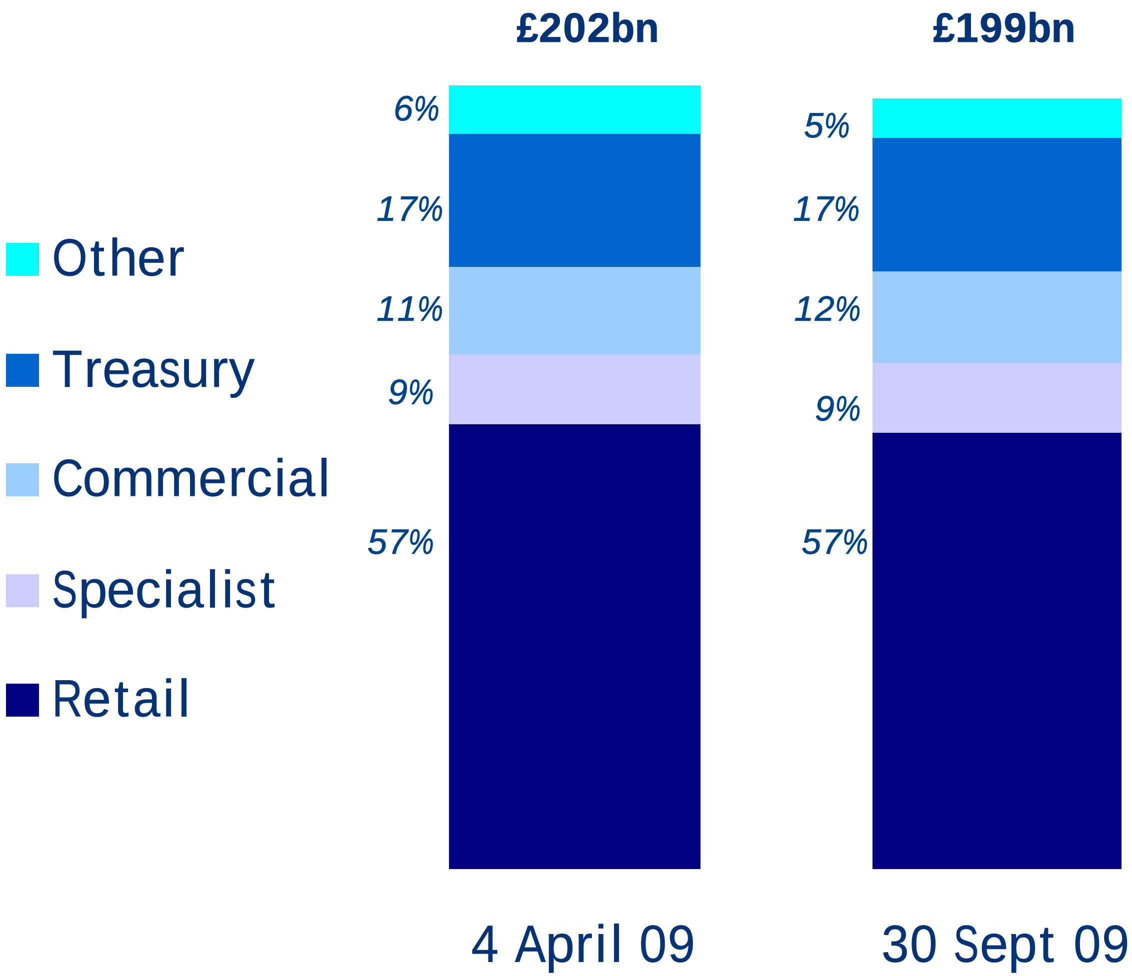
Six months ended

30 September 2009

Mark Rennison
Group Finance Director

Appendices

Balance Sheet Assets



- Managed contraction in balance sheet
- Prudent approach to net lending

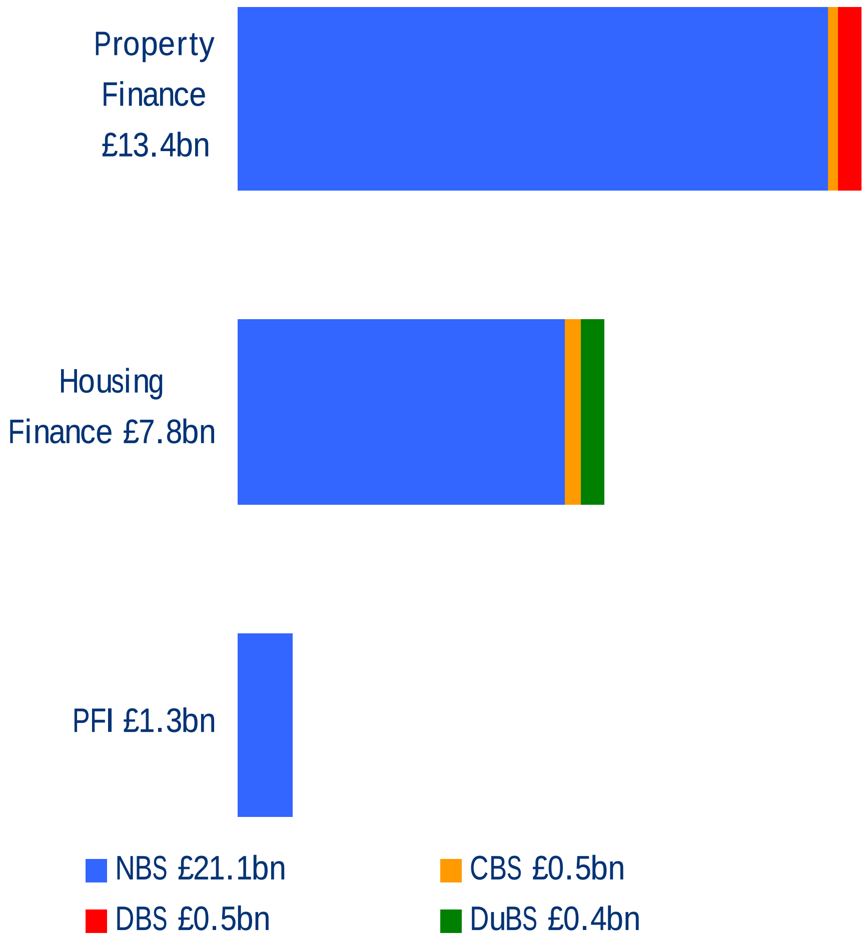
Retail - Unsecured Lending

Percentage of accounts more than 30 days in arrears	Sept 08	April 09	Sept 09
Personal Loans	6.10	7.15%	7.20%
Industry Average (FLA)	**13.00%**	**15.80%**	**19.20%**

Credit Card	5.85%	5.70%	5.70%
Industry Average (exc. LPA cases)	**7.86%**	**8.06%**	**7.55%**

- Significantly better than industry average
- Balance of accounts more than 30 days in arrears has remained broadly static

Commercial Lending



Overview

- Property investment primarily senior debt
- Some exposure to subordinated (£246m) and development (£133m)
- Portfolio under pressure at present time but resilient
- 2008/09 and H1 2009/10 impairments all Property Finance

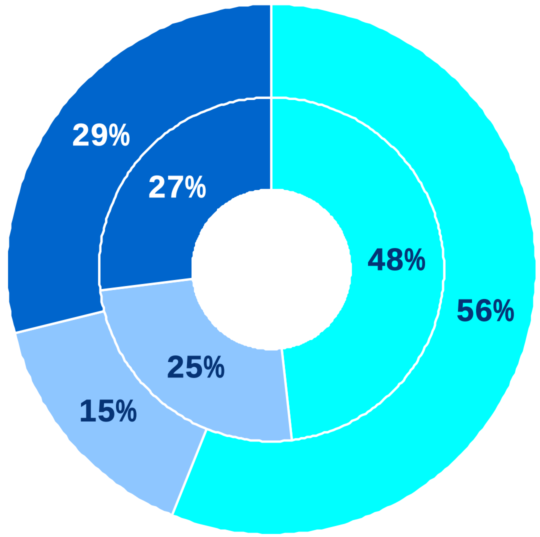
- High quality regulated housing associations; low risk
- Geographically diverse with no arrears or provisions
- Acquisition of Dunfermline RSL portfolio June 09

- Well diversified across 8 core PFI sectors
- Backed by public sector cashflows
- No arrears or provisions

Commercial Lending

UK Investment Property

- Total assets £11.1 bn
- Focus on cashflow from diversified tenants rather than security values
- c.80% of book ICR >115%
- Weighted average lease length (11 yrs) exceeds weighted average loan maturity (7 yrs)
- 27% of portfolio originated in 2007 (lower than par market share)

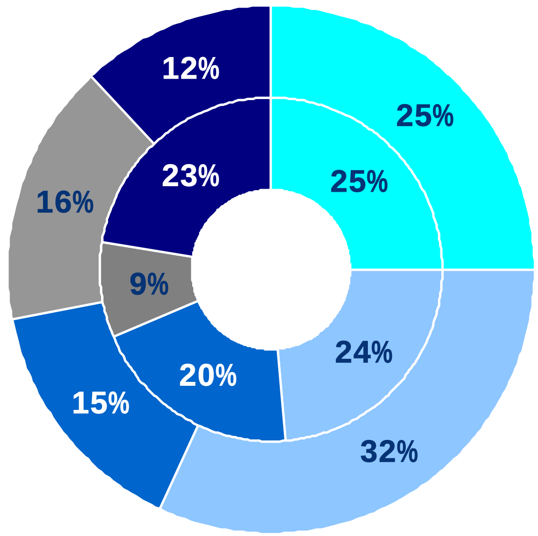


Geographical Profile

- Other UK
- South East
- London

NBS (outer ring)

Market* (inner ring)



Sector Profile

- Office
- Retail
- Residential
- Indust & W'hse
- Other

Excludes Derbyshire, Cheshire and Dunfermline Building Societies

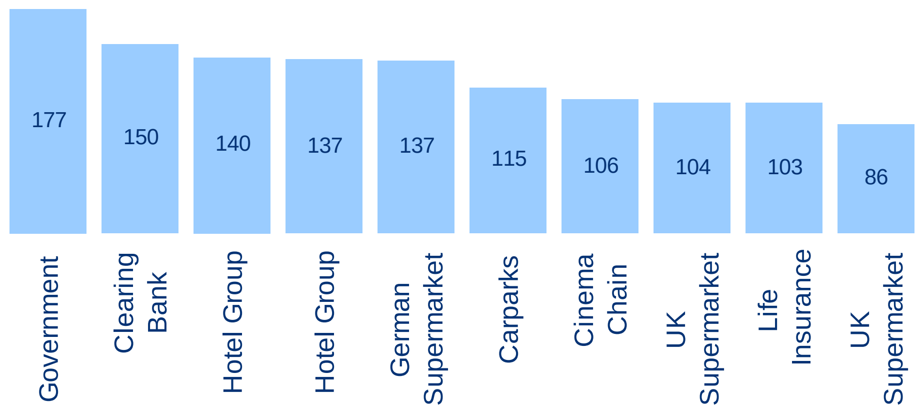
*Source: De Montfort University

UK Investment Property - Tenants & Maturity

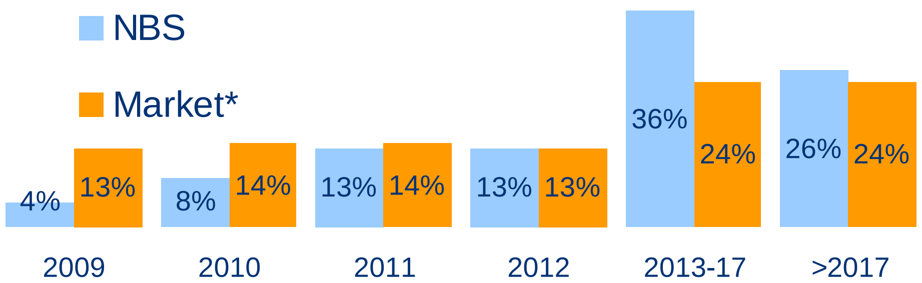
- Largest tenant HM Government
- Rest of top 20 are quality tenants – all performing well
- The majority of existing loans and leases remain in place until after the expected bottom of the market in 2010/11
- Lower exposure to short term maturing loans than the market average

Top 10 Tenants Exposure (£m)

Balances where tenant GRI is >20% of total GRI.



Loan Maturity Profile



*Source: De Montfort University

Capital & Solvency

Economic Assumptions / Business Assumptions → I&E, Balance Sheet, Provisions, Capital → Review and Challenge by Board Committees → Board → Future Strategic Planning

Modelling

Detailed bottom up assessments of the Group's financial strength for all portfolios across a range of scenarios

Governance

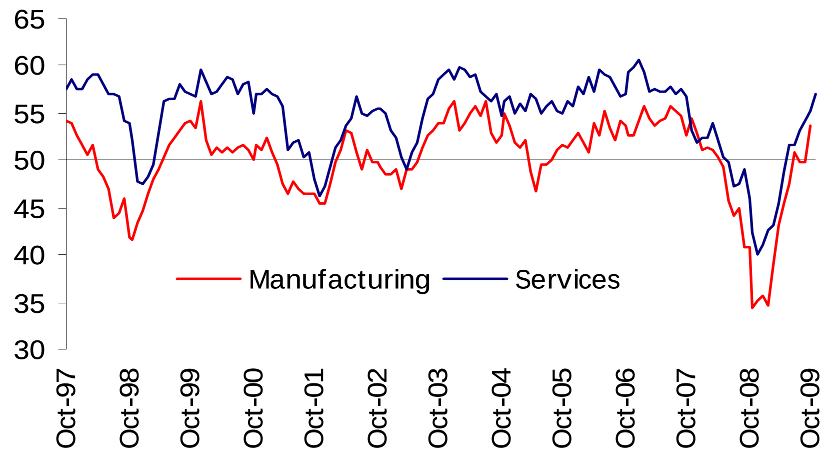
Stress testing programme is an integral part of the financial planning process including full risk committee and Board involvement

Recent stress test considered:	
Base rate	0%
Unemployment	c.12%
6+ CML arrears	4.5% in 2011
House Price Inflation	Peak to trough 50%
Commercial Property Prices	Peak to trough > 50%

Macroeconomic update

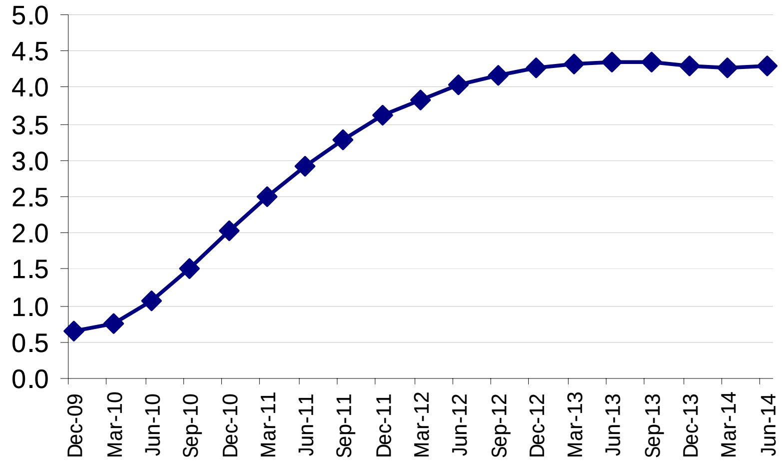
- UK economy remained in recession in Q3 but lead indicators point to positive GDP growth in Q4
- Exchange rate and monetary policy providing very large stimulus
- Primary headwind to recovery is the required tightening of fiscal policy
- Unemployment now increasing at slower rate but probably has not peaked yet
- Base rate expected to remain at 0.5% for much of FY 2010/11
- Interest rate futures point to rate normalisation in medium term

UK Purchasing Manager Indices (PMIs)



Source: Ecowin

3m Libor Futures Curve (17 Nov 09)



Source: Reuters

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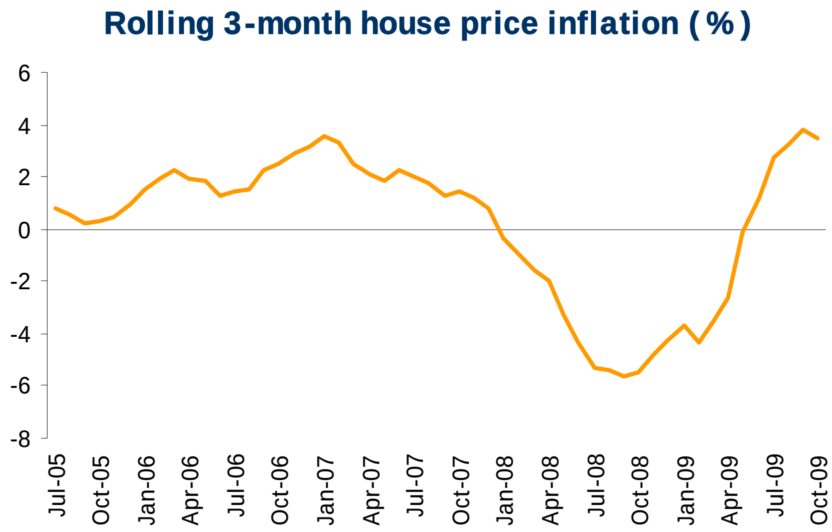
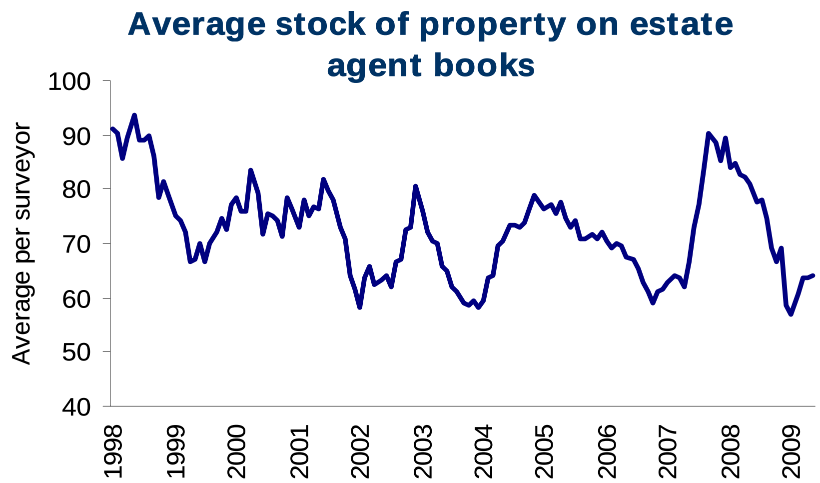
Housing market update

- House prices have risen 4.6% YTD and are likely to end 2009 about 5-6% higher
- House sales are still at a relatively low level but a very low stock of property available for sale has boosted prices
- Prices remain high relative to earnings but low rates have improved affordability
- Return of more natural property supply levels would dampen the recent upward pressure on house prices …
- … but interest rates are likely to remain at supportive levels in 2010
- Unlikely to see large price moves in either direction in 2010



Source: Nationwide



Source: RICS

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Forward Looking Statements

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- By their nature, all forward looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of Nationwide including, amongst other things, UK domestic and global economic and business conditions, market related risks such as fluctuation in interest rates and exchange rates, inflation / deflation, the impact of competition, changes in customer preferences, risks concerning borrower credit quality, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations within relevant industries, the policies and actions of regulatory authorities, the impact of tax or other legislation and other regulations in the jurisdictions in which Nationwide operates. As a result, Nationwide's actual future financial condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward looking statements. Due to such risks and uncertainties Nationwide cautions readers not to place undue reliance on such forward looking statements.

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