Nationwide Building Society – Factsheet

H1 Interim Results

Half Year ended 30 September 2016

Business Overview

UK's largest building society
Top 2 UK mortgage and savings provider
Mutual organisation; owned by our members
|1 member = 1 vote|

Primarily governed by the Building Societies Act 1986 (as amended) which supports a **low risk, simple business model.**

Assets are predominately residential mortgages: Residential mortgages ≥ 75% assets, which supports a low credit risk profile.

Majority of liabilities are retail savings: Retail deposits & savings ≥ 50% liabilities, resulting in a stable funding profile.

No proprietary trading – all hedging to mitigate balance sheet risks.

Building societies are exempt from ring-fencing rules but we are aligned with their principles. Prohibited from creating a holding company under the Building Societies Act. All future issuance will be from the operating company.

Key Metric	H1 2016/17	H1 2015/16
Underlying profit before tax	£615m	£801m
Net interest margin	1.33%	1.58%
Underlying cost income ratio	57.1%	51.0%
	30 September 2016	**4 April 2016**
Total assets	£225.5bn	£208.9bn
Loans and advances to customers	£185.1bn	£178.8bn
Member deposit balances[1]	£143.4bn	£138.7bn
CET1 ratio[2]	23.3%	23.2%
Leverage ratio[2]	4.0%	4.2%
Liquidity coverage ratio	140.6%	142.6%
Wholesale funding ratio	27.2%	24.8%

Financial Performance

Underlying profit before tax and net interest margin lower, due to the prevailing low interest rate environment, competition in the mortgage market & active decisions taken to support loyal savers and variable rate mortgage members.

Cost income ratio increased, primarily driven by the impact of strategic investment to improve our service proposition and the increased costs associated with our strong trading performance.

CET1 ratio improved slightly, with retained earnings generated from profits largely offset by an increase in the pension deficit which reduced the general reserve.

LCR remained broadly consistent, with higher liquidity balances offset by increased LCR requirements relating to upcoming wholesale funding maturities and increased collateral holdings.

H1 Key Highlights

Record prime gross mortgage lending: gross mortgage lending up 17% to £17.5bn. Best ever net mortgage lending, up 46% to £6bn.

Strong growth in deposit balances: member deposit balances increased to £4.7bn vs H1 2015/2016 of £2.6bn.

Record numbers of new current accounts: 36% increase in the number of current accounts opened to 377,000 and taking a 15.8% share of switching market.

No.1 for customer service: ranked number one for customer service satisfaction amongst our high street peer group with a lead of 8.0%.[3]

Mortgage balances market share	12.8%
Balance sheet mortgage assets	**£168.4bn**
Savings balances market share	10.1%
Current account balances market share[4]	7.3%
Member deposit balances Inc. personal current account credit balances	**£143.4bn** £16.6bn

"Building society, nationwide"

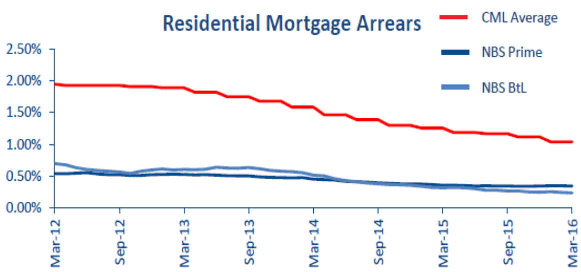
Asset Quality

Residential mortgages made up 91% of loans and advances to customers as at 30 September 2016.

Average book LTV has decreased to 54% whilst the proportion of residential mortgage accounts more than three months in arrears is 0.45%, materially below the CML industry average of 1.01%.

Loan impairments for the period of £37m have increased compared to the same period last year primarily due to a lower level of net recoveries in the commercial real estate (CRE) portfolio.

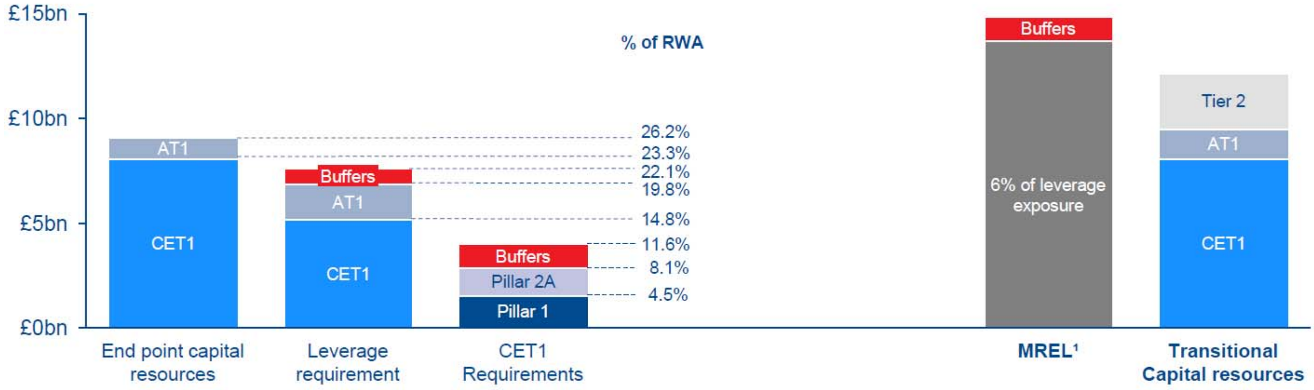
Following a strategic review of the CRE business, the decision has been taken to cease new lending which will ultimately culminate in the closure of the business. The Group's book of existing CRE loans will continue to run off in line with their contractual terms.



	H1 2016/17	H1 2015/16
Average LTV of new business	71%	69%
Average LTV of loan stock	54%	55%

[1] Member deposits include current account credit balances, [2]The capital ratios provided have been calculated under CRD IV on an end point basis. The leverage ratio is calculated using the CRR definition of Tier 1 for the capital amount and the Delegated Act definition of the exposure measure, [3]© GfK 2016, Financial Research Survey (FRS), 30 September 2016 vs. 31 March 2016, proportion of extremely/very satisfied customer minus proportion of extremely/very/fairly dissatisfied customers summed across current account, mortgage and savings; high street peer group defined as providers with main current account market share >6% (Barclays, Halifax, HSBC, Lloyds Bank (inc C&G), NatWest and Santander). [4]Based on market data as at August 2016

Capital & MREL



¹Based on latest expectations; the PRA will confirm individual firm requirements shortly

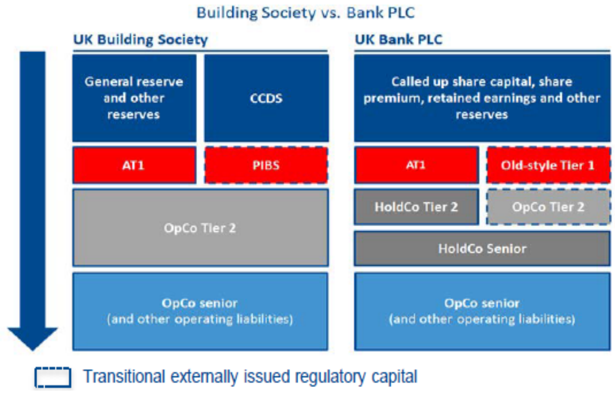
CET 1 ratio 23.3%; Leverage ratio 4.0%.

Leverage remains the binding constraint. CET1 resources are greater than both the minimum leverage and risk based requirements.

Pillar 2A is set at c. £2.2bn, of which at least c. £1.3bn must be met by CET1 capital and is equivalent to 6.5% of RWAs. This reflects the Group's low average risk weight, given that c. 75% of assets are residential mortgages.

Well placed to meet MREL requirements

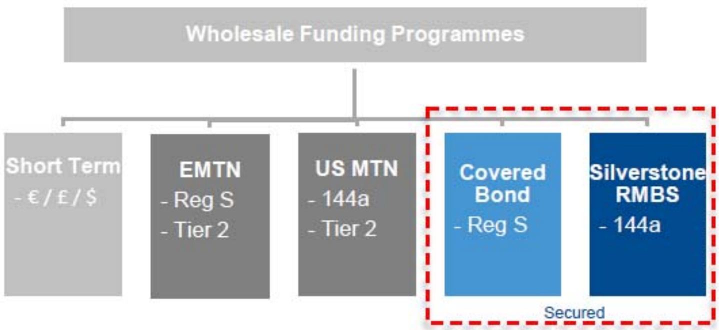
The Bank of England have published its policy for the UK MREL Framework. This confirmed that our MREL requirement from 2020 will be twice our minimum leverage capital requirements plus CRD IV capital buffers. We are confident in our ability to meet this new requirement based on current capital resources and the successful issuance of $1.25bn of Tier 2 securities.



Funding & Liquidity

Nationwide issues across public and private senior unsecured, secured and subordinated platforms. Funding platforms are diversified across products and currencies, both in public and private placements. Nationwide issued 4.9bn GBP equivalent in H1.

The Group intends to participate in the Bank of England's Term Funding Scheme whilst maintaining access to core wholesale markets.



Liquid asset holdings increased by 24% to £34.7bn in H1, attributable to pre-funding of wholesale maturities ahead of the EU referendum.

Credit Ratings

	LT Rating	Outlook
S&P	A	Negative
Moody's	Aa3	Negative
Fitch	A	Positive

In May 2016, Fitch revised Nationwide's outlook to positive reflecting the potential for increased subordinated debt issuance leading to lower than expected losses for deposits and senior unsecured debt.

Following the EU referendum, both Moody's and S&P have placed Nationwide's outlook on negative as part of a sector wide move reflecting the risk of a weaker operating environment and uncertainties in the UK banking sector.

Supporting members in uncertain times

The UK economy grew at a respectable pace in the first nine months of 2016. However, uncertainty following the EU referendum is likely to adversely impact investment and hiring decisions.

The longer term impacts of the EU referendum will depend on a range of factors, not least the time it takes to reach trading agreements with EU and non-EU economies and the nature of those agreements. Though the outlook is uncertain, our assumption is that economic growth will be maintained at a modest pace in the years ahead.

Interest rates are expected to remain at historically low levels for a prolonged period in order to support economic activity, where further stimulus measures may still be required.

Nationwide will continue to act in the best interests of its members. Nationwide's strong capital position, high quality balance sheet and lead on customer satisfaction means we are well placed to continue to help our members whatever the prevailing economic conditions. Nationwide faces the future with confidence and will continue to do the right thing for its members.

Investor Relations Contacts

Sarah Gardiner, Head of Investor Relations | 02072 616541 | sarah.gardiner@nationwide.co.uk

Alexander Wall, Head of Investor Relations, Rating Agencies and Capital | 02072 616568 |alexander.wall@nationwide.co.uk