Annual Results Presentation

for the 12 months to 4 April 2021

As a mutual, we were founded in 1884 for a social purpose…

Being a responsible business is part of our mutual heritage – we've been committed to doing business in a way that positively impacts our members, employees, communities and the environment for over 135 years, not in response to growing social pressures today

1884

In 1884, Charles Cooper was inspired to form a 'mutual' society where members could pool their money to help each other buy homes

This later became ***Nationwide Building Society***

1997

In 1997, during a period of demutualisations, our members voted to remain a building society, committed to the principles of mutuality and the positive impacts that these bring

2021

We have remained profitable over the last 100 years and today we celebrate mutuality as the UK's largest building society with 16.3 million members

Our mutual heritage is as important as ever as we continue ***building society, nationwide***

Nationwide
Building Society

….which continues forward to today

Building Legendary Service

Doing our very best to serve our members

- *Which?* Banking Brand of the Year 2020 - for the fourth year running
- No. 1 for customer satisfaction among our peer group[1]
- Launched a number of new digital solutions as well as an online Covid-19 support hub to help our members through the pandemic

Building Thriving Membership

Growing and serving our membership

- Helped 1 in 7 first time buyers into a home of their own
- Helped 130,000 people with little or no savings with us to save more than £100 with us for the first time
- Expanded our green product range to reward members who purchase greener homes and incentivise landlords to improve the energy efficiency of their rental properties

Built to Last

Managing the Society for the long term

- 5.4% UK leverage ratio and 36.4% Common Equity Tier 1 ratio
- £790 million underlying profit
- £265 million member financial benefit[2], from better incentives and pricing than the market average

[1] © Ipsos MORI 2021, Financial Research Survey (FRS) measure (see Glossary slide 40) [2] Definition on Glossary slide 40.

…. building society, nationwide

Building PRIDE

Creating a healthy culture for our people

- Highest proportion of employees across all major peers surveyed who were proud of the way we supported our members through the pandemic[1]
- Top quartile score for shared purpose, respect, reliability and resilience[2]
- Committed to giving our colleagues greater flexibility in their working arrangements now and into the future, so they can be at their best to serve our members and the Society
- Protected the jobs of all our employees until the end of December 2020

Building a National Treasure

Contributing to our wider community

- Announced 5 Mutual Good Commitments, focused on building a better society
- Celebrating 20 years of our partnership with Shelter, a charity focused on tackling homelessness
- Committed at least 1% of our pre-tax profits[3] to good causes, as we do each year, representing £7.4m
- Partnered with The Diana Award – funding 10,000 anti-bullying ambassadors across 660 UK primary schools over three years

[1] Banking Standards Board's 2020 Employee Survey. Major peers surveyed comprise the following systemically important institutions: HSBC, Lloyds Banking Group, Morgan Stanley International, NatWest and Santander UK [2] Banking Standards Board's 2020 Employee Survey [3] The 1% is calculated based on average pre-tax profits over the previous three years.

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Our Mutual Good Commitments support our core purpose

We remain committed to building a stronger, kinder, greener society and have made five Mutual Good Commitments

We believe that: Everyone ...	...should have a place fit to call home		...should have confidence in managing their money	...deserves to be treated with respect	
Our commitment[1]	Help to achieve safe and secure homes for all	Lead the greening of UK homes	Support our members' financial wellbeing	Champion thriving communities	Reflect the diversity of our society
Our targets	By 2025 we will: • Help 250,000 members to buy their first home • Help 25,000 members use the money built up in their home to live a better retirement • Equip 50,000 landlords with tools to improve tenants' lives	By 2030: • At least 50% of homes in our mortgage book will be rated EPC C or above • Our business operations, suppliers and commuting will be carbon neutral	By 2025 we will: • Support 200,000 financially squeezed and struggling members to become regular savers	• Every town and city that has a branch today will have one until at least 2023 • We will donate at least 1% of our pre-tax profits to charitable activities every year	By 2028 : • Our people at every level will reflect the society that we represent
	1 NO POVERTY; 10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION; 13 CLIMATE ACTION	1 NO POVERTY; 10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	10 REDUCED INEQUALITIES

We launched our Mutual Good Commitments in November 2020 and will report our progress at least once a year

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[1] Each commitment has been aligned to the UN Sustainable Development Goals (SDGs).

Performance Update

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We focussed on supporting members and preserving our strong financial position

Safe

Protecting the health and safety of members

- **Over 90% of branches remained open** with increased space, enabling **social distancing to serve members more safely**
- Supported vulnerable members with **cash deliveries and specialist telephone hotlines**
- **Many services moved online at speed**, e.g. online valuations within 12 days

Supportive

Supporting members through financial hardship

- Introduced a **comprehensive home support package**, including a **'no repossessions' pledge until May 2021**
- Continued to support first time buyers and were **one of the first few lenders to offer 90% LTV mortgages again** after the first lockdown
- Launched a range of **new propositions to encourage a savings culture**, including our Start to Save account, a Mutual Reward Bond, and a Triple Access Online account

Secure

Remaining strong and secure

- **Prudent approach to managing our finances has proved its worth,** enhancing our financial strength at a time of uncertainty
- **Increased our income and reduced our costs** during a year which brought a level of operational/societal challenge unseen in any previous crisis
- **Capital ratios remain high**, with our UK leverage ratio substantially above our target

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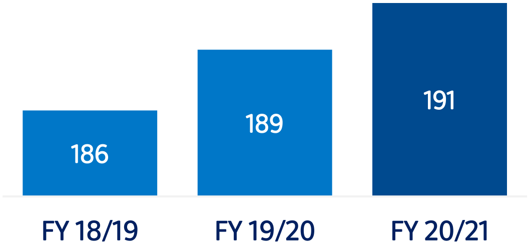
Strong business performance

Mortgages

2nd largest mortgage provider

Total mortgage balances (£bn)

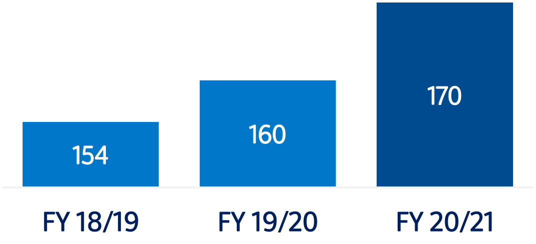


- Continued growth in mortgage balances, despite the lower demand during lockdowns
- Market share of stock was 12.5% (2020: 12.9%)

Savings/Deposits

5th largest savings provider

Total deposit balances (£bn)

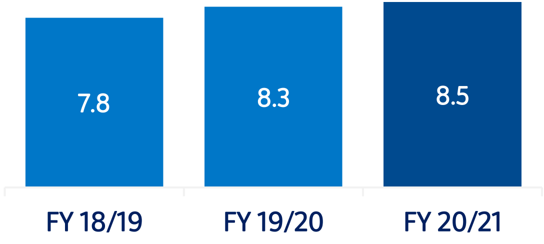


- Total deposit balances increased due to members holding more cash and putting more into savings
- Market share of stock was 9.4% (2020: 9.9%)

Current Accounts

1 in 10 current accounts[1] with us

Total number of current accounts (millions)



- Deliberately focused on serving our existing members during this uncertain time
- Market share of stock was 10.2%[1] (2020: 10.0%[1])

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[1] CACI's CSDB (February 2021 and February 2020).

Our mutual difference means we measure our performance on what matters most to our members: great service, long-term value and financial strength

Our performance against our targets has been impacted by the pandemic and in this new environment we have revised some of our near-term targets[1]

Key performance indicators	Measure	Target	20/21 performance
Outstanding service	Customer satisfaction	FRS: 1st + 4.0%pts in our peer group UKCSI: Top 5	1st + 1.6%pts[2] =13th [3,4]
Value for members	Member financial benefit[5]	At least £400m	£265m
	Engaged members[1, 5]	10m by 2022	9.5m
	Committed members[1, 5]	4m by 2022	3.6m
Financial strength	UK leverage ratio	> 4.5%	5.4%

[1] Interim targets for 2021/22 reflect the challenges of the ongoing pandemic:- Outstanding service: FRS 1st + 2%pts; Value for members: Committed members: 3.6m by 2022. Committed membership is more aligned to our strategy than Engaged membership which will no longer be reported going forward. All other targets remain unchanged [2] © Ipsos MORI 2021, Financial Research Survey (FRS) measure (see Glossary slide 40) [3] Institute of Customer Service UK Customer Satisfaction Index (UKCSI) as at January 2021. [4] We remain the highest ranked high street financial services provider. [5] Definitions on Glossary slide 40.

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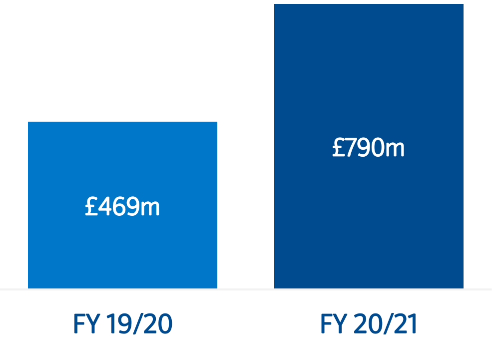
Further enhanced our financial resilience

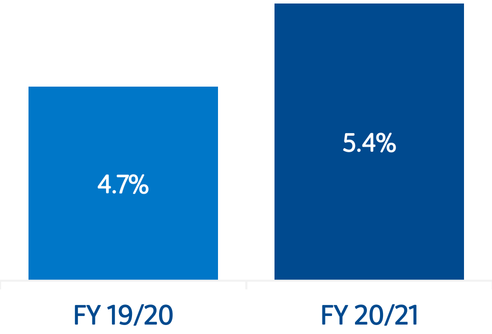
Improved profitability

Underlying profit before tax



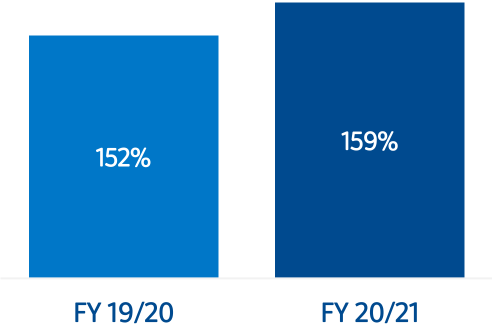
Leverage ratio up 70bps

UK leverage ratio[1]



Liquidity position remains strong

Liquidity Coverage Ratio (LCR)[2]



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[1] FY 20/21 UK leverage ratio of 5.4% includes 0.2% relating to software assets and comprises £12.0bn (4.9%) of CET1 and £1.3bn (0.5%) of AT1; FY 19/20 comprises £10.7bn (4.4%) of CET1 and £0.6bn (0.3%) of AT1. [2] LCR is reported on a rolling 12 month average basis. LCR on a spot basis at 4 April 2021 is 165% (4 April 2020 163%).

Financials

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Improving income and cost performance increases profit

£ million	2019/20	2020/21
Net interest income	2,810	3,146
Net other income	236	139
Total Income	**3,046**	**3,285**
Underlying costs	(2,312)	(2,218)
Loan impairments	(209)	(190)
Provisions for liabilities and charges	(56)	(87)
Underlying profit	**469**	**790**
FSCS release/(charge)	4	(1)
(Losses)/gains from derivatives and hedge accounting	(7)	34
Statutory profit	**466**	**823**

- Net interest income increased by £336m, largely due to the market increase in new business mortgage margins and is supported by a reduction in retail funding costs
- Net other income reduced by £97m driven by a liability management exercise, lower overdraft income and one-off gains in the prior year
- Underlying costs decreased by £94m, reflecting re-prioritisation of investment spend and lower business-as-usual costs, partially offset by increased restructuring spend
- Loan impairments of £190m reflect the continued uncertain economic outlook

Key ratios (%)	04 Apr 20	04 Apr 21
Underlying cost income ratio	75.9	67.5
Net interest margin	1.13	1.21

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We maintain a low risk, strongly capitalised balance sheet

£ billion	04 Apr 20	04 Apr 21	%
Residential mortgages	188.6	190.7	75
Retail unsecured	4.5	3.9	1.4
Public Sector[1]	6.9	6.1	2.3
Commercial Real Estate	1.0	0.8	0.3
Total Lending[2]	**201.0**	**201.5**	**79**
Liquidity[3]	37.4	45.8	18
Other assets	9.6	7.6	3
Assets	**248.0**	**254.9**	**100**
Retail deposits[4]	159.7	170.3	67
Wholesale funding	62.3	59.5	23
Other liabilities	3.5	3.2	1
Capital & reserves[5]	22.5	21.9	9
Liabilities	**248.0**	**254.9**	**100**

- Balance sheet growth driven by an increase in liquidity as a result of an increase in retail deposits
- 94% of total lending secured on low risk residential property (average indexed LTV of 56%)
- Capital position remains robust with our CET1 and UK leverage ratios at 36.4% and 5.4% respectively[6]

Key ratios (%)	04 Apr 20	04 Apr 21
Liquidity coverage ratio (12m avg.)	152	159
Liquidity coverage ratio (spot)	163	165
CET1 ratio	31.9	36.4
UK leverage ratio	4.7	5.4

[1] Public Sector lending compromises Housing Association and Private Finance Initiative. [2] Lending balances are shown net of provisions. [3] Treasury assets (including £32m of investments not included within the liquidity portfolio). [4] Shares (member deposits). [5] Total members' interests, subordinated liabilities and subscribed capital. [6] UK leverage ratio includes 0.2%, and CET1 ratio includes 1.0% relating to software assets.

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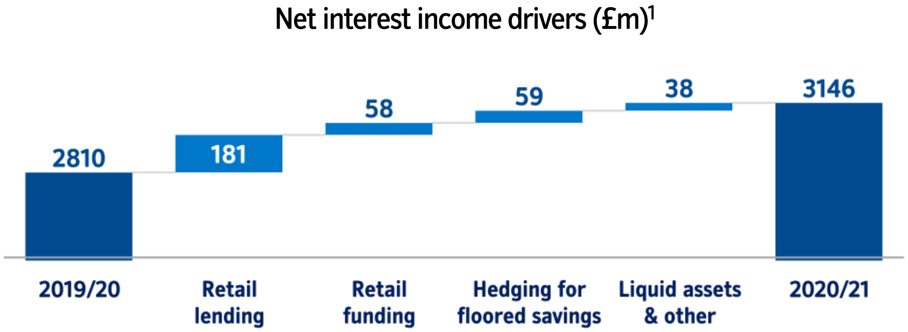
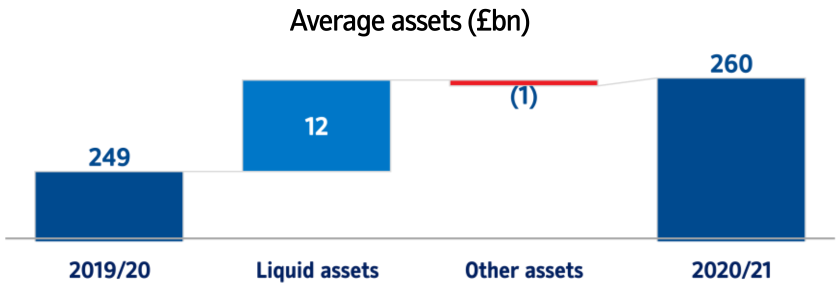
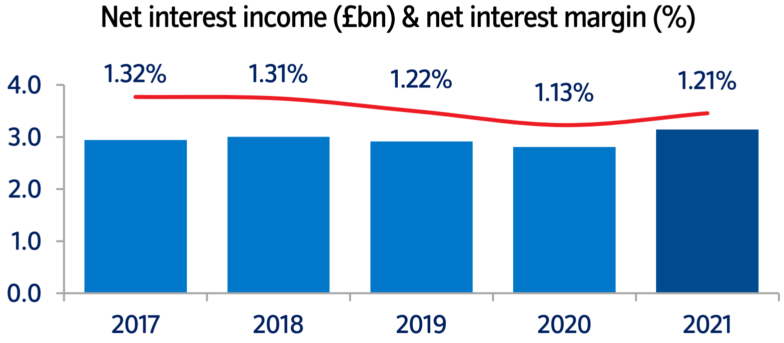
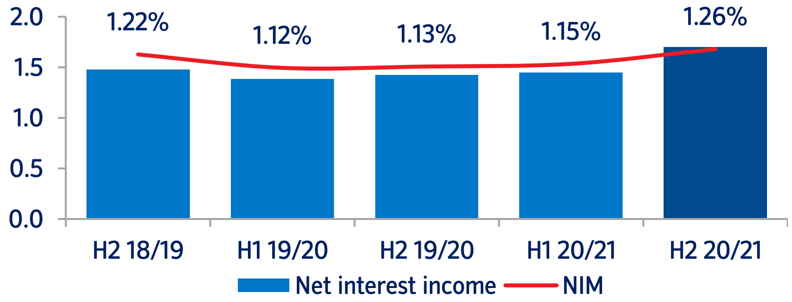
Net interest margin driven by improved mortgage margins

The net interest income impact of a 10bp and 25bp cut in Bank base rate is c£34m and c£100m per annum, respectively





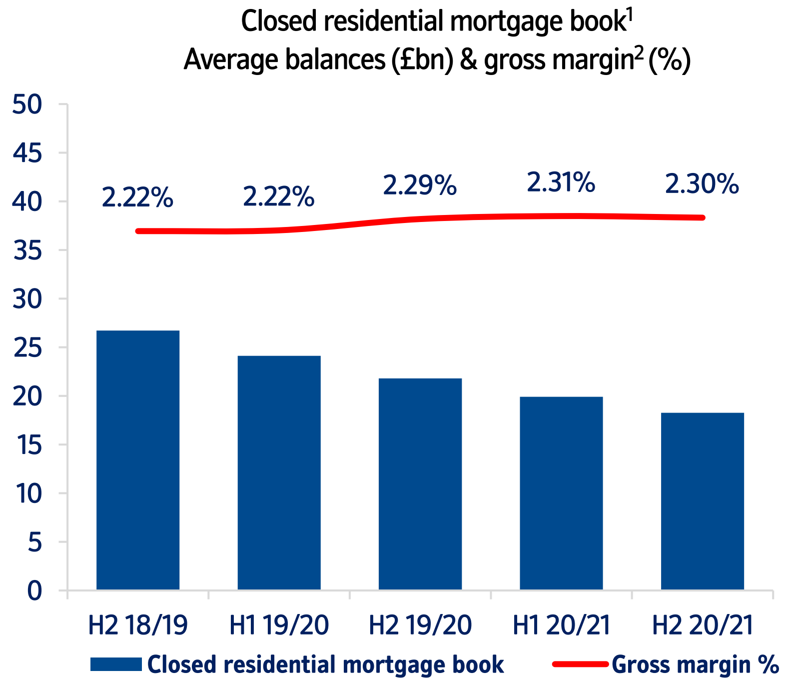


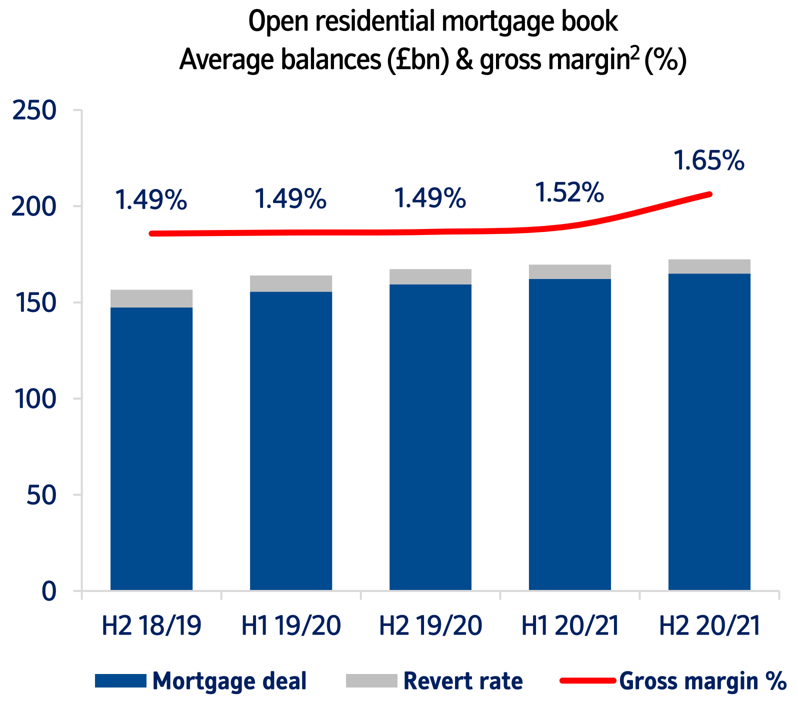


[1] Retail funding includes the income from structurally hedged current account balances.

Nationwide Building Society

New business margins outweighed the continued run-off of the closed book





[1] The closed book represents those portfolios which are now closed to new business. [2] Gross margin has been restated from a LIBOR to SONIA basis for prior periods.

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Costs reduce 4% as we continue to drive efficiencies

£ million	FY 19/20	FY 20/21	*YoY Movement*
Business as usual	1,431	1,409	*(22)* ⬇
Investment & Depreciation	871	711	*(160)* ⬇
Costs Excluding Restructuring	**2,302**	**2,120**	***(182)*** ⬇
Restructuring [1]	26	98	*72* ⬆
Costs Including Restructuring	**2,328**	**2,218**	***(110)*** ⬇
Non Recurring Items Nationwide for Business	88	-	*(88)* ⬇
DB Pension Closure	(104)	-	*104* ⬆
Total Costs	**2,312**	**2,218**	***(94)*** ⬇

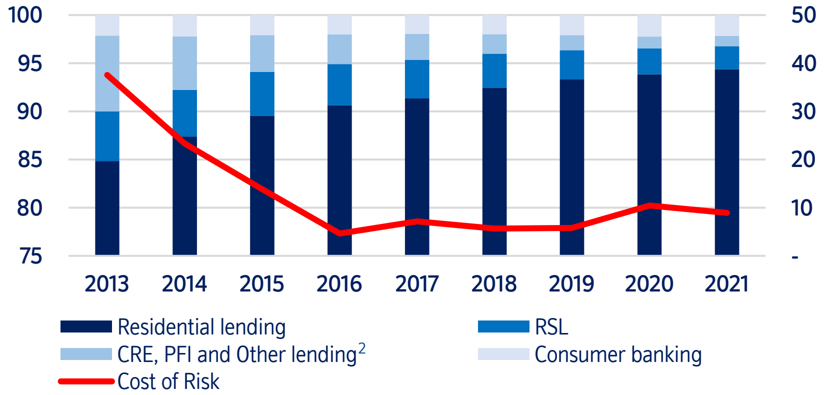
- Costs excluding restructuring and non-recurring items have reduced by £182m (8%), largely due to the re-prioritisation of our investment spend over the medium term
- Lower business as usual costs reflect the continued focus on efficiency to mitigate the impact of inflation and volume growth
- Restructuring costs have increased in line with actions taken to reduce our future cost base

[1] Includes colleague severance costs and property onerous lease charges.

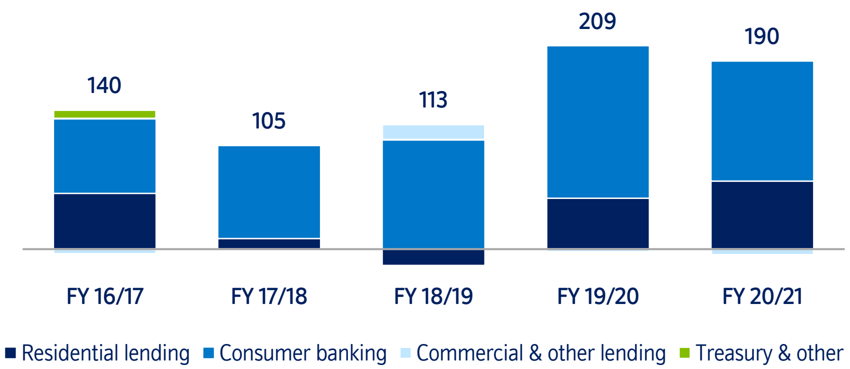
Nationwide Building Society

Continued focus on low-risk assets provides resilience against economic uncertainty

Evolution of Loan Book (%) and Cost of Risk (bps)[1]



Impairment charge (£m)



- Following a broadly stable period for Cost of Risk (CoR) between 2016 and 2019, CoR remains slightly elevated at 9bps (2020: 10bps) representing the uncertain economic outlook
- Credit provisions are predominantly driven by changes in IFRS9 economic assumptions
- A £23m charge has been taken to reflect the impact on the valuation of flats from the presence of unsuitable cladding, and the potential cost of remediation work in order for them to meet the required fire safety standards

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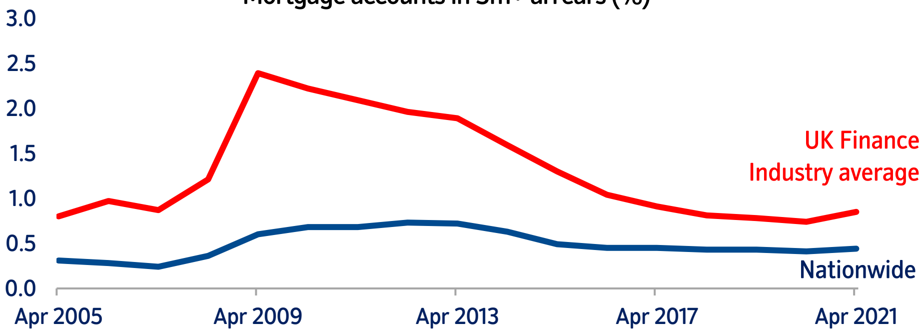
[1] Cost of Risk = impairments charged to income statement / average loans to customers. [2] Other lending includes micro hedge balances.

Strong asset quality sustained over the period

Retail lending	Residential		Unsecured	
	04 Apr 20	04 Apr 21	04 Apr 20	04 Apr 21
Total balances (£m)	188,839	191,023	4,994	4,404
Provision balances (£m)	252	317	494	502
3m+ arrears[1] (%)	0.41	0.43	1.22	1.33
3m+ arrears industry average[2] (%)	0.74	0.85		
Total negative equity balances (£m)	187	169		
Negative equity (£m)	27	20		
Average LTV (%, by value)				
New Business	72	70		
Loan Stock	58	56		

- Arrears rates have remained low and continue to outperform the industry average, however they will have been suppressed by payment deferrals and government support measures
- With house price increases during the year, the average indexed LTV of total loan stock has reduced to 56% (2020: 58%)

Mortgage accounts in 3m+ arrears (%)

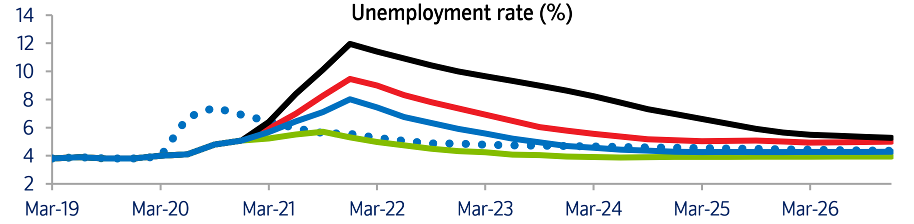


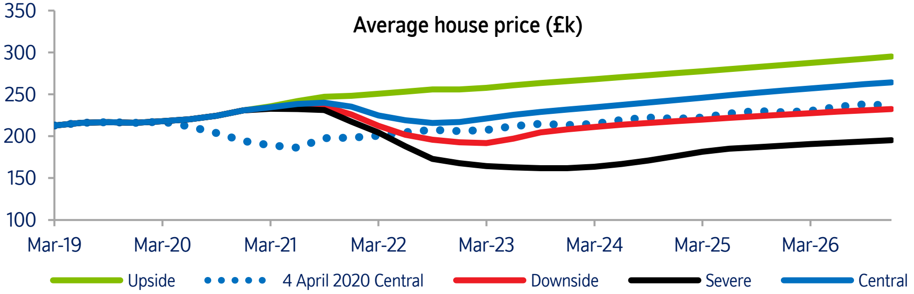
[1] Residential: Proportion of residential mortgage accounts more than 3 months in arrears. Unsecured: percentage of balances, exc. charge offs. [2] Source: UK Finance.

Nationwide Building Society

Economic uncertainty is reflected in updated scenarios

%	5-year average [1]	Dec-20 to Peak [2]	Dec-20 to Trough [2]
GDP Growth			
Upside	3.7	20.0	(3.2)
Central	3.0	16.0	(4.0)
Downside	2.6	13.6	(6.2)
Severe Downside	1.2	6.3	(8.5)
HPI Growth			
Upside	4.3	23.4	2.0
Central	2.0	10.2	(6.6)
Downside	(0.5)	1.9	(16.9)
Severe Downside	(4.0)	0.8	(29.9)
Unemployment	5-year average [1]	Peak [3]	Trough [3]
Upside	4.4	5.7	3.9
Central	5.4	8.0	4.3
Downside	6.5	9.5	5.0
Severe Downside	8.5	12.0	5.7





- The central and downside economic scenarios are assigned a 40% probability weight, whilst upside and severe downside scenarios each have a 10% probability weight
- Unemployment rate is expected to rise to varying degrees across scenarios as government support is withdrawn. The house price projections reflect the robust growth recorded in 2020, with reductions expected in 2022 across the central and downside scenarios
- The impact of increasing/reducing the probability of a severe economic downside by 5% (and reducing/increasing the downside by a corresponding 5%) is an increase/reduction in provisions of £61m

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[1] The average rate for GDP and HPI is based on the cumulative annual growth rate over the forecast period. Average unemployment is calculated using a simple average using quarterly points. [2] GDP growth and HPI are shown as the largest cumulative growth/fall from 31 December 2020 over the forecast period. [3] The unemployment rate is shown as the highest/lowest rate over the forecast period from 31 December 2020.

IFRS 9 staging and provisioning reflects continued uncertainty

	Residential mortgages[1]						Unsecured					
	04 Apr 20			04 Apr 21			04 Apr 20			04 Apr 21		
	Balance (£m)	Share of book (%)	Provision coverage (%)	Balance (£m)	Share of book (%)	Provision coverage (%)	Balance (£m)	Share of book (%)	Provision coverage (%)	Balance (£m)	Share of book (%)	Provision coverage (%)
Stage 1	177,754	94	0.02	178,747	94	0.04	3,857	77	0.8	3,141	71	1.5
Stage 2	9,595	5	1.3	10,659	5	1.7	827	17	17.1	990	23	21.0
of which: >30 dpd	*514*			*338*			*23*			*13*		
Stage 3 and POCI	1,419	1	2.6	1,549	1	4.8	310	6	89.4	273	6	90.0
of which: >90 dpd or in possession	*732*			*740*			*58*			*56*		
of which: charged off accounts	*n.a.*			*n.a.*			*235*			*209*		
Total[2]	**188,768**		**0.13**	**190,955**		**0.17**	**4,994**		**9.9**	**4,404**		**11.4**
Memo: Stage 3 coverage exc. charged off accounts (%)			*n.a.*			*n.a.*			*72*			*72*

[1] This table excludes Fair Value through Profit or Loss (FVTPL) balances which totalled £68m as at 4 April 2021 (4 April 2020: £71m). [2] The total provision coverage ratio includes the additional provision adjustments for 4 April 2020.

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Prudent provisions for the range of outcomes following payment holidays

Total payment holidays	Status as at 4 April 2021		Provision coverage ratio	IFRS 9 staging
Residential Mortgages Total granted 256,000 Total balance £32,887m	Expired: 226,000 (£31,528m) LTV: 59%	Resumed payment: 214,900 (£30,133m)	0.24%	Stage 1: 89% Stage 2: 11%
		Interest only concession: 2,900 (£396m)	1.78%	Stage 3: 100%
		Other concessions: 400 (£55m)	4.17%	Stage 1: 13% Stage 2: 35% Stage 3: 52%
		In arrears[1] (<3mths): 5,500 (£649m)	2.37%	Stage 1: 10% Stage 2: 89% Stage 3: 1%
		In arrears[1] (>3+mths): 2,300 (£295m)	7.42%	Stage 3: 100%
	Outstanding: 9,000 (£1,359m) LTV: 61%	Extended: 6,300 (£957m)	0.62%	Stage 1: 69% Stage 2: 24% Stage 3: 7%
		Initial: 2,700 (£402m)	0.32%	Stage 1: 91% Stage 2: 8% Stage 3: 1%
	Closed: 21,000			

[1] In arrears with no concessions.

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Prudent provisions for the range of outcomes following payment deferrals

Total payment deferrals	Status as at 4 April 2021		Provision coverage ratio	IFRS 9 Staging
Unsecured[1] Total granted 67,000 Total balance £386m	Expired 55,600 (£359m)	Resumed payment: 48,600 (£308m)	16%	Stage 1: 68% Stage 2: 32%
		All concessions: 1,500 (£12m)	40%	Stage 2: 2% Stage 3: 98%
		In arrears[2]: 5,500 (£39m)	61%	Stage 1: 6% Stage 2: 55% Stage 3: 39%
	Outstanding: 3,700 (£27m)	Extended: 1,400 (£11m)	27%	Stage 1: 23% Stage 2: 76% Stage 3: 1%
		Initial: 2,300 (£16m)	17%	Stage 1: 25% Stage 2: 74% Stage 3: 1%
	Closed: 7,700			

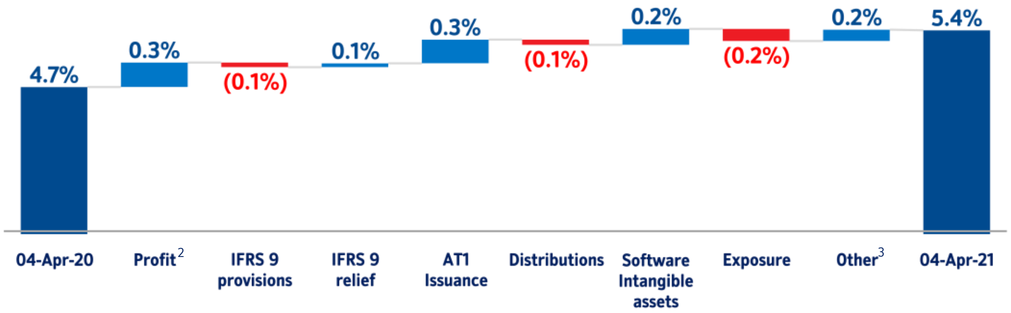
[1] Include personal loans and credit cards. [2] In arrears with no concessions.

Nationwide Building Society

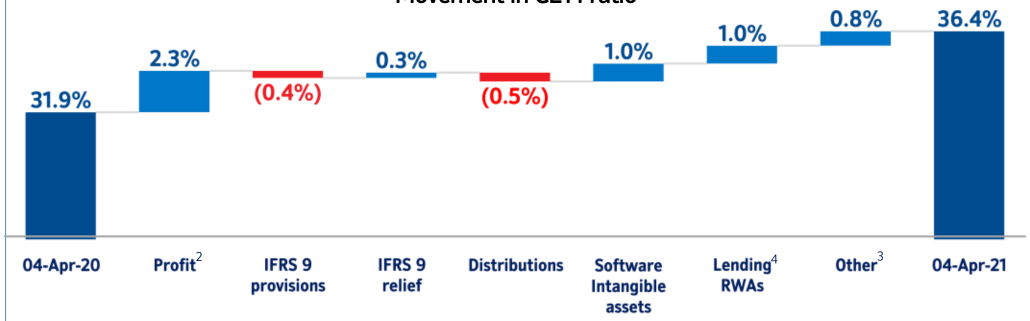
We remain strongly capitalised

Profits support lending growth

Movement in UK leverage ratio[1]



Movement in CET1 ratio[1]



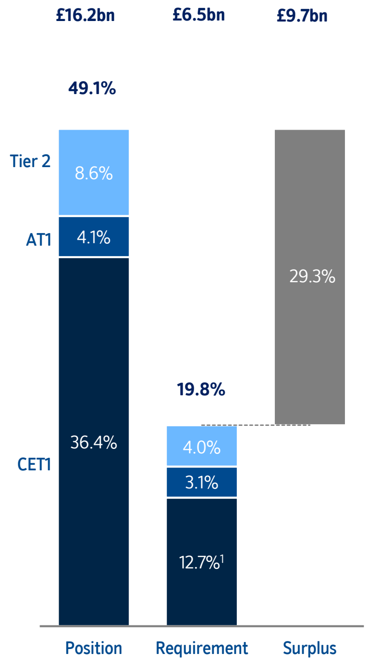
- Profits contributed strongly to capital growth with AT1 issuance also supporting the increase in the UK leverage ratio
- IFRS9 transitional relief continues to generally offset additional stage 1 and 2 provisions
- The treatment of software intangibles contributes c.0.2% to the UK leverage ratio and c.1.0% to the CET1 ratio. However, we expect the PRA to reverse the favourable treatment by the end of the year as set out in CP5/21
- The reduction in RWAs (excluding the treatment of software intangibles) was driven by a reduction in total unsecured loans and improvement in existing loan quality. This was in conjunction with reduced total commercial loan book size and favourable regulatory treatment for SME & Infrastructure lending

Nationwide Building Society

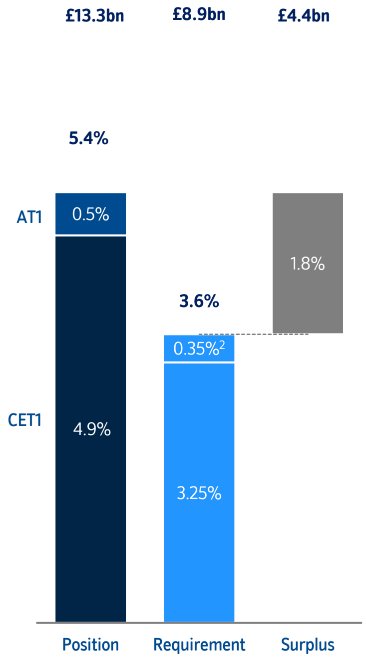
[1] Excluding IFRS transitional arrangements the UK Leverage ratio and CET1 ratio would equal 5.3% and 35.9% respectively. [2] Profits excluding the impact of year to date IFRS 9 provisions [3] The 'other' category includes movements in the FVOCI reserve, PVA & other intangible assets. [4] RWA impact is shown excluding software intangibles assets impact, RWA movement including intangibles software is +0.5%.

Continue to meet current and expected future regulatory capital requirements

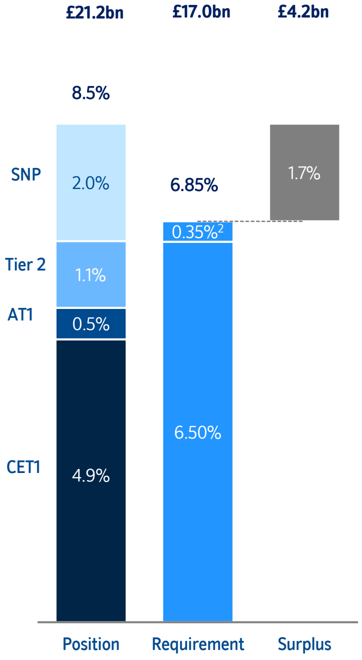
Risk-Weighted Capitalisation (% of RWAs)



UK Leverage Ratio (% of Leverage Exposure)



MREL (% of Leverage Exposure)



- Our capital structure, as highlighted by surplus CET1 resources, reflects our business model as a building society and how we distribute value to our members
- We hold sufficient capital surpluses to ensure all regulatory capital requirements across risk based, leverage and MREL frameworks are met
- The PRA will be consulting on Basel 3.1 later this year. On a 2021 year-end proforma basis, we expect CET1 ratio to reduce by approximately 50% as a result of the RWA output floor. We will manage the impact on a transitional basis through organic capital growth
- We expect to remain leverage constrained over the medium-term notwithstanding the anticipated changes to the risk-based capital framework

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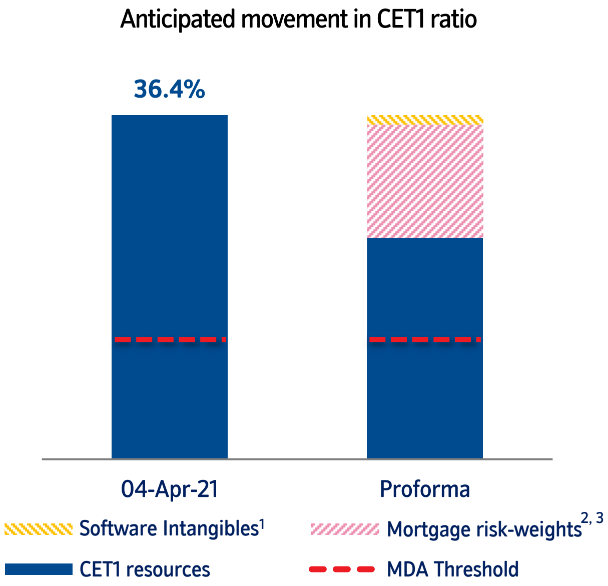
[1] CET1 requirements include 3.5% combined buffer (2.5% conservation buffer and 1% O-SII buffer) [2] Leverage and MREL buffers include an O-SII capital buffer equal to 0.35%.

Regulatory change is expected to reduce CET1 ratio over the next 12 months



- We are expecting a material decrease (approximately 1/3) in our reported CET1 ratio during the next 12 months, primarily as a result of the implementation of new hybrid mortgage models and proposed risk weight floors
- We expect the PRA to reverse the software intangible deduction by the end of the year as set out in CP5/21[1]
- Implementation of the PRA UK equivalent of CRR2[3], including SA-CCR, is not expected to materially change our capital requirements
- As UK government support ends, the economic impact from the pandemic is still subject to uncertainty and could therefore adversely impact our capital ratios
- However, we expect to retain a significant surplus above the MDA threshold even under a severe stress scenario

[1] Software amortisation: CP5/21 - Implementation of Basel standards | Bank of England, [2] PRA floors: CP14/20 'Internal Ratings Based UK mortgage risk weights: Managing deficiencies in model risk capture' (bankofengland.co.uk), [3] IRB modes: PS11/20 'Credit risk: Probability of Default and Loss Given Default estimation' (bankofengland.co.uk)

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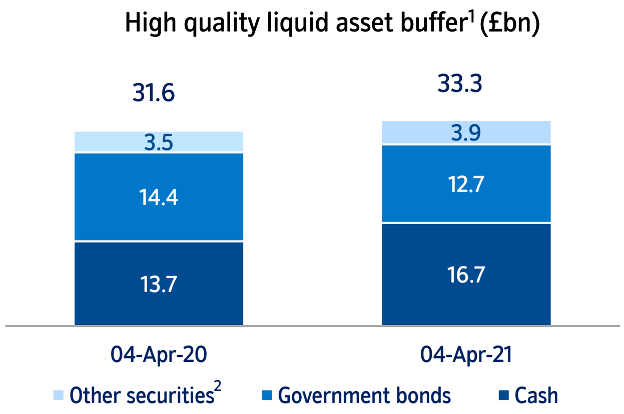
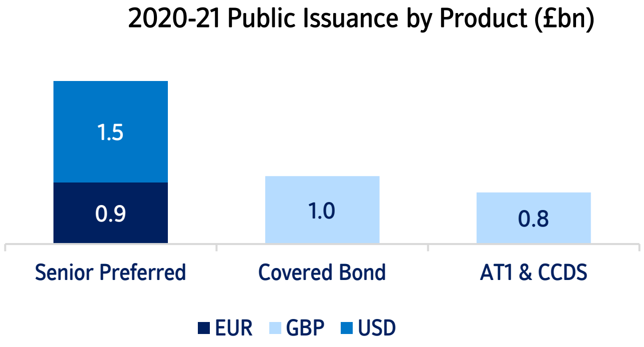
Our liquidity and funding position supports our financial strength





- We maintain a strong liquidity position, with a Liquidity Coverage Ratio of 165% (4 April 2020: 163%)
- The Society has fully repaid all £17bn of TFS funding, primarily with drawings from the TFSME scheme, having drawn a total £21.7bn as at the end of April 2021
- We repurchased c.£2bn of covered bond funding through a liability management exercise
- Recently, the Society successfully issued the UK's first 20 year EUR-denominated covered bond and was the first borrower to issue a 10 year GBP FRN covered bond, also linked to the Bank of England's SONIA index
- The Society continues to manage and optimise maturities, targeting new issuance maturities beyond the TFSME redemption window

TFSME = Bank of England Term Funding Scheme with additional incentives for SMEs. [1] All figures represent LCR value, sterling equivalent. [2] Balances include all RMBS held by the Society which can be monetised through sale or repo.

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Closing Remarks

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In this exceptional year our mutual purpose has never been more important

Safe

Keeping members and colleagues safe

Over 90% of branches remained open with increased space, enabling us to serve members more safely

13,000 colleagues working safely from home

Moved many services online at speed enabling members to continue managing their finances more safely

Supportive

Open for business and supporting members

For those impacted by the pandemic
256,000 mortgage payment holidays
105,000 payment breaks or interest-free periods on loans, credit cards and overdrafts

Helped 1 in 7 first-time buyers into a home of their own

Start to Save account helped **130,000** people with little or no savings with us to save more than £100 with us for the first time

Secure

Enhancing our financial strength

Strong profits during a year which brought a level of challenge unseen in any previous crisis

5.4% UK leverage ratio, substantially above our KPI target[1]

One of the UK's most trusted financial brands[2]

[1] FY 20/21 UK leverage ratio of 5.4% includes 0.2% relating to software assets and comprises £12.0bn (4.9%) of CET1 and £1.3bn (0.5%) of AT1. [2] Nationwide Brand Guidance Study compiled by Kantar, based on customer and non-customer responses for the 12 months ending March 2021. Financial brands included Nationwide, Barclays, Co-operative Bank, First Direct, Halifax, HSBC, Lloyds Bank, NatWest, TSB and Santander, with Nationwide first for trust amongst non-customers and joint first with First Direct for trust amongst customers.

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Questions

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Appendix

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Our carbon journey

2012

- Solar panels installed on our head office building in Swindon

2014

- Achieved Carbon Trust Triple Standard for water, waste and energy, which recognises organisations that follow best practice in measuring, managing and reducing their environmental impact

2015

- Started carbon offsetting
- Zero waste to landfill, with all non-recyclable waste converted to energy
- Old IT equipment recycled or donated to charity
- Set 2020 carbon, water and waste reduction targets

2016

- Signed a long-term solar farm Power Purchase Agreement for over 50% of our electricity use
- Formed the Property Risk Hub in partnership with Airbus and JBA, providing a better understanding of the environmental credentials of our properties on which we lend

2018

- Signed up to green wind and hydro energy, meaning 100% of our electricity comes from renewable sources
- Car-share scheme introduced for colleagues commute to work
- Renewal of Carbon Trust accreditation and awarded an additional Carbon Trust standard for Supply Chain

2019

- More than 30 electric car charging points installed and electric vehicles available on colleague car scheme
- 90% of food produce sourced within a 50 mile radius
- Food waste from admin sites converted to biogas and cooking oil returned to supplier to be used as fuel for their vans
- Joined the UN Global Compact
- Became an official supporter of TCFD

2020

- 100% carbon neutral from April 2020 for all energy use and emissions for internal operations and Nationwide fleet vehicles by offsetting residual carbon
- 90% carbon reduction since 2010
- Joined the Partnership for Carbon Accounting Financials UK (PCAF UK)
- Launched the Green Additional Borrowing Mortgage
- Introduced our mutual good target; at least 50% of our mortgage portfolio to have an EPC of C or better by 2030

2021+

- Signed up to the United Nations Principles for Responsible Banking
- Launched the Green Reward Mortgage
- Launched the Green Further Advance Mortgage for The Mortgage Works customers
- Mailed 70,000 buy to let mortgage customers with no EPC to tell them about the support available to improve the energy efficiency of their properties
- Launched the first phase of Environment, Social and Governance (ESG) content onto our website
- Developing plans to eliminate our use of single plastic by 2025, starting with debit and credit cards to be made from recycled plastic in 2021
- Participating in the Carbon Disclosure Project
- Participating in the Bank of England Climate Biennial Exploratory Scenario

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Our climate-related financial disclosures align to the recommendations of the TCFD[1]

Nationwide's climate change ambitions are clear…

To lead the greening of UK homes, where at least **50% of homes** in our mortgage portfolio **will be EPC C or better by 2030**

Our **business operations, suppliers** and **commuting** will be **carbon neutral by 2030**

We are working towards alignment to a **net zero emissions pathway by 2050**

…and we continue to embed and enhance our understanding of climate change and the risks and opportunities it poses to the Society

	Achievements	Current focus	Future activity
Strategy	• Climate change considerations embedded in strategic planning and green proposition development, making use of the £1bn funding available to lend on products which incentivise greener homes • Developed and tested our approach to climate change scenario analysis to quantify physical and transition risk • Formed cross-industry partnerships to drive real change • Announced climate-related pledges including our Mutual Good Commitment, which include the ambition to lead the greening of UK homes	• Further enhancing scenario analysis capability and preparation for the Climate Biennial Exploratory Scenario (CBES) in June 2021 • Using transition and physical risk outputs to better manage the potential financial implications and develop supporting propositions	• Use outputs from scenario analysis to influence strategic decisions • Further enhance understanding of the impacts of transition risk, and fold these into strategic considerations • Continue to identify climate change risk and opportunities
Governance	• Chief Strategy and Sustainability Officer assumed society-wide accountability to ensure embedding of climate change risk • Climate change risk governance established and matured, with senior management and Board level engagement • Education sessions on climate change held with the Board	• Further embedding and evolving the climate change governance at Board and management level • Engagement with the Board on strategy and proposition development, risk management and disclosures	• More frequent and detailed discussion on climate change, and the risks and opportunities it presents, at committees and with the Board • Climate change will be a key consideration in this year's Board strategy conference
Risk management	• Climate change embedded as a cause in the existing Enterprise Risk Management Framework • The most material climate change risks identified and understood • Climate change risk standard created and embedded which describes how climate risk is managed and monitored	• Updating the Risk Control Self-Assessment process to include, where appropriate, any changes in risk profile due to climate change	• Broaden understanding of transition risk through scenario analysis, for both non-financial and financial risks
Metrics and targets	• Scope 1 and 2 carbon emissions reduced by 90% since financial year 2010/11, achieving carbon neutrality in April 2020 • Physical and transition risk metrics produced to quantify impact • Scope 3 carbon emissions for the mortgage book calculated in alignment with the Partnership for Carbon Accounting Financials (PCAF) methodology	• Creating new internal modelling capabilities to produce metrics that will measure the financial risks from climate change for both physical and transition risk in readiness for the CBES, whilst supporting the development of climate strategy	• Enhance climate change metrics, ambitions and targets, in line with changes to strategy, propositions and the outcomes of scenario analysis • Explore setting science-based targets to help track our progress towards net zero emissions by 2050

[1] TCFD: Taskforce on Climate-related Financial Disclosures.

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We have made significant enhancements to our climate-related metrics this year

Alongside our scope 1 and 2 carbon emissions metrics, we have calculated the scope 3 carbon emissions associated with our mortgage portfolio, aligned to the Partnership for Carbon Accounting Financials (PCAF) Global Greenhouse Gas (GHG) Accounting and Reporting Standard

Scope 3 mortgage emissions:	31 Dec 2020
Number of properties (prime and buy to let and legacy) in millions	
Total book	1.59
With a valid EPC	0.85
Total property floor area in millions per square metre	**150.94**
Absolute scope 3 carbon dioxide emissions (CO_2e) in million tonnes (Mt) per year (y) for mortgages	
On properties with a valid EPC	3.32
On whole book using interpolated EPC data	6.25
Absolute carbon dioxide emissions in kg/m^2 of floor area per year (kgCO_2e/m^2/y) using interpolated EPC data	41.40
LTV weighted scope 3 carbon dioxide emissions (CO_2e) in million tonnes (Mt) per year (y) for mortgages	
On whole book using interpolated LTV weighted data	2.75
LTV weighted carbon dioxide emissions in kg/m^2 of floor area per year (kgCO_2e/m^2/y) using interpolated data	18.20
Data score[1]	**3.47**

Nationwide's scope 3 carbon emissions

Both absolute and LTV weighted scope 3 carbon emissions have been calculated to show the total carbon emissions across the portfolio, as well as the amount Nationwide finances.

Nationwide's absolute carbon emissions for mortgages equates to around 6.25MtCO_2e/y, with our LTV weighted emissions around 2.75MtCO_2e/y.

Calculating data quality scores

Data scores have been calculated for our carbon emissions (scopes 1, 2 and 3), using PCAF's GHG reporting standard, to indicate data quality.

Data scores are a number between 1 and 5, with 1 representing the highest data quality and 5 representing the lowest data quality.

Our scope 3 emissions achieve a weighted score of 3.47 based on:

- publicly available EPCs emissions data for 53% of our portfolio, scoring a 3
- emissions data from internally-built interpolation models for the remaining 47%, which scores a 4.

Approximately **36% of Nationwide's book is EPC C or better** (using interpolated data), against our 50% EPC C target by 2030.

Our interpolated EPC data is also used to track progress of our EPC Mutual Good Commitment

Prime interpolated EPCs	As at 31 Dec 2020		
	Number	**Exposure £bn**	**% of Book**
EPC Rated A/B/C	465,915	59.27	37
EPC Rated D/E/F/G	793,240	90.86	63

Buy to let and legacy interpolated EPCs	As at 31 Dec 2020		
	Number	**Exposure £bn**	**% of Book**
EPC Rated A/B/C	106,910	16.43	32
EPC Rated D/E/F/G	222,882	29.58	68

Note: EPC – Energy Performance Certificate. [1] Data score is based on the quality of data inputs used to calculate carbon dioxide emissions. Data scoring aligns with PCAFs Global GHG Accounting and Reporting Standard, with 1 representing high data quality and 5 representing low data quality.

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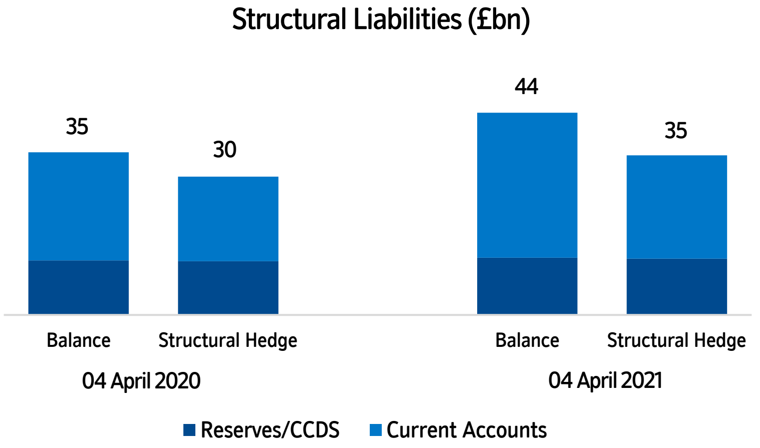
Structural hedging and hedging for floored savings



	YoY Income Change (£m)
Reserves/CCDS Structural Hedge *(incl. within Liquid Assets and Other on slide 14)*	(25)
Current Accounts Structural Hedge *(incl. within Retail Funding on slide 14)*	(28)
Hedging for Floored Savings *(incl. on slide 14)*	59

- We undertake structural hedging to smooth income volatility due to short-term changes in interest rates
- Structural reserves/CCDS and current accounts are hedged with a duration of 2.5yrs
- The YoY income drag from lower rates was £(25)m for reserves/CCDS and £(28)m for current accounts
- Only c. 52% of the YoY current account balance growth has been structurally hedged to date while we determine the stickiness of "lockdown" savings once the economy recovers
- Further hedging in place as a mitigant to the margin compression on temporarily floored savings balances (not eligible for structural hedging)
- Income from these hedges increased by £59m YoY as a result of the lower base rate

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Split of residential mortgages IFRS 9 staging and provisioning

	Prime mortgages[1]						Buy to let and legacy					
	04 Apr 20			04 Apr 21			04 Apr 20			04 Apr 21		
	Balance (£m)	Share of book (%)	Provision coverage (%)	Balance (£m)	Share of book (%)	Provision coverage (%)	Balance (£m)	Share of book (%)	Provision coverage (%)	Balance (£m)	Share of book (%)	Provision coverage (%)
Stage 1	148,355	98	0.02	143,500	96	0.01	29,399	78	0.05	35,247	85	0.14
Stage 2	1,953	1	0.4	5,313	3	0.7	7,642	20	1.5	5,346	13	2.6
of which: >30 dpd	*257*			*202*			*257*			*136*		
Stage 3 and POCI	761	1	1.3	893	1	4.1	658	2	4.0	656	2	5.8
of which: >90 dpd or in possession	*380*			*388*			*352*			*352*		
Total[2]	**151,069**		**0.04**	**149,706**		**0.06**	**37,699**		**0.52**	**41,249**		**0.54**

[1] This table excludes Fair Value through Profit or Loss (FVTPL) balances which totalled £68m as at 4 April 2021 (4 April 2020: £71m). [2] The total provision coverage ratio includes the additional provision adjustments for 4 April 2020.

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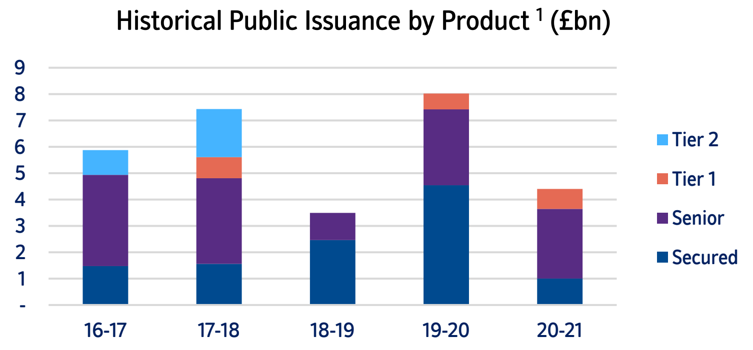
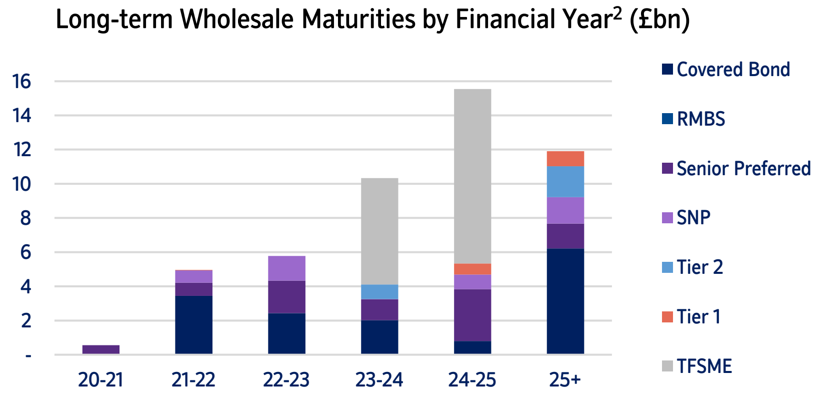
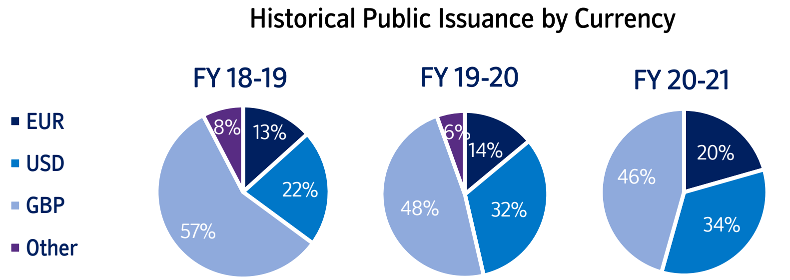
We continue to remain active in core term funding markets





- We are committed to maintaining wholesale funding access in core currencies with further options via private placements
- We repurchased c.£2bn of covered bond funding through a liability management exercise
- The Society has fully repaid all £17bn of TFS funding, primarily with drawings from the TFSME scheme, having drawn a total £21.7bn as at the end of April 2021
- We continue to manage and optimise maturities, targeting new issuance tenors beyond the TFSME redemption window



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All figures are sterling equivalent. [1] Excludes TFSME. Tier 1 includes AT1 and CCDS. [2] Excludes CCDS. Maturities are based on the assumption all calls are exercised at the first available call date. This is not an indication of future redemption and should not be interpreted in that way.

Strong credit ratings reflect prudent business model but macro uncertainty

Credit Ratings	Senior preferred	Short term	Senior Non-Preferred	Tier 2	AT1	Outlook	Latest update
Standard & Poor's[1]	A	A-1	BBB+	BBB	BB+	Stable	January 2021
Moody's[2]	A1	P-1	Baa2	Baa2	Ba1	Stable	July 2020
Fitch[3]	A+	F1	A	BBB+	BBB-	Negative	February 2021

- In January 2021, Standard & Poor's affirmed Nationwide's Issuer Credit Rating and stable outlook
- In July 2020, Moody's revised Nationwide's outlook to stable from negative, following Nationwide's €1bn senior preferred issuance. We remain committed to issuing sufficient unsecured debt to maintain a 2 notch uplift for Moody's loss-given-failure framework
- In September 2020 and February 2021, Fitch affirmed Nationwide's Long-Term Issuer Default Rating and negative outlook

[1] S&P Global Ratings - Full Analysis, 3 March 2021. [2] Moody's Investors Service – Credit Opinion, 27 January 2021. [3] Fitch Ratings - Full Rating Report, 23 September 2020.

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Continue to improve our Environmental, Social and Governance (ESG) ratings

ESG Ratings	Rating	Scale	Date
MSCI	A	AAA to CCC	March 2021[1]
Vigeo Eiris (V.E)	58	0 to 100	January 2021[2]
ISS ESG	C+	A+ to D-	July 2020[3]

- We continue to engage with a number of ESG rating agencies
- During the period we have received an upgrade with MSCI, Sustainalytics, Vigeo Eiris (V.E) and ISS ESG
- The Society will participate in the CDP (Climate Change) questionnaire, for the first time later this year
- We have launched our inaugural TCFD report and our Responsible Business Hub[4], both of which will continue to grow as we further develop our disclosures

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Glossary

Measure	Definition
Net satisfaction in core products (slides 3, 9)	Lead at March 2021: 1.6%pts, March 2020: 5.4%pts. © Ipsos MORI 2021, Financial Research Survey (FRS), for the 12 months ending 31 March 2021 and 12 months ending 31 March 2020. Results based on a sample of around 47,000 adults (aged 16+). The survey contacts around 54,000 adults (aged 16+) a year in total across Great Britain. Interviews were face to face, over the phone and online, taking into account (and weighted to) the overall profile of the adult population. The results reflect the percentage of extremely satisfied and very satisfied customers minus the percentage of customers who were extremely or very or fairly dissatisfied across those customers with a main current account, mortgage or savings. Those in our peer group are providers with more than 3.5% of the main current account market as of April 2020 - Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB.
Committed and engaged members (slide 9)	Engaged members have their main personal current account with us; a mortgage of at least £5,000; or a savings account of at least £1,000. Committed members are those with two engaged membership products or an engaged membership product plus at least one other product.
Member Financial Benefit (slide 9)	Member financial benefit is quantified as our interest rate differential plus incentives and lower fees.

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