# Interim Results Presentation

For the 6 months ended 30 September 2021

Nationwide
Building Society

**Oakfield**

Our not-for-profit development of 239 homes in Swindon, which aims to create a blueprint for a better way of developing high-quality, sustainable homes.

# Our mutual model continues to drive our sustainable success



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.

Over the last five years, we have achieved a significant amount:

Grown our membership by 1.5 million to 16.3 million members

Remained no. 1 for customer satisfaction among our peer group[1]

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

Grown our stock of residential mortgages by £32 billion to £194 billion and retail deposits by £39 billion to £177 billion

Achieved our long-term target of a 10% market share of current accounts

Delivered £2.9 billion of member financial benefit[3]

| Credit ratings | 2016 | 2021 |
|---|---|---|
| Standard & Poor's[4] | A | A+ |
| Moody's[4] | A1 | A1 |
| Fitch[4] | A | A+ |

CET1 ratio demonstrates our financial strength

2016 23.2%

30 Sep 2021 37.7%

Become greener in our operations: carbon neutral for scope 1 and 2 emissions since 2020

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[1] © Ipsos MORI 2021, Financial Research Survey (FRS) measure (see Glossary slide 35). [2] Definition on Glossary slide 35. [3] Definition on Glossary slide 35. [4] Footnotes on slide 33.

# Our focus on mutuality continues forward to today…

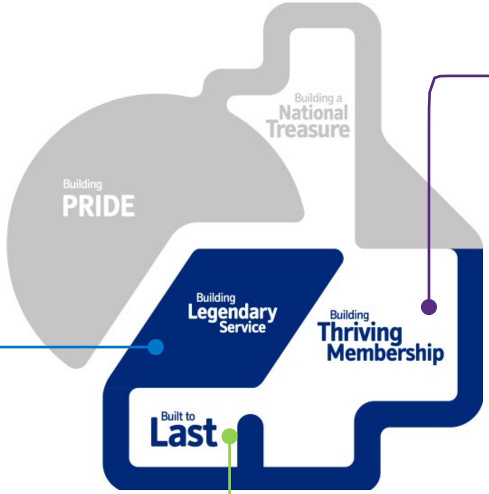


Our five cornerstones underpin our core purpose of '***building society, nationwide***'.

## Building Legendary Service

*Doing our very best to serve our members*

- No. 1 for customer satisfaction among our peer group for over nine years[1]
- Branch Promise to remain in every town or city we are in today, until at least 2023
- Our new Scam Checker Service is helping further protect our members from fraud




## Building Thriving Membership

*Growing and serving our membership*

- Helped 1 in 7 first time buyers into a home of their own, supported by our Helping Hand and 95% LTV mortgages
- Returning value to members with a £1 million monthly prize draw, competitive savings rates and a current account switching incentive
- Supporting greener homes – with our green product range, and launch of our new retrofit proposition pilot

## Built to Last

*Managing the Society for the long term*

- 5.5% UK leverage ratio
  37.7% Common Equity Tier 1 ratio
- £850 million underlying profit
- £145 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 35). [2] Definition on Glossary slide 35.

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# ...building society, nationwide



Our five cornerstones underpin our core purpose of ‘***building society, nationwide***’.

## Building PRIDE

*Creating a healthy culture for our people*

- Committed to giving our colleagues greater flexibility in working arrangements, with our Future of Work programme
- Mind Workplace Wellbeing Gold Award, for our support for colleague mental health and wellbeing
- Invested in real-time listening technology, helping us action colleague feedback in a timely way


## Building a National Treasure

*Contributing to our wider community*

- Five Mutual Good Commitments, focused on building a better society
- Celebrating 20 years of our partnership with Shelter, a charity focused on tackling homelessness
- Joined the Net Zero Banking Alliance; Glasgow Financial Alliance for Net Zero; and Business Ambition for 1.5 Degrees campaign
- Engaged with the Science Based Targets Initiative (SBTi), developing science-based targets
- Convened four cross-industry action groups to tackle housing challenges related to availability, affordability and sustainability

# We are committed to helping build a stronger, kinder, greener society



Our five Mutual Good Commitments are embedded within our Society strategy and are core to our purpose of *building society, nationwide*. They are linked to the UN's Sustainable Development Goals and underpinned by a clear set of ambitions.

**We believe that everyone...**

| Commitment | Ambitions | We believe that everyone... |
|---|---|---|
| 1 Help to achieve safe and secure homes for all | **By 2025, we'll**<br>• Help 250,000 members to buy their first home<br>• Help 25,000 members use the money built up in their home to live a better retirement<br>• Equip 50,000 landlords with tools to improve tenants' lives | ...should have a place fit to call home |
| 2 Lead the greening of UK homes | **By 2030**<br>• At least 50% of homes in our mortgage book will be rated EPC C or above<br>• Our business operations, suppliers and commuting will be carbon neutral | |
| 3 Support our members' financial wellbeing | **By 2025, we'll**<br>• Support 200,000 financially squeezed and struggling members to become regular savers | ...should have confidence in managing their money |
| 4 Champion thriving communities | • Every town and city that has a branch today will still have one until at least Jan 2023<br>• We will give at least 1% of our pre-tax profits to charitable activities every year | ...deserves to be treated with respect |
| 5 Reflect the diversity of our society | **By 2028**<br>• Our people at all levels will reflect the society that we represent | |

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# We have already made good progress towards our Mutual Good Commitments

| Commitment | | | | |
|---|---|---|---|---|
| 1 Help to achieve safe and secure homes for all | Helping Hand and 95% LTV mortgages | Over 55s proposition | The Landlord Works | Future of Home cross-industry action groups |
| 2 Lead the greening of UK homes | Green reward & green additional borrowing | Buy to Let green further advance | Retrofit proposition pilot | |
| 3 Support our members' financial wellbeing | PayDay-SaveDay / Start to Save | Scam Checker Service | Fair by Design | Code of best practice for debt collection & recovery |
| 4 Champion thriving communities | Branch Promise | Community grants | Nationwide Foundation | Mutual Respect partnerships |
| 5 Reflect the diversity of our society | Inclusive leadership | Nationwide Networks | Encouraging diversity declarations | Future of Work |

**With the ever-present challenge of Net Zero we have partnered with key organisations to effect real change.**

2019
- UN Global Compact
- TCFD

2020
- Green Finance Institute
- PCAF

2021
- UNEP Finance Initiative – Principles for Responsible Banking
- The Glasgow Financial Alliance for Net Zero
- Net-Zero Banking Alliance
- ecovadis
- CDP
- Science Based Targets

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# Performance Update

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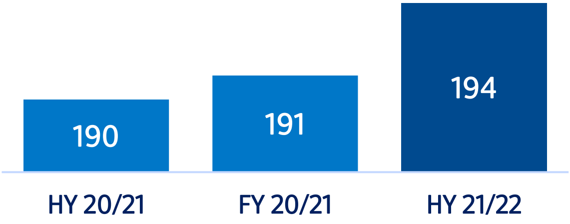
# Continued growth and strong business performance



## Mortgages

2nd largest mortgage provider

Total mortgage balances (£bn)

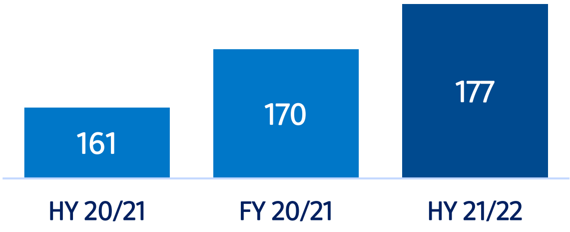



- Market share of stock was 12.4% (March 2021: 12.5%)

## Deposits

5th largest retail deposit holder

Total deposit balances (£bn)

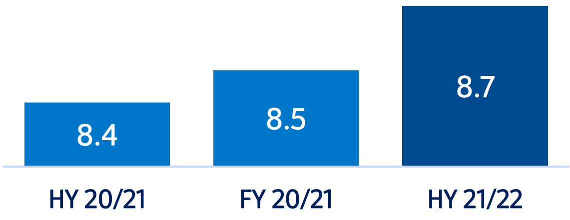



- Market share of stock was 9.6% (March 2021: 9.4%)

## Current Accounts

1 in 10 current accounts[1] are with us

Total number of current accounts (millions)




- Market share of stock was 10.3% (February 2021: 10.2%)[1]

[1] CACI's Current account and savings database (August 2021 and February 2021).

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# As a mutual, we measure our performance on what matters most to our members



| Key performance indicators | Measure | Target | HY 2021/22 performance |
|---|---|---|---|
| Outstanding service | Customer satisfaction | FRS: 1st + 2.0%pts in our peer group<br>UKCSI: Top 5 | 1st + 3.3%pts[1]<br>Joint 19th [2] |
| Value for members | Member financial benefit[3]<br>Committed members[3] | At least £400m p.a.<br>3.6m by 2022 | £145m<br>3.6m |
| Financial strength | UK leverage ratio | > 4.5% | 5.5% |

[1] © Ipsos MORI 2021, Financial Research Survey (FRS) measure (see Glossary slide 35). [2] Institute of Customer Service UK Customer Satisfaction Index (UKCSI) as at July 2021. Our satisfaction score of 82.4 is 5pts ahead of the all-sector average, but our ranking of joint 19th is below our target. [3] Definitions on Glossary slide 35.

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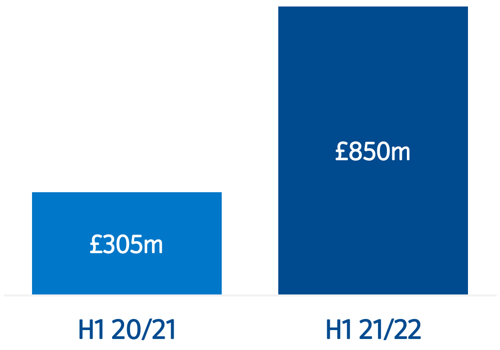
# Delivered strong financial performance and enhanced our financial resilience

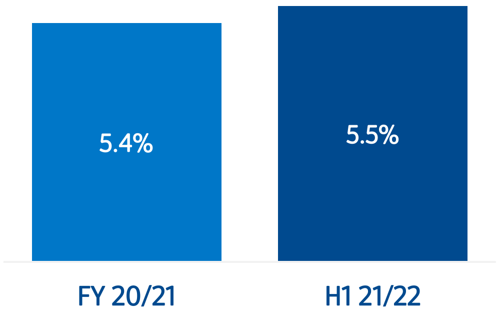
## Improved profitability

### Underlying profit before tax



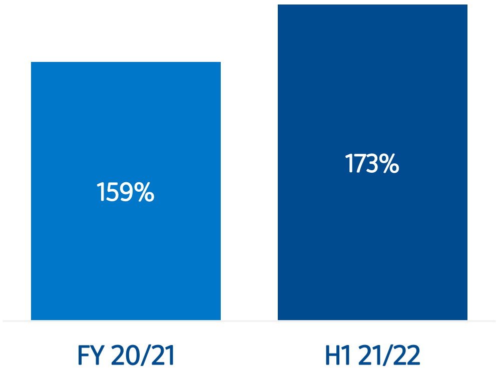

## UK leverage ratio up 10bps

### UK leverage ratio[1]




## Liquidity position remains strong

### Liquidity Coverage Ratio (LCR)[2]




[1] H1 2021/22 UK leverage ratio of 5.5% includes 0.2% relating to software assets and comprises £12.4bn (5.0%) of CET1 and £1.3bn (0.5%) of AT1; FY 2020/21 ratio of 5.4% comprised £12.0bn (4.9%) of CET1 and £1.3bn (0.5%) of AT1. [2] LCR is reported on a rolling 12 month average basis.

# Financials

# Income growth and a release in loan impairments increases profit



| £ million | H1 2020/21 | H1 2021/22 |
|---|---|---|
| Net interest income | 1,448 | 1,706 |
| Net other income | 55 | 188 |
| **Total Income** | **1,503** | **1,894** |
| Costs | (1,033) | (1,025) |
| Loan impairments | (139) | 34 |
| Provisions for liabilities and charges | (26) | (53) |
| **Underlying profit** | **305** | **850** |
| FSCS release/(charge) | - | - |
| Gains from derivatives and hedge accounting | 56 | 3 |
| **Statutory profit** | **361** | **853** |

- Net interest income increased by £258m, largely due to the market increase in new business mortgage margins during 2020, driven by strong demand for mortgages coupled with macroeconomic uncertainty through much of 2020
- Net other income increased by £133m, mainly driven by an investment in a liability management exercise in H1 2020/21, a fair value uplift on investments in H1 2021/22, and higher income across banking products
- Costs decreased by £8m, reflecting lower business as usual and restructuring costs largely offset by increased investment spend in the period and a charge relating to historic fraud losses
- The net loan impairment release of £34m reflects house price growth and improvements in the economic outlook

| Key ratios (%) | H1 2020/21 | H1 2021/22 |
|---|---|---|
| Underlying cost income ratio | 68.7 | 54.1 |
| Net interest margin | 1.15 | 1.24 |

# We maintain a low risk, strongly capitalised balance sheet



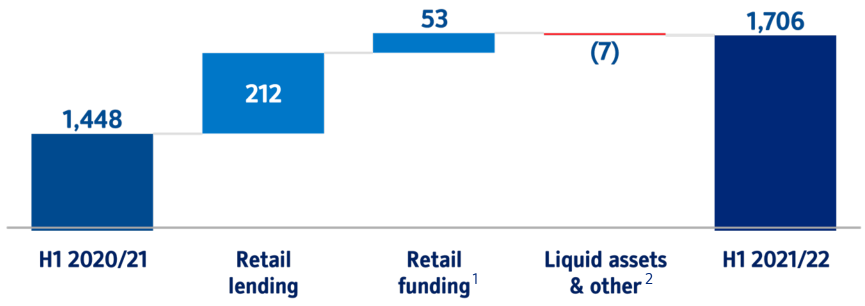
| £ billion | 04 Apr 21 | 30 Sep 21 | % |
|---|---|---|---|
| Residential mortgages | 190.7 | 194.0 | 68 |
| Retail unsecured | 3.9 | 4.2 | 2 |
| Public Sector[1] | 6.1 | 5.8 | 2 |
| Commercial Real Estate | 0.8 | 0.7 | 0 |
| **Total Lending[2]** | **201.5** | **204.7** | **72** |
| Liquidity[3] | 45.8 | 73.7 | 26 |
| Other assets | 7.6 | 7.0 | 2 |
| **Assets** | **254.9** | **285.4** | **100** |
| Retail deposits[4] | 170.3 | 177.4 | 62 |
| Wholesale funding | 59.5 | 82.3 | 29 |
| Other liabilities | 3.2 | 2.9 | 1 |
| Capital & reserves[5] | 21.9 | 22.8 | 8 |
| **Liabilities** | **254.9** | **285.4** | **100** |

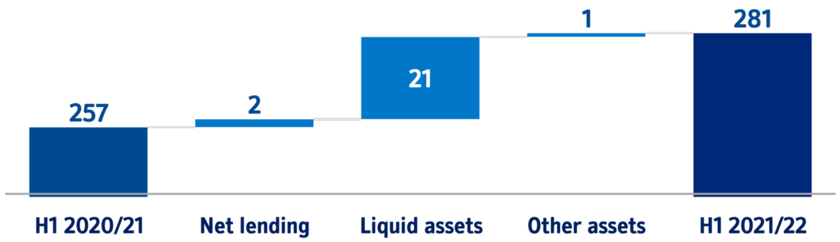
- Balance sheet growth driven by an increase in liquidity as a result of increases in wholesale funding (including TFSME) and retail deposits
- Low risk balance sheet: 95% of total lending secured on low risk residential property (average indexed LTV of 53%)
- Capital position remains robust with our CET1 and UK leverage ratios at 37.7% and 5.5% respectively

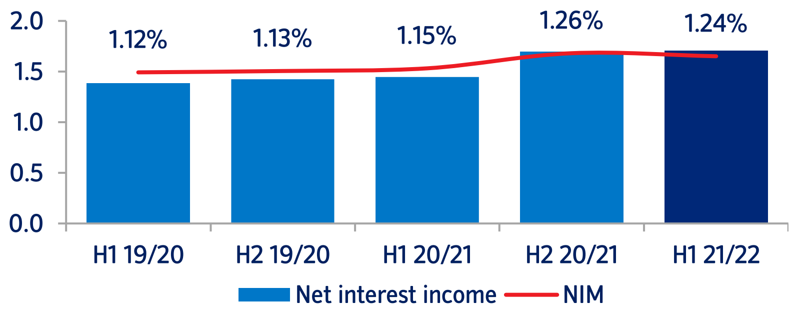
| Key ratios (%) | 04 Apr 21 | 30 Sep 21 |
|---|---|---|
| Liquidity coverage ratio (12m avg.) | 159 | 173 |
| CET1 ratio | 36.4 | 37.7 |
| *excluding software assets* | 35.4 | 36.9 |
| UK leverage ratio | 5.4 | 5.5 |
| *excluding software assets* | 5.2 | 5.3 |

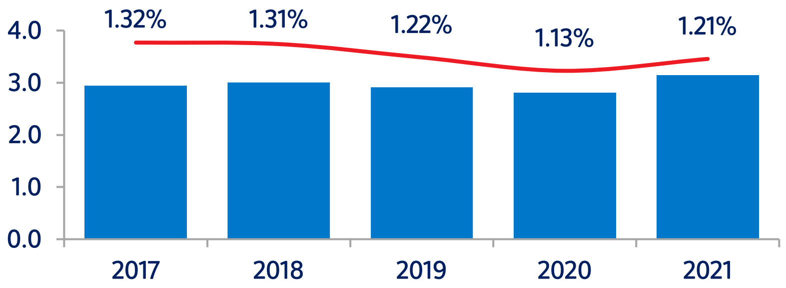
[1] Public Sector lending compromises Housing Association and Private Finance Initiative. [2] Lending balances are shown net of provisions. [3] Treasury assets (including £93m of investments not included within the liquidity portfolio). [4] Shares (member deposits). [5] Total members' interests, subordinated liabilities and subscribed capital.

# Net interest margin driven by improved mortgage margins & increased liquidity




[1] Retail funding includes the income from structurally hedged current account balances. [2] Includes the impact from structurally hedged reserve balances and hedging for floored savings

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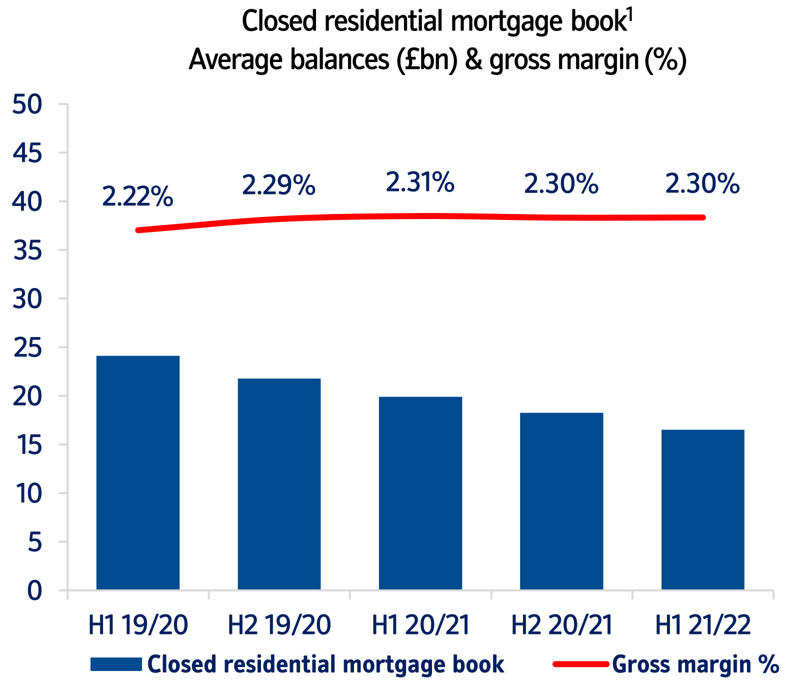
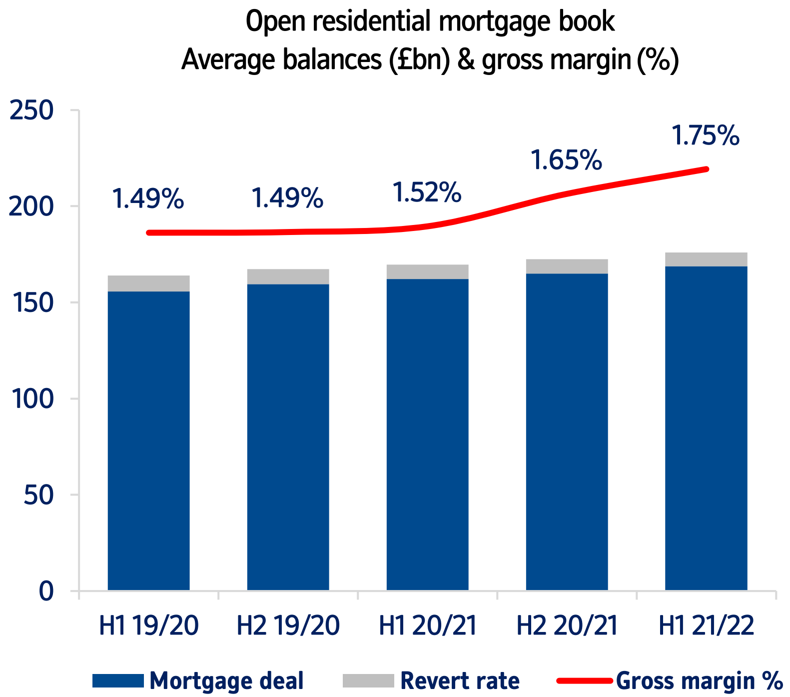
# New business contribution continues to outweigh run-off of the closed book




[1] The closed book represents those portfolios which are now closed to new business.

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# Business as usual costs continue to reduce as we drive further efficiencies



| £ million | H1 20/21 | H1 21/22 | YoY Movement |
|---|---|---|---|
| Business as usual | 663 | 643 | *(20)* ⬇ |
| Investment & Depreciation | 331 | 352 | *21* ⬆ |
| **Costs Excluding Restructuring** | **994** | **995** | ***1*** ⬆ |
| Restructuring [1] | 39 | 6 | *(33)* ⬇ |
| **Costs Including Restructuring** | **1,033** | **1,002** | ***(31)*** ⬇ |
| Historic Fraud Losses | - | 23 | *23* ⬆ |
| **Total Costs** | **1,033** | **1,025** | ***(8)*** ⬇ |

- 3% lower business as usual costs reflect the continued focus on efficiency to mitigate the impact of inflation, variable pay and volume growth
- Costs excluding restructuring and non-recurring items have stayed flat reflecting increased investment spend in the period re-prioritised from last year
- Restructuring costs have reduced following the expected peak of this spend during 2020/21
- We have incurred a charge of £23m following a review of historic fraud cases

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

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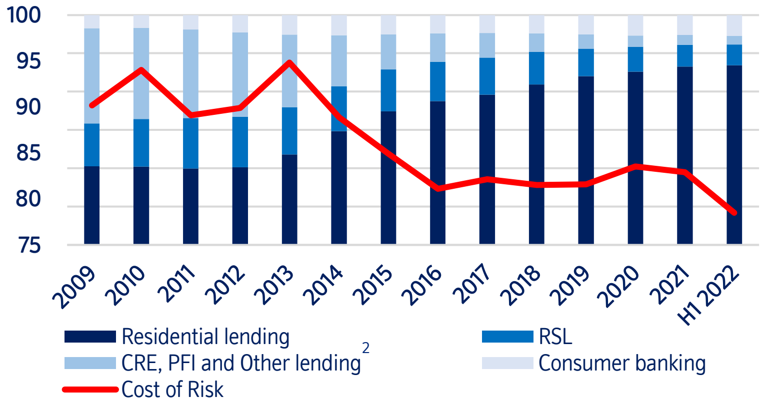
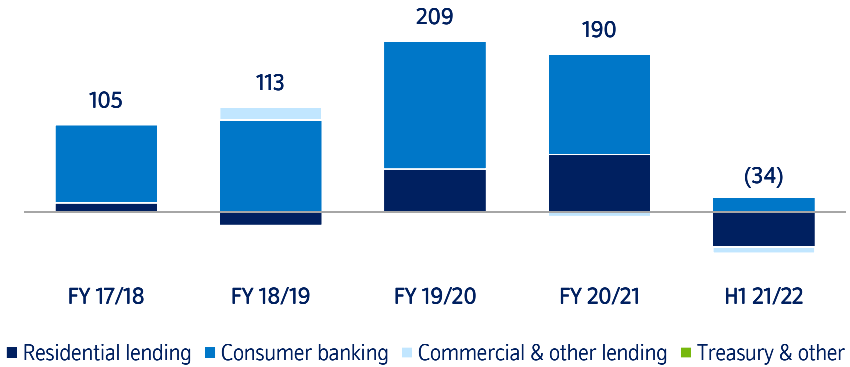
# House price growth and continued focus on low-risk assets reduces Cost of Risk



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




Impairment charge / (release) (£m)




- Following an elevated period for Cost of Risk (CoR) during the pandemic, CoR has fallen significantly given the small release in impairments provision in H1 as a result of recent house price growth and the latest economic scenarios
- Credit provisions continue to be predominantly driven by changes in IFRS9 economic assumptions

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

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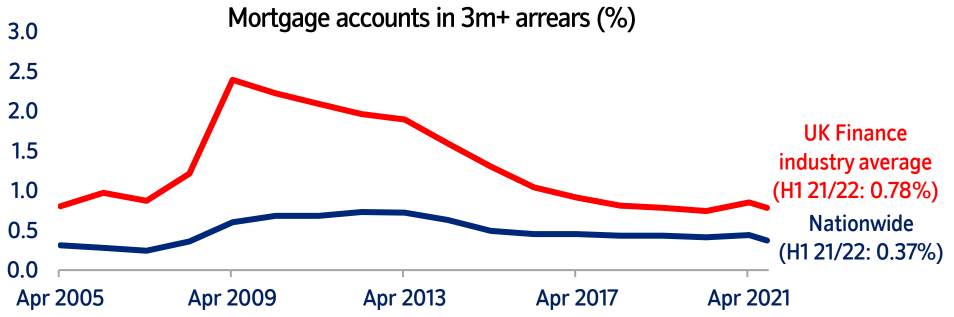
# Strong asset quality sustained over the period



| Retail lending | Residential | | Unsecured | |
|---|---|---|---|---|
| | 04 Apr 21 | 30 Sep 21 | 04 Apr 21 | 30 Sep 21 |
| Total balances (£m) | 191,023 | 194,282 | 4,404 | 4,660 |
| Provision balances (£m) | 317 | 273 | 502 | 486 |
| 3m+ arrears[1] (%) | 0.43 | 0.37 | 1.33 | 1.12 |
| 3m+ arrears industry average[2] (%) | 0.85 | 0.78 | | |
| Total negative equity balances (£m) | 169 | 114 | | |
| Negative equity (£m) | 20 | 12 | | |
| Forbearance (£m) | 1,418 | 1,352 | | |
| **Average LTV (%, by value)** | | | | |
| New Business | 70 | 70 | | |
| Loan Stock | 56 | 53 | | |

- 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
- Forbearance levels have remained broadly stable over the period
- With house price increases during the year, the average indexed LTV of total loan stock has reduced to 53% (2021: 56%)




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

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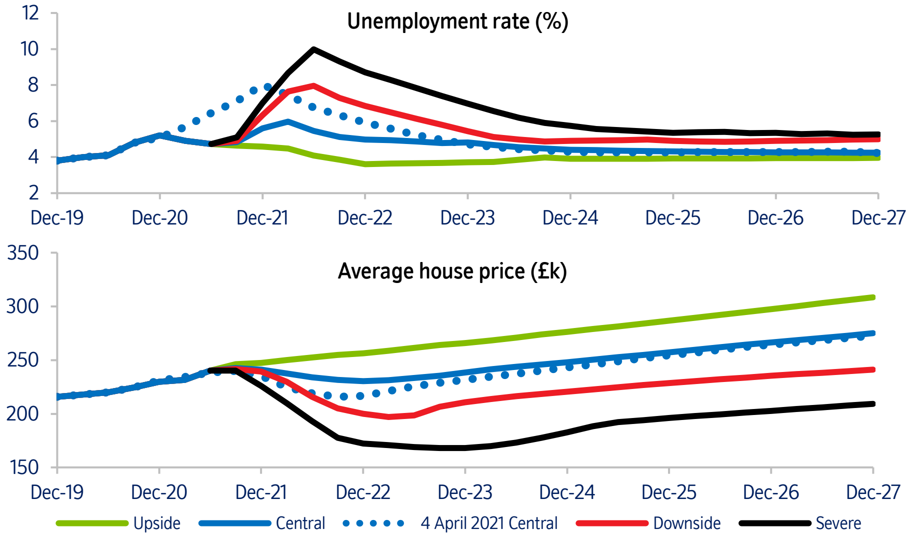
# The economic outlook has improved since year-end



| % | 5-year average [1] | Dec-20 to Peak [2] | Dec-20 to Trough [2] |
|---|---|---|---|
| **GDP Growth** | | | |
| Upside | 3.7 | 19.9 | (1.6) |
| Central | 2.9 | 15.5 | (1.6) |
| Downside | 2.4 | 12.4 | (1.6) |
| Severe Downside | 1.1 | 5.6 | (2.2) |
| **HPI Growth** | | | |
| Upside | 4.5 | 24.7 | 0.8 |
| Central | 2.3 | 11.9 | 0.3 |
| Downside | (0.1) | 5.2 | (14.3) |
| Severe Downside | (3.1) | 4.5 | (26.8) |
| **Unemployment** | 5-year average [1] | Peak [3] | Trough [3] |
| Upside | 4.0 | 4.9 | 3.6 |
| Central | 4.8 | 6.0 | 4.3 |
| Downside | 5.7 | 8.0 | 4.7 |
| Severe Downside | 6.8 | 10.0 | 4.7 |




- The weightings assigned to the upside and downside scenarios have been amended during the period. The 30 September 2021 weightings are: Upside 30%, Central 40%, Downside 20% and Severe downside 10% (4 April 2021: 10%, 40%, 40%, 10% respectively).
- Unemployment 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 and 2021, 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 £56m.

[1] The average rate for GDP & 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 & HPI are shown as the largest cumulative growth/fall from 31 Dec 2020 over the forecast period. [3] The unemployment rate is shown as the highest/lowest rate over the forecast period from 31 Dec 2020.

# IFRS 9 staging and provisioning reflects continued post furlough uncertainty



| | Residential mortgages[1] | | | | | | Unsecured | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 04 Apr 21 | | | 30 Sep 21 | | | 04 Apr 21 | | | 30 Sep 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 | 178,747 | 94 | 0.04 | 183,868 | 95 | 0.03 | 3,141 | 71 | 1.5 | 3,502 | 75 | 1.3 |
| Stage 2 | 10,659 | 5 | 1.7 | 8,864 | 4 | 1.6 | 990 | 23 | 21.0 | 881 | 19 | 21.6 |
| *of which: >30 dpd* | *338* | | | *305* | | | *13* | | | *14* | | |
| Stage 3 and POCI | 1,549 | 1 | 4.8 | 1,486 | 1 | 4.9 | 273 | 6 | 90.0 | 277 | 6 | 89.9 |
| *of which: >90 dpd or in possession* | *740* | | | *647* | | | *56* | | | *50* | | |
| *of which: charged off accounts* | *n.a.* | | | *n.a.* | | | *209* | | | *210* | | |
| **Total** | **190,955** | | **0.17** | **194,218** | | **0.14** | **4,404** | | **11.4** | **4,660** | | **10.4** |
| *Memo: Stage 3 coverage exc. charged off accounts (%)* | | | *n.a.* | | | *n.a.* | | | *72* | | | *69* |

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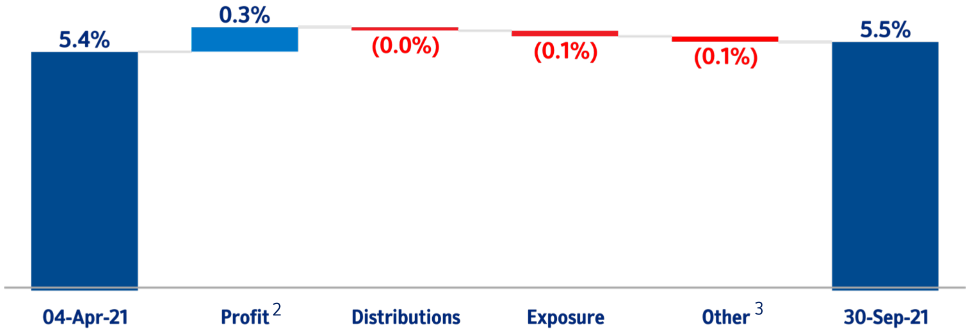
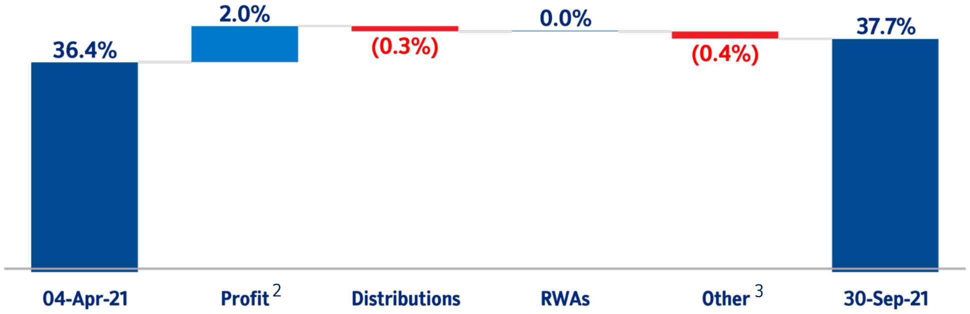
[1] This table excludes Fair Value through Profit or Loss (FVTPL) balances which totalled £64m as at 30 September 2021 (4 April 2021: £68m).

# We remain strongly capitalised

Movement in UK leverage ratio[1]




Movement in CET1 ratio[1]




- Profits contributed strongly to capital growth
- The treatment of software intangibles contributes c.0.2% to the UK leverage ratio and c.0.8% to the CET1 ratio. The PRA have confirmed they will reverse the favourable treatment from 1 January 2022 as set out in PS17/21

[1] Excluding IFRS transitional arrangements the UK Leverage ratio and CET1 ratio would equal 5.4% and 37.3% respectively. [2] Profits excluding the impact of year to date IFRS 9 provisions. [3] 'Other' includes movements in the FVOCI reserve, PVA & other intangible assets.

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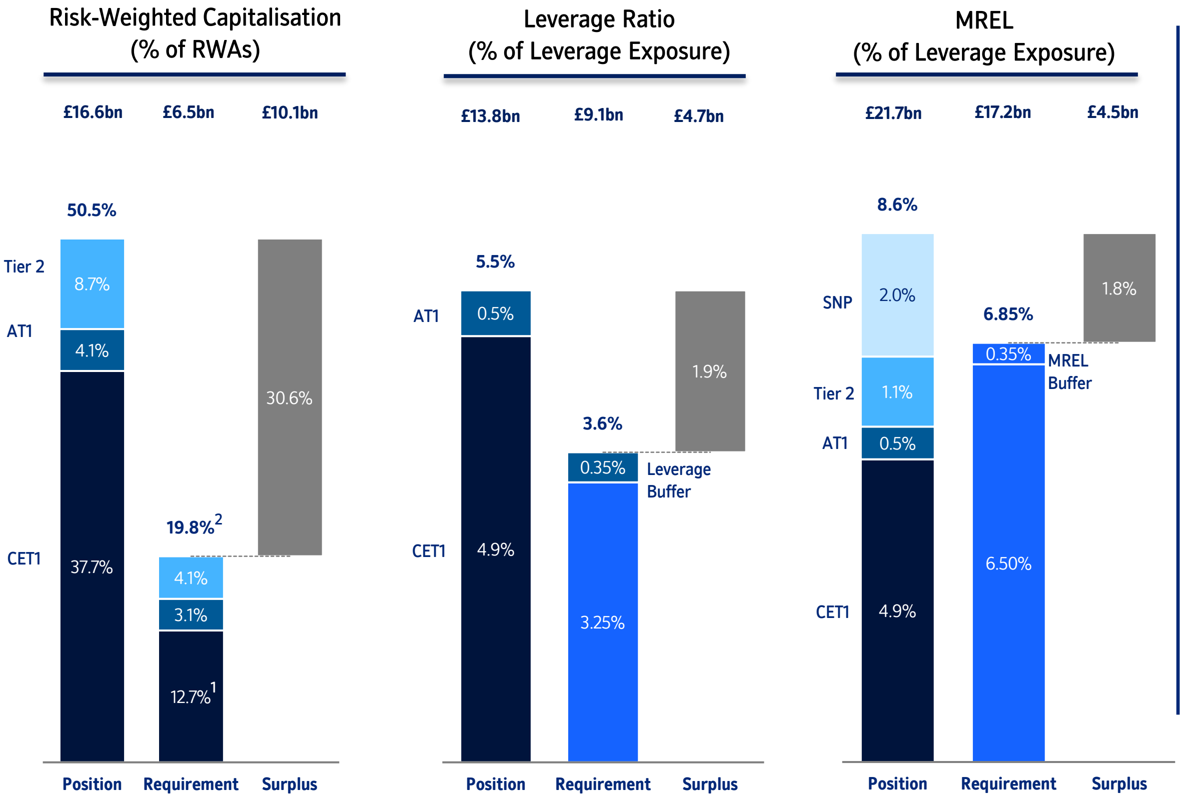
# We meet current and expected regulatory capital requirements



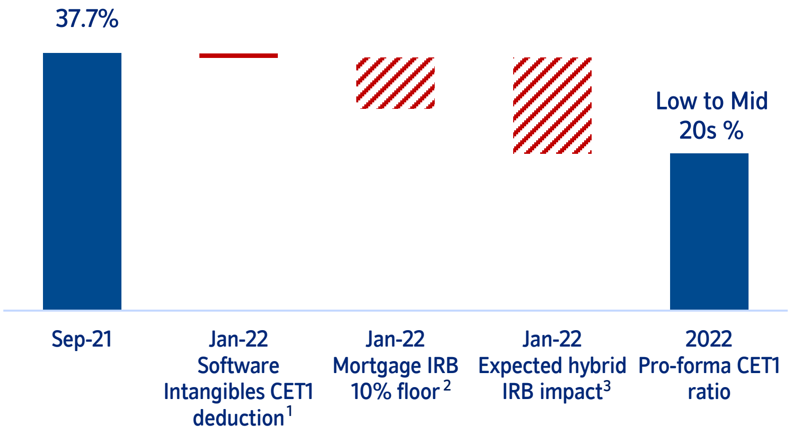

- Our capital structure, as highlighted by surplus CET1 resources, reflects our business model as a building society and how we distribute value to our members
- We hold sufficient capital surpluses to ensure all regulatory capital requirements across risk based, leverage and MREL frameworks are met
- The PRA are yet to consult on Basel 3.1, however, based on our latest interpretation we expect the CET1 ratio to reduce by approximately 50%. This is based on 30 Sep 2021 and is 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

[1] CET1 requirement includes 9.2% TCR (4.5% Pillar 1 & 4.7% Pillar 2A) and 3.5% Capital Buffers [2] Total requirement includes 16.3% TCR (8% Pillar 1 & 8.3% Pillar 2A) and 3.5% Capital Buffers

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



Anticipated movements in CET1 ratio due to regulatory changes



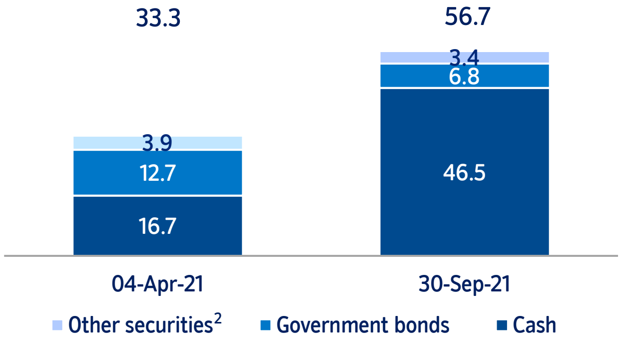

- The PRA have confirmed their decision to reverse the software intangible deduction from 1 January 2022 as set out in PS17/21[1]
- The implementation of the PRA's UK equivalent of CRR2 also set out in PS17/21 is not expected to materially change our capital requirements
- The impact of the introduction of a 10% mortgage portfolio risk weight floor[2] by the PRA on 1 January 2022 will be superseded by the expected impact of the introduction of a 'hybrid' through the cycle modelling approach[3] for IRB accredited firms
- We are expecting this to result in a material decrease in our reported CET1 ratio to the low-to-mid 20s% range from 1 January 2022
- However, we expect to retain a significant surplus above the MDA threshold even under a severe stress scenario

[1] PS17/21 'Implementation of Basel standards' [2] PS16/21 'Internal Ratings Based UK mortgage risk weights' [3] PS11/20 'Probability of Default and Loss Given Default estimation', PS13/17 'Residential mortgage risk weights', & PS23/21 'The identification of the nature, severity, and duration of an economic downturn…'

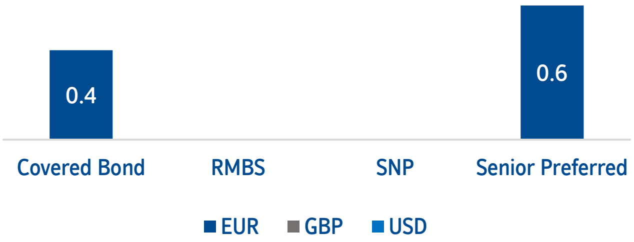
# Our liquidity and funding position supports our financial strength



High quality liquid asset buffer[1] (£bn)




2021-22 HY Public Issuance by Product (£bn)




- We maintain a strong liquidity position, with a Liquidity Coverage Ratio[3] of 173% (4 April 2021: 159%).
- We have issued a €500mn 20yr Covered bond and €750mn 7yr Senior Preferred in H1 2021. Since 30th Sept we have issued a further $1bn 5yr Senior Preferred.
- In addition to this, we expect to be active in Senior Unsecured, Covered Bond and Securitisation markets in H2 2021, with volumes increasing further in subsequent years as the Society seeks to prudently manage the refinancing of TFSME (£21.7bn drawn).
- We continue to manage and optimise maturities, targeting new issuance tenors 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. [3] Reported on a simple average of the LCR reported for the prior 12 month-ends.

# Closing Remarks

# Our mutual difference sets us apart and enables us to make a bigger contribution to society

## Building PRIDE

*Creating a healthy culture for our people*

- Led the industry with our Future of Work commitment, to offer our 13,000 office-based employees the ability to **work from anywhere in the UK**

## Building Legendary Service

*Doing our very best to serve our members*

- Extended our **Branch Promise**, originally made in 2019, to remain in every town or city we are in today, until at least 2023


## Building Thriving Membership

*Growing and serving our membership*

- **Leading from the front, supporting first time buyers -** We were the first major lender to return to offering 95% LTV loans after the first lockdown in 2020. And this year, we launched our market-leading Helping Hand mortgage
- **Innovated to deliver value beyond rate** with a £1 million member monthly prize draw and current account switching incentive

## Building a National Treasure

*Contributing to our wider community*

- **Supporting our communities,** awarding £13.7 million grants across 350 projects since our Community Boards were founded in 2017
- Supporting **greener homes** with our green propositions, the sustainable **Oakfield housing development** and new **retrofit proposition pilot**
- **Taking a bolder voice on the things that matter** to our members with our Together Against Hate campaign and Mutual Respect partnerships
- **Influencing on policy** including financial support for tenants with Covid-related rent arrears; and securing a change to sentencing guidelines providing protection for frontline colleagues against abuse

# Questions

# Contact information



**Charlie Wood**
Head of Financial Risk Strategy & Investor Relations
Charles.Wood@nationwide.co.uk
+44 (0) 7500 999612

**Investor Relations Mailbox**
nationwide.treasury@nationwide.co.uk

**Investor Relations Website**
https://www.nationwide.co.uk/investor-relations/

# Appendix

# We've been building upon our strong green foundations since 2012



We started our transition to a greener economy a number of years ago. Further enhancements are planned for 2021/2022 and beyond, with a focus on greening UK homes.


**2012**
- ✓ Solar panels installed

**2014**
- ✓ Achieved Carbon Trust triple standard

**2015**
- ✓ Started carbon offsetting
- ✓ Zero waste to landfill

**2016**
- ✓ Formed the Property Risk Hub reducing physical risk on lending

**2018**
- ✓ 100% renewable electricity
- ✓ Renewed Carbon Trust standard

**2019**
- ✓ EV charging points installed
- ✓ Joined UNGC
- ✓ Supporter of TCFD

**2020**
- ✓ Carbon neutral scope 1 & 2 from April 2020
- ✓ 90% carbon reduction since 2010
- ✓ Joined PCAF
- ✓ Launched green AB mortgage and £1bn green fund

**2021+**
- ✓ Launched green reward mortgage
- ✓ Launched green FA mortgage for TMW
- ✓ Rolling out recycled plastic cards
- ✓ Partnered with EcoVadis on supplier ESG credentials
- ✓ Joined UNEP FI PRB
- ✓ Signed up to the NZBA / GFANZ
- ✓ Participated in CDP
- ✓ Completed and submitted round one of the CBES
- ✓ Joined Business Ambition for 1.5 Degrees campaign
- ✓ Published our inaugural TCFD disclosure
- ✓ Proposed 7-point policy plan to government
- ✓ Convened four cross-industry Future of Home Action Groups
- ✓ Retrofit proposition pilot
- ✓ Working on setting science-based targets

# Lower structural hedge income but we are naturally positioned for higher rates



| H1 20/21 vs H1 21/22 | Income Change (£m) |
|---|---|
| Reserves/CCDS Structural Hedge<br>*(incl. within Liquid Assets and Other on slide 14)* | (8) |
| Current Accounts Structural Hedge<br>*(incl. within Retail Funding on slide 14)* | (11) |
| Hedging for Floored Savings<br>*(incl. within Liquid Assets and Other on slide 14)* | (18) |

- We undertake structural hedging to smooth income volatility due to short-term changes in interest rates.
- The level of income drag has reduced as the gap between maturing hedge rates and reinvested hedge rates has narrowed.
- Further hedging is in place as a mitigant to the margin compression on temporarily floored savings balances (not eligible for structural hedging)
- Income from these hedges, whilst remaining positive, decreased as a result of hedge maturities.

| NII sensitivity (£m) | FY 2020/21 | HY 2021/22 |
|---|---|---|
| +50bps shift in rates | n/a[1] | +47 |
| +25bps shift in rates | +8 | +26 |
| -25bps shift in rates | (100) | (118) |

- This analysis assumes
  - A static balance sheet
  - An instantaneous parallel shift in prevailing interest rates
  - A 100% pass-through on all managed rate products (unless a 0% floor is reached).
- Upward sensitivities are broadly linearly scalable for larger shocks.
- 1bp of margin widening on managed rate deposits equates to c.£12m of NII sensitivity.

[1] we did not undertake an analysis

Nationwide Building Society

# Split of residential mortgages IFRS 9 staging and provisioning



| | Prime mortgages[1] | | | | | | Buy to let and legacy | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 04 Apr 21 | | | 30 Sep 21 | | | 04 Apr 21 | | | 30 Sep 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 | 143,500 | 96 | 0.01 | 146,797 | 97 | 0.01 | 35,247 | 85 | 0.14 | 37,071 | 87 | 0.12 |
| Stage 2 | 5,313 | 3 | 0.7 | 3,873 | 2 | 0.7 | 5,346 | 13 | 2.6 | 4,991 | 12 | 2.3 |
| *of which: >30 dpd* | *202* | | | *189* | | | *136* | | | *116* | | |
| Stage 3 and POCI | 893 | 1 | 4.1 | 890 | 1 | 3.8 | 656 | 2 | 5.8 | 596 | 1 | 6.5 |
| *of which: >90 dpd or in possession* | *388* | | | *358* | | | *352* | | | *289* | | |
| **Total** | **149,706** | | **0.06** | **151,560** | | **0.05** | **41,249** | | **0.54** | **42,658** | | **0.47** |

[1] This table excludes Fair Value through Profit or Loss (FVTPL) balances which totalled £64m as at 30 September 2021 (4 April 2021: £68m).

Nationwide Building Society

# Strong credit ratings reflect prudent business model



| 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 | October 2021 |
| Moody's[2] | A1 | P-1 | Baa1 | Baa2 | Ba1 | Stable | July 2021 |
| Fitch[3] | A+ | F1 | A | BBB+ | BBB- | Stable | July 2021 |

[1] S&P Global Ratings – Research Update: Nationwide Building Society Upgraded To 'A+' On Resilience And Supporting U.K. Environment; Outlook Stable October 29, 2021. [2] Moody's Investors Service – Rating Action: Moody's takes rating actions on Barclays, Lloyds, Santander UK, Nationwide and Close Brothers, following update to banks methodology 13 July 2021. [3] Fitch Ratings – Press Release: Fitch Revises Nationwide Building Society's Outlook to Stable; Affirms at 'A' 5 July 2021.

## …with continued improvement in our Environmental, Social and Governance (ESG) ratings

| ESG Ratings | Rating | Scale | Date |
|---|---|---|---|
| MSCI | A | AAA to CCC | October 2021[4] |
| V.E, part of Moody's ESG Solutions | 58 | 0 to 100 | January 2021[5] |
| ISS ESG | C+ | A+ to D- | July 2020[6] |

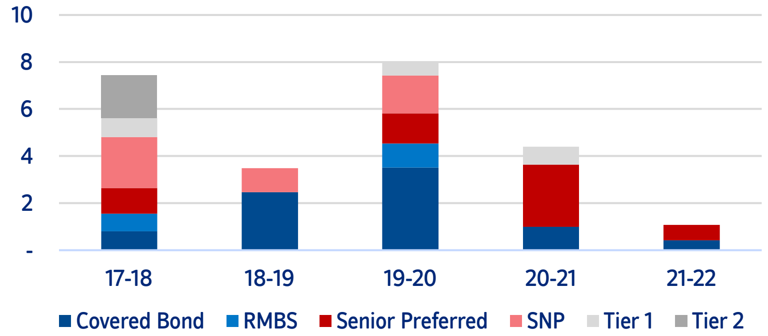
Nationwide is also rated by Sustainalytics, details can be found at sustainalytics.com

[4] The use by Nationwide of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Nationwide by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI. [5] www.vigeo-eiris.com [6] www.issgovernance.com/esg/ratings/

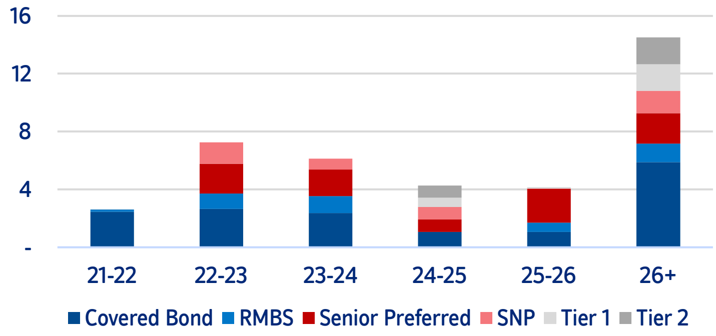
# We continue to remain active in core term funding markets



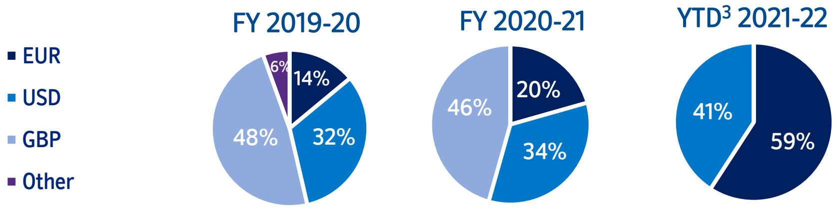
Historical Public Issuance by Product [1] (£bn)




Long Term Wholesale Funding Maturities by FY [1, 2] (£bn)




Historical Public Issuance by Currency






All figures are sterling equivalent. [1] Excludes TFSME. Tier 1 includes AT1 and CCDS. [2] 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. [3] Reflects period up to 31 October 2021

# Glossary



| Measure | Definition |
| --- | --- |
| Net satisfaction in core products (slides 2, 3, 9) | © Ipsos MORI 2021, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to the 12 months ending 30 September 2021. Results based on a sample of around 46,000 adults (aged 16+). The survey contacts around 53,000 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 2021 - Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB. Prior to April 2017, those in our peer group were providers with more than 6% of the main current account market – Barclays, Halifax, HSBC, Lloyds Bank (Lloyds TSB prior to April 2015), NatWest and Santander. |
| Trust (slide 2) | Source: Nationwide Brand Guidance Study compiled by Kantar, based on customer and non-customer responses for the 12 months ending September 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. |
| Committed members (slide 9) | Committed members have at least two products with us, including one of their: main personal current account, a mortgage of at least £5,000 or a savings account balance of at least £1,000. |
| Member Financial Benefit (slide 2, 3, 9) | Member financial benefit is quantified as our interest rate differential plus incentives and lower fees. |

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