



Building Society

# Interim Results Presentation

For the 6 months ended 30 September 2020

# Mutual support for members, colleagues and communities



Building Society

# Our response to Covid-19 is focused on mutual support and rebuilding society

## Supporting our members in financial distress



- Granted c246k mortgage payment holidays, and c91k payment deferrals or interest free periods on loans, credit cards and overdrafts<sup>1</sup>
- Paused Covid-related repossessions until end of May 2021
- Supported vulnerable members with cash deliveries and dedicated helpline
- 99% of branches are open<sup>2</sup>

## Supporting employee wellbeing and communities



- Pledged to provide job security until the end of 2020
- >12,000 (c90%) of office-based employees working from home<sup>2</sup>
- Gave c250 charities freedom on how to spend £10m of previously agreed community grants
- Extended our branch promise, until at least 2023

### Our key priorities in H1

## Supporting the housing market and the economy

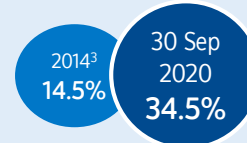


- Supporting first time buyers with 90% LTV mortgages, while lending responsibly in uncertain times
- Rewarding members in new ways and encouraging saving, for example prize draws and a Mutual Reward Bond

## Maintaining our financial strength



- UK leverage ratio: **5.0%**
- CET1 ratio:
  - **94%** of lending secured on residential property (average LTV of **56%**)<sup>4</sup>
  - Liquidity Coverage Ratio (LCR): **153%**



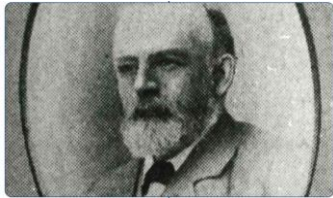
Building Society

<sup>1</sup> Total volume of payment holidays and deferrals granted to date, as at 30 September 2020 (including those expired and cancelled). <sup>2</sup> Data as at 30 September 2020. <sup>3</sup> 2014 coincides with implementation of CRD IV. <sup>4</sup> LTV is calculated on an indexed basis (see slide 36).

# We were founded for a social purpose....

Being a responsible business is part of our mutual DNA – we are committed to doing business in a way that positively impacts our members, employees, communities and the environment.

- For over 135 years, we've been driven by the principles of mutuality – to do the right thing, in the right way, and make a difference to the lives of our members, colleagues and in our communities.
- Our social purpose has never been more important, both in supporting members through the immediate pandemic, and as we face a critical turning point for climate change, and rising inequality.



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.

**1890**

Early records show we provided payment holidays for members in hard times



**1904**

Financially supported the build of the world's first Garden City at Letchworth, for better homes and communities



**1920 - 50**

To support recovery after both Wars, we offered 90% LTV mortgages (the norm was 80%), and applied our principles of Sympathy, Simplicity and Speed when helping members



**2014** Achieved the Carbon Trust Triple Standard

**2019** Joined the United Nations Global Compact

**2016** Partnered with the Woodland Trust in a woodland creation programme

**2020** Committed that our Oakfield homes will be EPC A-rated

**2017** Launched Private Rental Sector Partnership Board

**H1 2020/21** 100% carbon neutral for energy use and emissions for internal operations and company vehicles



**Nationwide**  
Building Society

# ...which continues forwards to today

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



We are working on targets to reflect our focus in these areas



5 <sup>1</sup> Each commitment has been aligned to the UN Sustainable Development Goals (SDGs).

# Highlights



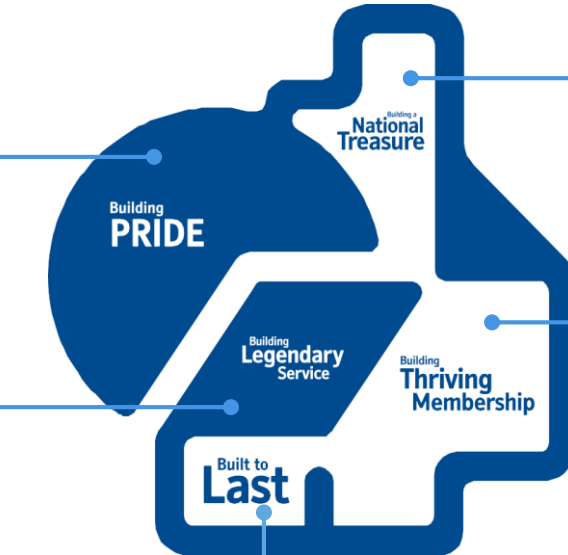
# Our purpose is building society, nationwide

## Building PRIDE

Creating the right culture where all colleagues can thrive, and building skills and talent for the future, to do the best for our members

## Building Legendary Service

Striving to serve our members better every day, and remaining a leading brand for customer service, among our peer group and across all sectors in the UK



## Building a National Treasure

Making a difference in our communities and being recognised as a responsible, sustainable and caring provider of financial services

## Building Thriving Membership

Deepening our relationships with our members, helping them make more of their money and supporting them in their financial wellbeing

## Built to Last

Remaining resilient and safeguarding our members' money and information

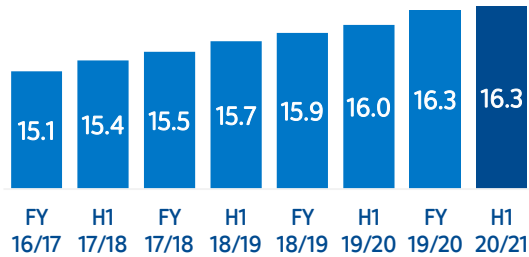


Building Society

# Our Society has grown strongly in recent years

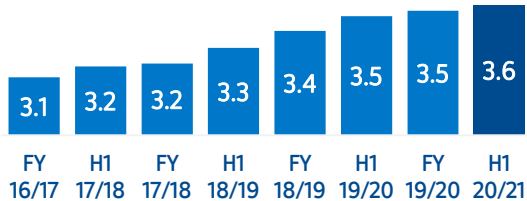
## More than 1m new members

Total membership (m)



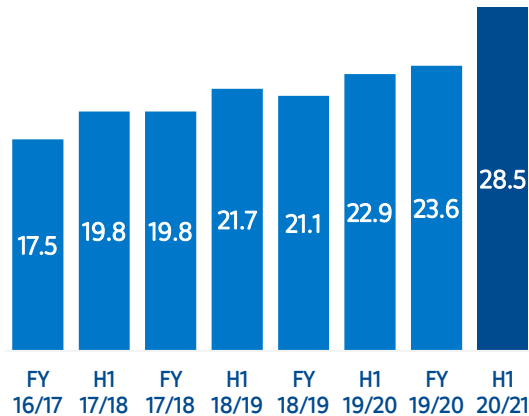
## Around 15% growth in committed members

Committed membership (m)<sup>1</sup>



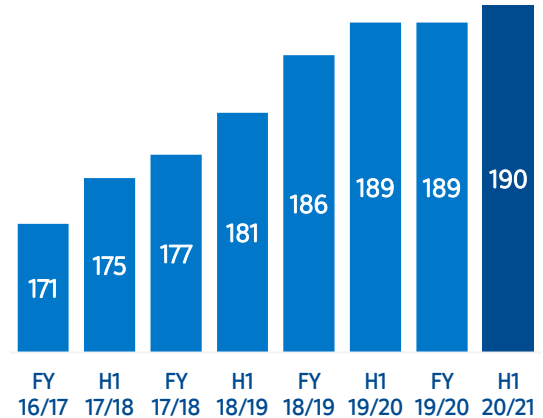
## Around 60% growth in current account balances

Current account credit balances (£bn)



## Continued growth in mortgages

Residential net mortgage balances (£bn)



<sup>1</sup> Committed members are defined on slide 36.



# Growth has continued, but at a slower pace as a result of Covid-19

Mortgage lending in line with expectations, and we continued to support First Time Buyers

Gross mortgage lending (£bn)



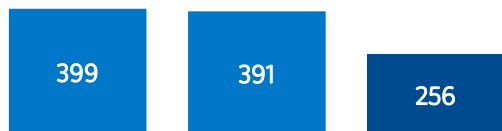
Market share of first time buyers<sup>1</sup> (%)



H1 18/19 H1 19/20 H1 20/21

Current account opening volumes were lower, but our overall stock market share is stable

Current accounts opened ('000)



Market share of all current accounts<sup>2</sup> (%)



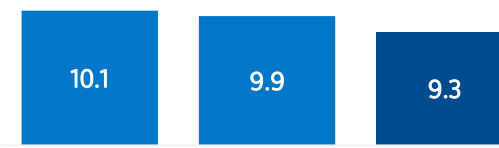
H1 18/19 H1 19/20 H1 20/21

Lower growth in deposits, impacted by record low Bank base rate and sustained competition, led to lower market share

Change in deposit balances (£bn)



Market share of stock of deposits<sup>3</sup> (%)



H1 18/19 H1 19/20 H1 20/21



**Nationwide**  
Building Society

<sup>1</sup> UK Finance and Nationwide calculations. Share of number of loans to FTBs. <sup>2</sup> CACI's CSDB (August 2018, 2019, 2020). <sup>3</sup> Bank of England and Nationwide calculations.

# We remain committed to providing great service, long-term value and a safe home for our members' money

## Key performance indicators

|                     | Measure                               | Target  | H1 20/21 performance                   |
|---------------------|---------------------------------------|---|--|
| Outstanding service | Customer satisfaction                 | FRS: 1 <sup>st</sup> + 4.0%pts<br>in our peer group | 1 <sup>st</sup> + 3.4%pts <sup>1</sup> |
|                     |                                       | UKCSI: Top 5  | 2 <sup>nd</sup> <sup>2</sup>           |
| Value for members   | Member financial benefit <sup>3</sup> | At least £200m <sup>4</sup>                         | £140m                                  |
|                     | Engaged members <sup>3</sup>          | 10m by 2022   | 9.5m                                   |
|                     | Committed members <sup>3</sup>        | 4m by 2022  | 3.6m                                   |
| Financial strength  | UK leverage ratio                     | > 4.5%  | 5.0%                                   |

## How we're supporting members

- **Supporting members' needs through propositions:**
  - One of the few lenders supporting first time buyers with 90% LTV mortgages, while lending responsibly in uncertain times
  - In a low Bank base rate environment, launched Start to Save and ISA Prize Draw accounts; and our Mutual Reward Bond
- **Investing in our service:**
  - Co-ordinated efforts to maintain service and support through the pandemic, through payment holidays, enabling remote working for colleagues, enhancing member-facing voice and video capability, and improving speed and service
  - Continued to improve digital experiences for members across mortgages and banking
  - Extended our Branch promise, until at least 2023
  - Named *Which?* Banking Brand of the Year 2020, for the fourth year

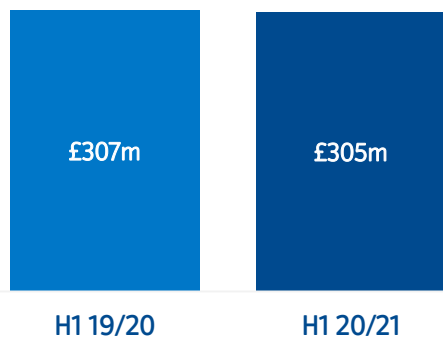


Building Society

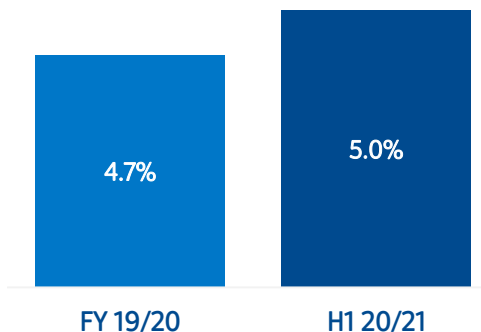
<sup>1</sup> © Ipsos MORI 2020, Financial Research Survey (FRS) measure (see slide 36). <sup>2</sup> Institute of Customer Service UK Customer Satisfaction Index (UKCSI) as at July 2020. <sup>3</sup> Definition on slide 36. <sup>4</sup> Our target for Member Financial Benefit is set at £400m per annum, and so has been presented on a pro-rata basis.

# Profit is stable, and we remain in a position of financial strength

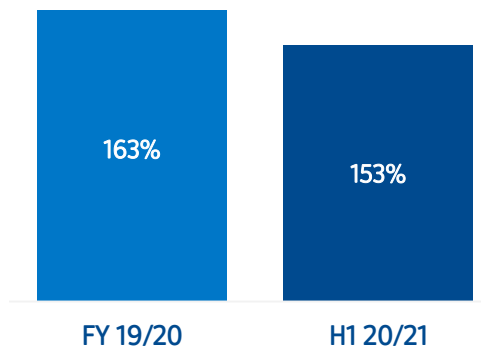
Underlying profit before tax



UK leverage ratio<sup>1</sup>



Liquidity Coverage Ratio (LCR)<sup>2</sup>



<sup>1</sup> 2020 H1 UK leverage ratio of 5.0% comprises £11.1bn (4.5%) of CET1 and £1.3bn (0.5%) of AT1; 2019 H1 UK leverage ratio of 4.6% comprises £10.5bn of CET1 (4.4%) and £0.6bn (0.2%) of AT1. <sup>2</sup> LCR reported on a spot basis.

# Financials



## Profits stable as reduced costs offset increased impairments

| £ million                                   | H1 2019/20   | H1 2020/21   |
|---|--------------|--------------|
| Net interest income                         | 1,385        | 1,448        |
| Net other income                            | 156          | 55           |
| <b>Total Income</b>                         | <b>1,541</b> | <b>1,503</b> |
| Underlying costs                            | (1,125)      | (1,033)      |
| Impairments                                 | (57)         | (139)        |
| Other provisions                            | (52)         | (26)         |
| <b>Underlying profit</b>                    | <b>307</b>   | <b>305</b>   |
| Gains from derivatives and hedge accounting | 2            | 56           |
| <b>Statutory profit</b>                     | <b>309</b>   | <b>361</b>   |
| Underlying cost income ratio                | 72.9%        | 68.7%        |
| Net interest margin                         | 1.12%        | 1.15%        |

- Net interest income has increased by £63m largely due to mortgage margins improving in H2 2019/20 and the benefits to the structural hedge as Bank base rate fell.
- Net other income has reduced by £101m, primarily as a result of a buyback of covered bond funding and the fair value gain on VISA shares last year.
- Underlying costs decreased by £92m (8%), reflecting lower levels of investment spend and business-as-usual costs partially offset by increased restructuring spend.
- Impairments of £139m reflect a deterioration in the economic outlook.
- Other provisions decreased to £26m as a result of a reduction in PPI charges.



## We maintain a low risk, strongly capitalised balance sheet

| £ billion                          | 04 Apr 20    | 30 Sep 20    | %          |
|------------------------------------|--------------|--------------|------------|
| Residential mortgages <sup>1</sup> | 188.6        | 190.4        | 73         |
| Retail unsecured                   | 4.5          | 4.2          | 2          |
| Other lending <sup>2</sup>         | 7.9          | 7.4          | 2          |
| Liquidity <sup>3</sup>             | 37.4         | 48.6         | 19         |
| Other assets                       | 9.6          | 9.1          | 4          |
| <b>Assets</b>                      | <b>248.0</b> | <b>259.7</b> | <b>100</b> |
| Retail deposits <sup>4</sup>       | 159.7        | 161.0        | 62         |
| Wholesale funding                  | 62.3         | 73.3         | 28         |
| Other liabilities                  | 3.5          | 2.9          | 1          |
| Capital & reserves <sup>5</sup>    | 22.5         | 22.5         | 9          |
| <b>Liabilities</b>                 | <b>248.0</b> | <b>259.7</b> | <b>100</b> |

- Balance sheet growth driven by an increase in cash and liquidity held from wholesale funding.
- Low risk balance sheet: 94% of lending secured on low risk residential property (average LTV of 56%)<sup>6</sup>.
- Capital position remains strong with our CET1 and UK leverage ratios at 34.5% and 5.0% respectively.

| Key ratios (%)           | 04 Apr 20 | 30 Sep 20 |
|--------------------------|-----------|-----------|
| Liquidity coverage ratio | 163       | 153       |
| CET1 ratio               | 31.9      | 34.5      |
| UK leverage ratio        | 4.7       | 5.0       |

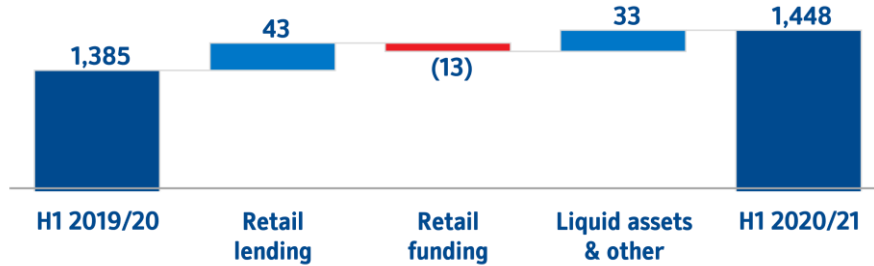


**Nationwide**  
Building Society

<sup>1</sup>Balances are shown net of provisions. <sup>2</sup>Other lending as at 30 September 2020 comprises £5.6bn (4 April 2020: £6.0bn) of lending to Registered Social Landlords and £1.8bn (4 April 2020: £1.9bn) of Other Commercial lending. Other Commercial lending comprises of Commercial Real Estate and Project Finance. <sup>3</sup>Treasury assets (including liquidity portfolio). <sup>4</sup>Shares (member deposits). <sup>5</sup>Total members' interests, subordinated liabilities and subscribed capital. <sup>6</sup>LTV is calculated on an indexed basis (slide 36).

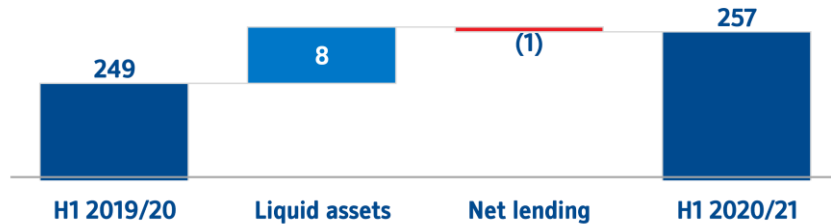
# Net interest margin has increased largely due to mortgage margins improving

Net interest income drivers (£m)<sup>1</sup>

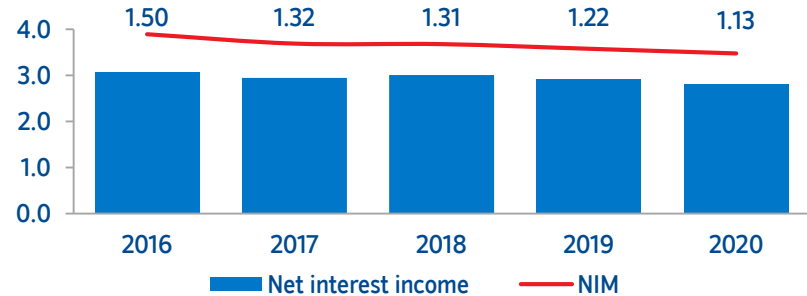
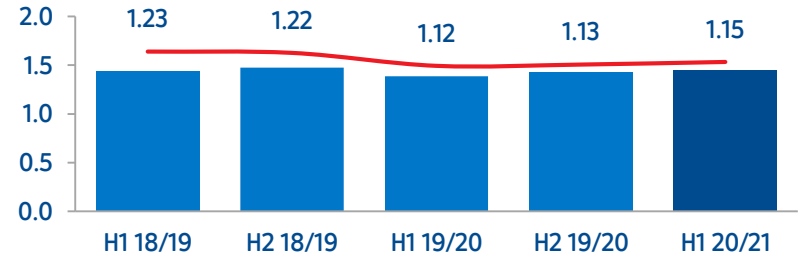


- The net interest income impact of a 25bp cut in Bank base rate is c£100m per annum.

Average assets (£bn)



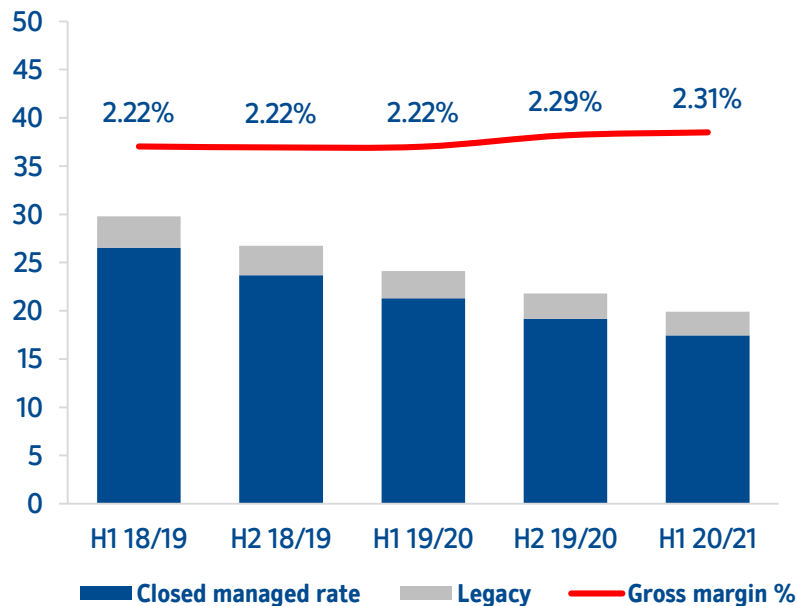
Net interest income (£bn) & net interest margin (%)<sup>1</sup>



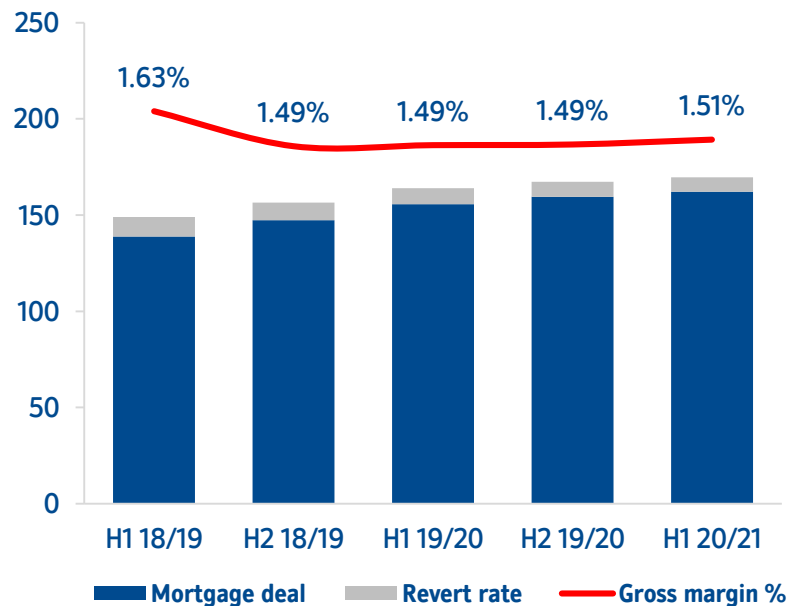
<sup>1</sup>Gross margin has been restated from a LIBOR to SONIA basis for prior periods.

# New business margins outweighed the continued run-off of the back book

**Closed mortgage book**  
Average balances (£bn) & gross margin<sup>1</sup> (%)



**Open mortgage book**  
Average balances (£bn) & gross margin<sup>1</sup> (%)



<sup>1</sup>Gross margin has been restated from a LIBOR to SONIA basis for prior periods.



## Costs reduced by 8% as we make the Society more efficient

| £ million                   | H1 18/19     | H2 18/19     | H1 19/20     | H2 19/20     | H1 20/21     |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Investment and Depreciation | 398          | 371          | 396          | 475          | 331          |
| Nationwide for Business     | 2            | 11           | 22           | 66           | -            |
| DB Pension closure          | -            | -            | -            | (104)        | -            |
| Restructuring <sup>1</sup>  | 10           | 13           | 3            | 23           | 39           |
| Business as usual           | 690          | 759          | 704          | 727          | 663          |
| <b>Total</b>                | <b>1,100</b> | <b>1,154</b> | <b>1,125</b> | <b>1,187</b> | <b>1,033</b> |

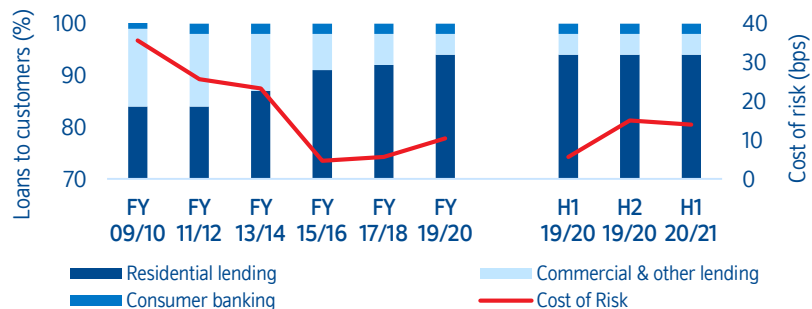
- The cost base in aggregate has reduced by £92m, largely due to the re-prioritisation of our investment spend over the medium term.
- Lower business as usual costs reflect the continued focus on efficiency together with period-on-period reductions in variable pay.
- Restructuring costs have increased in line with actions taken to reduce our future cost base. We expect this trend to continue for the full year.



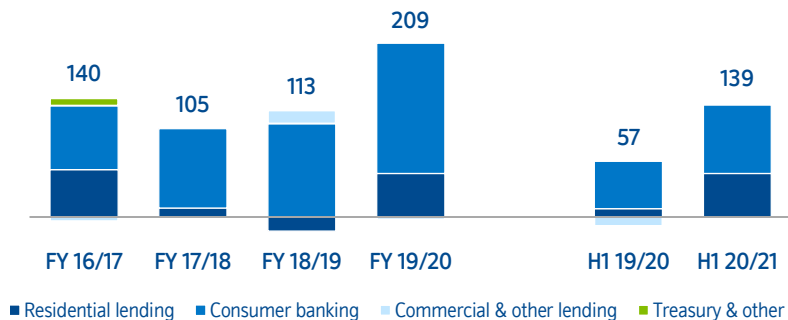
Building Society

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

Continued run off of Commercial book reducing overall Cost of Risk<sup>1</sup>



Impairment charge (£m)

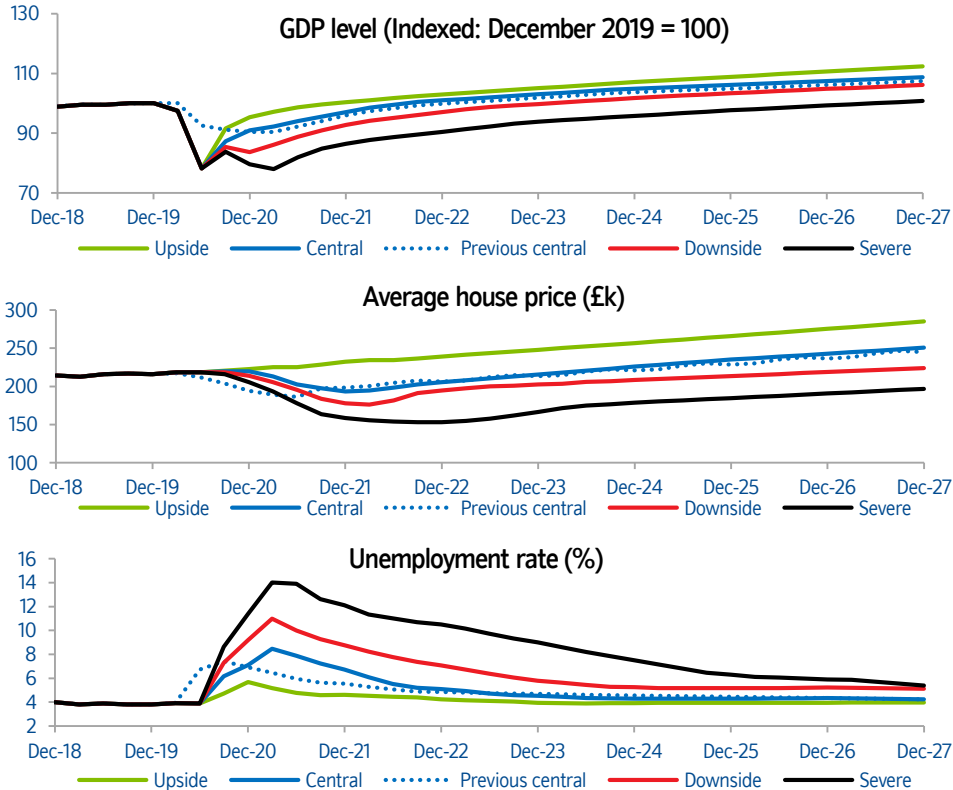


| Retail lending                                | Residential |           | Unsecured |           |
|---|-------------|-----------|-----------|-----------|
|   | 04 Apr 20   | 30 Sep 20 | 04 Apr 20 | 30 Sep 20 |
| Total balances (£m)                           | 188,839     | 190,663   | 4,994     | 4,756     |
| Provision balances (£m)                       | 252         | 302       | 494       | 531       |
| 3m+ arrears <sup>2</sup> (%)                  | 0.41        | 0.42      | 1.22      | 1.37      |
| 3m+ arrears industry average <sup>3</sup> (%) | 0.74        | 0.82      |           |           |
| Total negative equity balances (£m)           | 187         | 166       |           |           |
| Negative equity (£m)                          | 27          | 24        |           |           |

- Movement in Cost of Risk reflects the runoff of the Commercial book and the introduction of IFRS9 accounting with multiple economic scenarios.
- Increased provisions are predominantly driven by changes in IFRS9 economic assumptions.
- Arrears rates have remained low, however they will have been impacted by payment deferrals and government support.

<sup>1</sup> Cost of Risk = impairments charged to income statement / average loans to customers, annualised for interim periods. <sup>2</sup> Residential: Proportion of residential mortgage accounts more than 3 months in arrears. Unsecured: percentage of balances, exc. charge offs. <sup>3</sup> Source: UK Finance.

# Economic uncertainty is reflected in updated scenarios



- The central economic scenario has a peak unemployment rate of 8.5% and fall in house prices of 10%. This scenario has a 40% probability weight.
- The downside and severe downside scenarios have weightings of 40% and 10% respectively, reflecting current UK economic uncertainty. The upside scenario has a weighting of 10%.
- All four economic scenarios now reflect the potential impact of Covid-19 to differing degrees, and this is particularly apparent for GDP where all scenarios now reflect the extreme falls in GDP during the first half of 2020.
- Both the downside and severe downside scenarios include a GDP reduction in Q4 2020.

## IFRS 9 staging and provisioning remained stable

|   | Residential mortgages <sup>1</sup> |                   |                        |                |                   |                        | Unsecured    |                   |                        |              |                   |                        |
|---|------------------------------------|-------------------|------------------------|----------------|-------------------|------------------------|--------------|-------------------|------------------------|--------------|-------------------|------------------------|
|   | 04 Apr 20                          |                   |                        | 30 Sep 20      |                   |                        | 04 Apr 20    |                   |                        | 30 Sep 20    |                   |                        |
|   | 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                   | 181,548        | 95                | 0.04                   | 3,857        | 77                | 0.8                    | 3,590        | 76                | 1.2                    |
| Stage 2   | 9,595                              | 5                 | 1.3                    | 7,702          | 4                 | 2.2                    | 827          | 17                | 17.1                   | 858          | 18                | 21.1                   |
| <i>of which: &gt;30 dpd</i>                                 | 514                                |                   |                        | 402            |                   |                        | 23           |                   |                        | 14           |                   |                        |
| Stage 3 and POCI  | 1,419                              | 1                 | 2.6                    | 1,339          | 1                 | 3.1                    | 310          | 6                 | 89.4                   | 308          | 6                 | 90.0                   |
| <i>of which: &gt;90 dpd or in possession</i>                | 732                                |                   |                        | 729            |                   |                        | 58           |                   |                        | 62           |                   |                        |
| <i>of which: charged off accounts</i>                       | n.a.                               |                   |                        | n.a.           |                   |                        | 235          |                   |                        | 229          |                   |                        |
| <b>Total<sup>2</sup></b>                                    | <b>188,768</b>                     |                   | <b>0.13</b>            | <b>190,589</b> |                   | <b>0.16</b>            | <b>4,994</b> |                   | <b>9.9</b>             | <b>4,756</b> |                   | <b>11.2</b>            |
| <i>Memo: Stage 3 coverage exc. charged off accounts (%)</i> |                                    |                   | <i>n.a.</i>            |                |                   | <i>n.a.</i>            |              |                   | 72                     |              |                   | 72                     |

<sup>1</sup>This table excludes Fair Value through Profit or Loss (FVTPL) balances which totalled £74m as at 30 September 2020 (4 April 2020: £71m). <sup>2</sup>The total provision coverage ratio includes the additional provision adjustments for both 4 April 2020 and 30 September 2020.

# We continue to provide a high level of support to our borrowers who need it

Covid-related support includes payment deferrals, as well as interest-free periods on overdrafts<sup>1</sup>

|   | Granted to 30 Sep 2020 |               |                                |                          | Live at 30 Sep 2020 |              |                                |                          | Live at 1 Nov 2020 |              |                                |                          |
|---|------------------------|---------------|--------------------------------|--------------------------|---------------------|--------------|--------------------------------|--------------------------|--------------------|--------------|--------------------------------|--------------------------|
|   | Volume ('000s)         | Balance (£m)  | Share of book (%) <sup>3</sup> | Weighted Average LTV (%) | Volume ('000s)      | Balance (£m) | Share of book (%) <sup>3</sup> | Weighted Average LTV (%) | Volume ('000s)     | Balance (£m) | Share of book (%) <sup>3</sup> | Weighted Average LTV (%) |
| Prime                                     | 203                    | 28,032        | 19                             | 61                       | 42                  | 6,602        | 4                              | 62                       | 10                 | 1,510        | 1.0                            | 61                       |
| Specialist                                | 43                     | 6,029         | 15                             | 60                       | 9                   | 1,334        | 3                              | 61                       | 2                  | 254          | 0.6                            | 60                       |
| <b>Total Residential</b>                  | <b>246</b>             | <b>34,061</b> | <b>18</b>                      | <b>60</b>                | <b>51</b>           | <b>7,936</b> | <b>4</b>                       | <b>62</b>                | <b>12</b>          | <b>1,764</b> | <b>0.9</b>                     | <b>61</b>                |
| <b>Personal loans and credit cards</b>    | <b>60</b>              | <b>404</b>    | <b>9</b>                       | <b>-</b>                 | <b>7</b>            | <b>60</b>    | <b>1</b>                       | <b>-</b>                 | <b>5</b>           | <b>34</b>    | <b>0.8</b>                     | <b>-</b>                 |
| <b>Commercial real estate<sup>2</sup></b> | <b>0.3</b>             | <b>412</b>    | <b>45</b>                      | <b>51</b>                | <b>0.2</b>          | <b>334</b>   | <b>36</b>                      | <b>52</b>                | <b>0.2</b>         | <b>218</b>   | <b>25</b>                      | <b>54</b>                |

- 246k residential payment deferrals have been granted to 30 September 2020.
- The number of live residential payment deferrals as at 1 November 2020 is 12k, however this is expected to increase in the short term due to the extension of the support scheme.

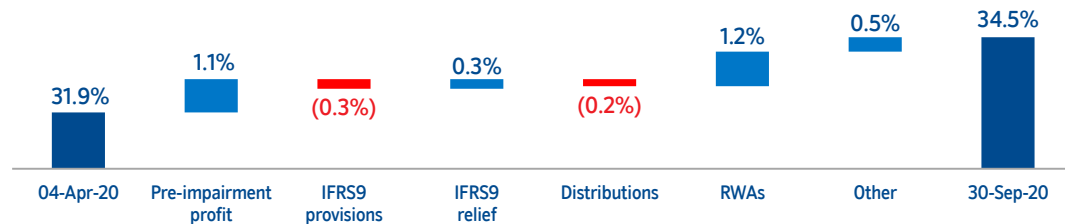


<sup>1</sup> 31k interest free periods on overdrafts have been granted to 30 September 2020. <sup>2</sup> No Covid-19 concessions have been granted to project finance or registered social landlord customers, therefore the table above includes only commercial real estate. <sup>3</sup> Share of book (%) has been calculated on a balance basis.

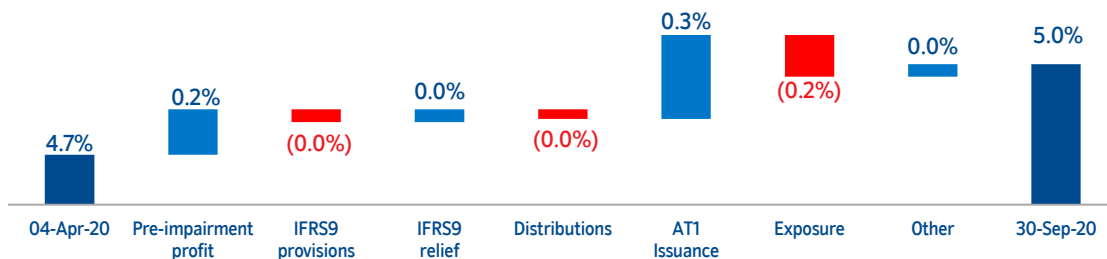
# We remain strongly capitalised

## Profits support lending growth

Movement in CET1 ratio<sup>1,2,3</sup> (%)



Movement in UK leverage ratio<sup>1,3</sup> (%)

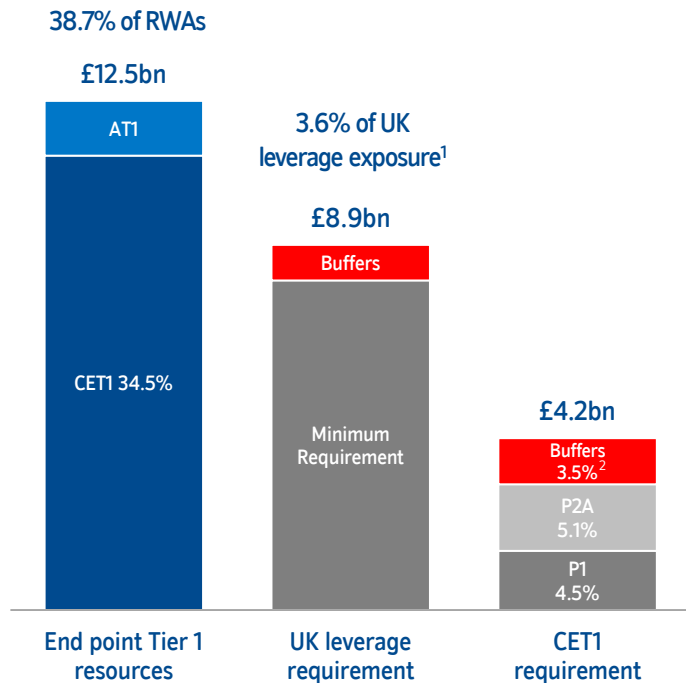


- Profits contributed strongly to capital growth.
- IFRS9 transitional relief offset additional stage 1 and 2 provisions.
- AT1 issuance contributed strongly to the increase in UK leverage ratio.

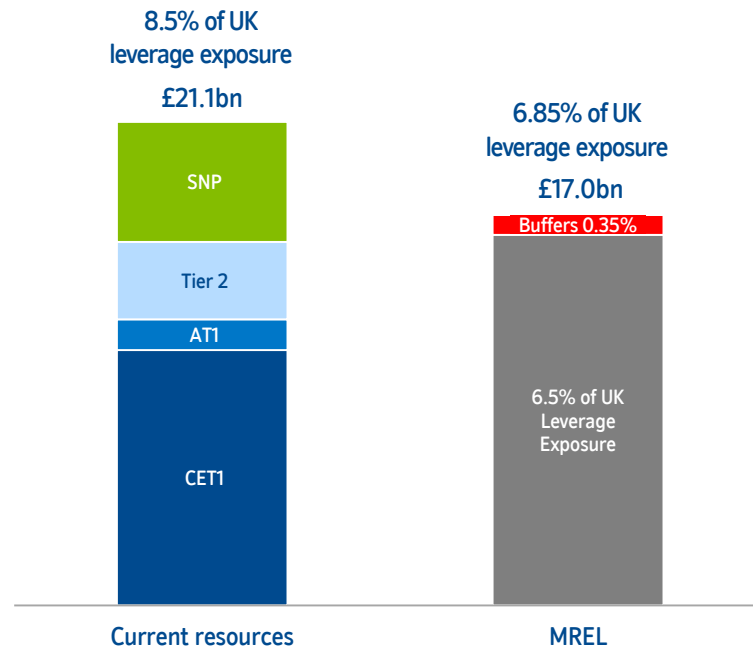
<sup>1</sup> Excluding IFRS transitional arrangements the CET1 ratio and UK leverage ratio would equal 33.9% and 4.9% respectively. <sup>2</sup> RWA reduction driven by a reduction in Commercial loan RWAs due to revised supporting factors for SME & infrastructure lending and improving retail lending book quality. <sup>3</sup> 'Other' relates to Intangible Assets, Pensions (excl. impact on profits), FVOCI reserve & PVA.

# We meet all existing and known future capital requirements

## Going concern capital (end point)



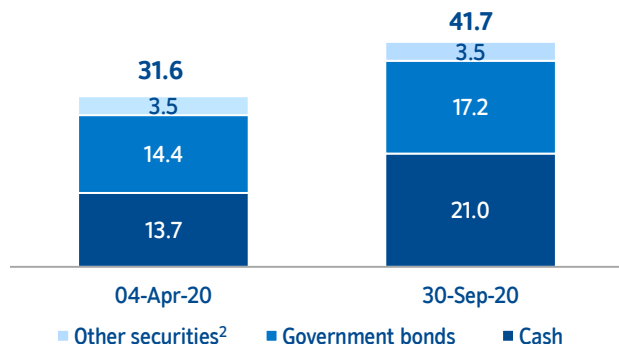
## MREL



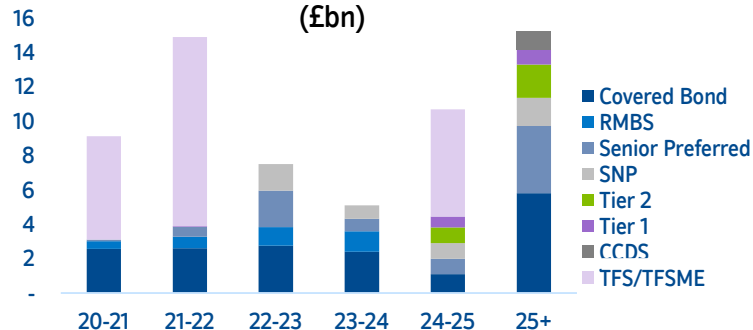
<sup>1</sup> Leverage requirements comprise of a 3.25% minimum & 0.35% additional leverage ratio buffer (ALRB). <sup>2</sup> Reflecting the capital conservation buffer of 2.5% and a 1% systemic risk buffer.

# Our liquidity position further supports our financial strength

High quality liquid asset buffer<sup>1</sup> (£bn)



Long-term Wholesale Maturities by Financial Year<sup>1</sup> (£bn)



- Liquid assets increased during the period by £10.1bn to £41.7bn (4 April 2020: £31.6bn), primarily due to £6.2bn of TFSME drawings and a £5bn increase in short-term funding.
- The LCR at 30 September 2020 decreased to 153% (4 April 2020: 163%).
- The Society continues to manage maturities, targeting new issue maturities beyond the TFS/TFSME redemption window.

| Key ratios (%)                           | 04 Apr 20 | 30 Sep 20 |
|--|-----------|-----------|
| Liquidity coverage ratio ( <i>spot</i> ) | 163       | 153       |
| Net stable funding ratio                 | 134       | 135       |



# Summary



# We continue to focus on our strategy of building society, nationwide

## Building PRIDE

Reshaping the Society for an increasingly digital world, and on track to recruit 500 technology specialists this year

Continued to develop a multi-skilled, flexible workforce to support the parts of the Society where member demand for our services was highest

## Building Legendary Service

No. 1 for customer satisfaction amongst peer group<sup>1</sup>

Ranked 2<sup>nd</sup> in all-sector UK Customer Satisfaction Index<sup>2</sup>

*Which?* Banking Brand of the Year 2020, for fourth year

## Built to Last

UK leverage ratio of 5.0%

Liquidity Coverage Ratio of 153%

94% of lending secured on residential property (average LTV of 56%)<sup>3</sup>

## Building a National Treasure

UK's most trusted financial brand<sup>4</sup>

Removed restrictions on how c250 Community grants (total c£10m) could be used

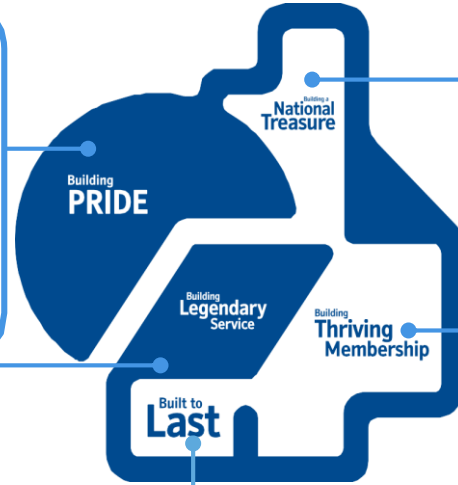
Extended our branch promise, until at least 2023

## Building Thriving Membership

16.3m members; 3.6m committed members<sup>5</sup>

Continued to support first time buyers through the pandemic

Rewarding members and encouraging saving in new ways, through prize draws and our Mutual Reward Bond



Building Society

<sup>1</sup>© Ipsos MORI 2020, Financial Research Survey (FRS) measure (see slide 36). <sup>2</sup>Institute of Customer Service UK Customer Satisfaction Index (UKCSI) as at July 2020. <sup>3</sup>LTV is calculated on an indexed basis (see slide 36). <sup>4</sup>Nationwide Brand Guidance Study (see slide 36). <sup>5</sup>Committed members defined on slide 36.

# Q&A



Building Society

# Contacts

## **Charlie Wood**

Head of Financial Risk Strategy & Investor Relations

[Charles.Wood@nationwide.co.uk](mailto:Charles.Wood@nationwide.co.uk)

+44 (0) 7500 999612

## **Carly Thomas**

Investor Relations & Sustainable Finance Lead

[Carly.Thomas@nationwide.co.uk](mailto:Carly.Thomas@nationwide.co.uk)

+44 (0) 7464 491600

## **Investor Relations Mailbox**

[nationwide.treasury@nationwide.co.uk](mailto:nationwide.treasury@nationwide.co.uk)



Building Society

# Appendix



# We're committed to further progressing our climate change risk capability

Aligned to the recommendations of the Taskforce on Climate-Related Disclosures (TCFD) and the expectations outlined in the PRA's supervisory statement (SS3/19) we continue to embed the understanding of climate change into our Risk Management Framework and supporting Governance. The capability we've already delivered and are continuing to develop includes:

## We have made some good progress to date...

### Risk Management

- Climate Change embedded as a causal factor within our enterprise risk management framework
- Climate change risks identified (physical and transition) and mapped into a revised risk taxonomy, and a climate change risk standard launched
- Materiality assessment to create heatmaps of principal climate change risks
- Quarterly monitoring of identified Climate Change related risk metrics

### Scenario Analysis

- Ongoing pilot credit risk modelling activity for a 2 degree rise in temperature for two UK regions in partnership with external experts to demonstrate capability

| Exposures as at 30 September 2020                | Residential mortgages |              |                       |
|--|-----------------------|--------------|-----------------------|
|  | Number                | Exposure £bn | % of Book (by number) |
| Properties in red flood risk zone <sup>1</sup>   | 718                   | 0.1          | 0                     |
| Properties in amber flood risk zone <sup>1</sup> | 36,702                | 4.4          | 2                     |
| EPC Rated D / E <sup>2</sup>                     | 459,927               | 64.3         | 31                    |
| EPC Rated F/G <sup>2</sup>                       | 23,964                | 3.4          | 1                     |
| No / Unmatched EPC                               | 692,141               | 67.3         | 47                    |

### Disclosures

- Materially enhanced 2019/2020 disclosure aligned to TCFD recommendations

### Governance, Operating Model & Strategy

- Dedicated Climate Change Governance model embedded into existing structure, including completion of its first annual effectiveness review
- Operating Model in place for over a year with central team co-ordinating activity across the Society

## ...And have a clear plan to mature our approach

### Risk Management

- Work underway to broaden Climate Change understanding to Non-Financial as well as Financial Risk Categories e.g. historic operational loss events reviewed and re-assigned, where appropriate, in line with the revised risk taxonomy
- Review underway of current Risk Control Self Assessments (RCSA) business-wide to incorporate, where appropriate, changed risk profile due to climate change

### Scenario Analysis

- Physical risk - Dry run (ahead of the PRA's June 2021 BES on climate change risks) underway to test our modelling of the physical risks of different climate change scenarios for our Prime and BTL mortgage exposures and Nationwide's own properties
- Transition risk - completed initial qualitative assessment of the transition risk for Prime and BTL mortgage exposures and work underway on a quantitative assessment of the expected risk under different climate change scenarios

### Disclosures

- We have committed to follow PCAF's methodology for assessing our financed emissions from mortgages and are developing our ability to include this in future disclosures

### Governance, Operating Model & Strategy

- Current business strategy review includes specific consideration of climate change related opportunities including future product initiatives building on our recent Green Advance product

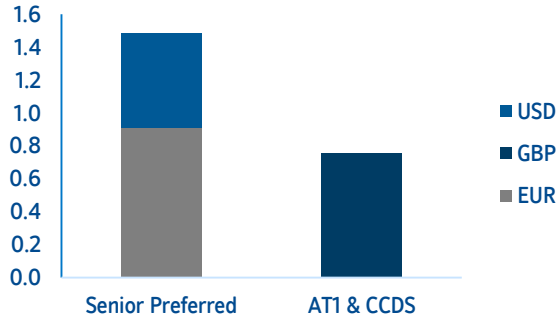


Building Society

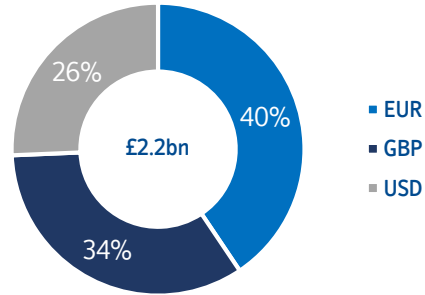
<sup>1</sup> Flood risk scores are weighted by risk level and type (e.g. coastal flooding) and any flood defences in place. <sup>2</sup> EPC ratings are as at 30 June 2020.

# We continue to be active in core term funding markets

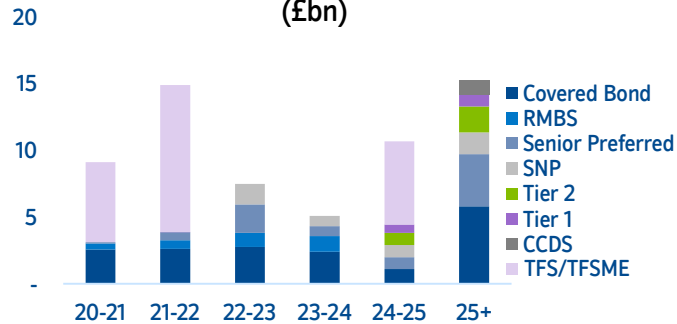
HY 2020-21 Public Issuance by Product (£bn)



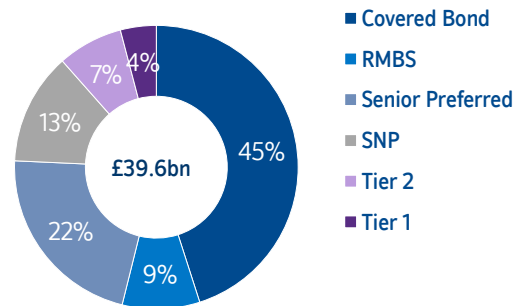
HY 2020-21 Public Issuance by Currency



Long-term Wholesale Maturities by Financial Year (£bn)



Portfolio by Product<sup>1,2</sup>



- Public market access in USD, EUR, GBP and CHF, with further currency options via private placements.
- Nationwide repurchased and partially redeemed a total of £2.04bn of covered bonds following a liability management exercise
- The Society participated in the TFSME over the period, drawing down £6.2bn from the scheme



Building Society

## 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 <sup>1</sup> | A                | A-1        | BBB+                 | BBB    | BB+  | Stable   | April 2020     |
| Moody's <sup>2</sup>           | A1               | P-1        | Baa2                 | Baa2   | Ba1  | Stable   | July 2020      |
| Fitch <sup>3</sup>             | A+               | F-1        | A                    | BBB+   | BBB- | Negative | September 2020 |

- S&P revised our Outlook to stable from positive on the economic impact of Covid-19 and affirmed our ratings 'A/A-1' long- and short-term issuer credit ratings.
- Moody's changed our long term rating outlook from negative to stable, following Nationwide's € senior preferred issuance in July.
  - We remain committed to issuing sufficient unsecured debt to maintain a 2 notch uplift for Moody's loss-given-failure framework.
- Fitch affirmed our IDR and revised the Outlook to negative, reflecting the economic and financial market fallout from the Covid-19 outbreak.



# Mortgage payment holiday

## Additional information



Building Society

# Payment and Interest holidays granted due to Covid-19

1 November 2020

## 1. Prime mortgages

| 1 November 2020                             | Payment holiday outcome as at 1 November 2020 |                                       |   |                          |                               |
|---|---|---------------------------------------|---|--------------------------|-------------------------------|
|   | Prime mortgages, volume ('000s)               | Payment holidays granted <sup>1</sup> | Payment holidays outstanding <sup>2</sup> | Payment holidays expired | Opted to resume full payments |
| March                                       | 9.4   | 0.2                                   | 9.2                                       | 7.0                      | 2.2                           |
| April                                       | 108.8   | 1.9                                   | 106.9                                     | 98.3                     | 8.6                           |
| May   | 63.5  | 1.5                                   | 62.0                                      | 58.4                     | 3.6                           |
| June  | 13.8  | 1.7                                   | 12.1                                      | 11.4                     | 0.7                           |
| July  | 3.9   | 0.6                                   | 3.3                                       | 3.0                      | 0.3                           |
| August                                      | 1.8   | 0.3                                   | 1.5                                       | 1.5                      | 0.0                           |
| September                                   | 1.1   | 1.1                                   | 0.0                                       | 0.0                      | 0.0                           |
| October                                     | 1.2   | 1.2                                   | 0.0                                       | 0.0                      | 0.0                           |
| November                                    | 1.5   | 1.5                                   | 0.0                                       | 0.0                      | 0.0                           |
| <b>Total</b>                                | <b>205.0</b>                                  | <b>10.0</b>                           | <b>195.0</b>                              | <b>179.6</b>             | <b>15.4</b>                   |
| <b>Total balance, £m</b>                    | <b>£27,971</b>                                | <b>£1,510</b>                         | <b>£26,461</b>                            | <b>£25,287</b>           | <b>£1,174</b>                 |
| <b>Share of book, balance (%)</b>           | <b>19%</b>                                    | <b>1%</b>                             | <b>18%</b>                                | <b>17%</b>               | <b>1%</b>                     |
| <b>Weighted average LTV (%)<sup>4</sup></b> | <b>60%</b>                                    | <b>61%</b>                            | <b>60%</b>                                | <b>60%</b>               | <b>56%</b>                    |



**Building Society**

<sup>1</sup> Payment holidays are reported in the first month that the holiday was granted. Where a borrower has an extended payment holiday, the property is reported in the month that the initial holiday was granted. Forward starting payment holidays that have been granted but are not yet effective are not included. <sup>2</sup> Includes extended payment holidays. Includes borrowers making partial payments agreed with the Society for a period of up to three months with the remaining proportion of the payment subject to payment deferral and not recognised as being in arrears. <sup>3</sup> Includes borrowers who have entered into collections. <sup>4</sup> Indexed Loan to Value.

# Payment and Interest holidays granted due to Covid-19

1 November 2020

## 2. Specialist mortgages

| 1 November 2020                             |                                       |   |                          | Payment holiday outcome as at 1 November 2020 |                                     |
|---|---------------------------------------|---|--------------------------|---|-------------------------------------|
| Specialist mortgages, volume ('000s)        | Payment holidays granted <sup>1</sup> | Payment holidays outstanding <sup>2</sup> | Payment holidays expired | Opted to resume full payments                 | Sought further support <sup>3</sup> |
| March                                       | 0.2                                   | 0.0                                       | 0.2                      | 0.1   | 0.1                                 |
| April                                       | 32.3                                  | 0.4                                       | 31.9                     | 31.0  | 0.9                                 |
| May   | 8.2                                   | 0.3                                       | 7.9                      | 7.7   | 0.2                                 |
| June  | 1.2                                   | 0.2                                       | 1.0                      | 0.9   | 0.1                                 |
| July  | 0.6                                   | 0.1                                       | 0.5                      | 0.5   | 0.0                                 |
| August                                      | 0.3                                   | 0.1                                       | 0.2                      | 0.2   | 0.0                                 |
| September                                   | 0.2                                   | 0.2                                       | 0.0                      | 0.0   | 0.0                                 |
| October                                     | 0.3                                   | 0.3                                       | 0.0                      | 0.0   | 0.0                                 |
| November                                    | 0.1                                   | 0.1                                       | 0.0                      | 0.0   | 0.0                                 |
| <b>Total</b>                                | <b>43.4</b>                           | <b>1.7</b>                                | <b>41.7</b>              | <b>40.4</b>                                   | <b>1.3</b>                          |
| <b>Total balance, £m</b>                    | <b>£6,039</b>                         | <b>£254</b>                               | <b>£5,785</b>            | <b>£5,586</b>                                 | <b>£198</b>                         |
| <i>Share of book, balance (%)</i>           | <i>15%</i>                            | <i>1%</i>                                 | <i>15%</i>               | <i>14%</i>                                    | <i>0.5%</i>                         |
| <i>Weighted average LTV (%)<sup>4</sup></i> | <i>59%</i>                            | <i>60%</i>                                | <i>59%</i>               | <i>59%</i>                                    | <i>62%</i>                          |

## 3. Total residential mortgages

| 1 November 2020                             |                                       |   |                          | Payment holiday outcome as at 1 November 2020 |                                     |
|---|---------------------------------------|---|--------------------------|---|-------------------------------------|
|   | Payment holidays granted <sup>1</sup> | Payment holidays outstanding <sup>2</sup> | Payment holidays expired | Opted to resume full payments                 | Sought further support <sup>3</sup> |
| <b>Total volume, ('000s)</b>                | <b>248.4</b>                          | <b>11.7</b>                               | <b>236.7</b>             | <b>220.0</b>                                  | <b>16.7</b>                         |
| <b>Total balance, £m</b>                    | <b>£34,010</b>                        | <b>£1,764</b>                             | <b>£32,246</b>           | <b>£30,873</b>                                | <b>£1,372</b>                       |
| <i>Share of book, balance (%)</i>           | <i>18%</i>                            | <i>1%</i>                                 | <i>17%</i>               | <i>16%</i>                                    | <i>1%</i>                           |
| <i>Weighted average LTV (%)<sup>4</sup></i> | <i>60%</i>                            | <i>61%</i>                                | <i>60%</i>               | <i>60%</i>                                    | <i>57%</i>                          |



Building Society

<sup>1</sup> Payment holidays are reported in the first month that the holiday was granted. Where a borrower has an extended payment holiday, the property is reported in the month that the initial holiday was granted. Forward starting payment holidays that have been granted but are not yet effective are not included. <sup>2</sup> Includes extended payment holidays. Includes borrowers making partial payments agreed with the Society for a period of up to three months with the remaining proportion of the payment subject to payment deferral and not recognised as being in arrears. <sup>3</sup> Includes borrowers who have entered into collections. <sup>4</sup> Indexed Loan to Value.

# Glossary

| Measure  | Definition   |
|--|--|
| Loan to Value (LTV) (slide 3, 14, 26)            | LTV is calculated on an indexed basis such that the value of the property is updated on a regular basis to reflect changes in the market using the House Price Index (HPI).  |
| Net satisfaction in core products (slide 10, 26) | Lead at September 2020: 3.4%pts, March 2020: 5.4%pts. © Ipsos MORI 2020, Financial Research Survey (FRS), 12 months ending 30 September 2020 and 12 months ending 31 March 2020. c.49,000 adults (aged 16+) surveyed across Great Britain from a total representative sample of c.54,000 adults (aged 16+) per annum. Interviews were conducted face to face, telephone and online, and weighted to reflect the overall profile of the adult population. Proportion of extremely/very satisfied customers minus proportion of extremely/very/fairly dissatisfied customers summed across main current account, mortgage and savings. Peer group defined as providers with main current account market share >3.5% as of April 2020 (Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB). |
| Committed and engaged members (slide 8, 10, 26)  | Engaged members have a main current account, 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 10)              | Member financial benefit is quantified as our interest rate differential plus incentives and lower fees.   |
| Trust (slide 26)                                 | Source: Nationwide Brand Guidance Study compiled by Kantar, based on customer and non-customer responses for the 12 months ending September 2020. Financial brands included Nationwide, Barclays, Co-operative Bank, First Direct, Halifax, HSBC, Lloyds Bank, NatWest, TSB and Santander.   |



# Disclaimer

This presentation has been prepared by and is the property of Nationwide Building Society ("Nationwide"). By attending this presentation or accepting this document you represent, warrant and agree that (i) you will not reproduce or transmit the contents (in whole or in part) of this presentation by any means; (ii) you have understood and agreed to the terms set out herein; (iii) you consent to delivery of this presentation by electronic transmission, if applicable; (iv) you are not a US Person, as defined below; (v) if you are in the United Kingdom, then you are a person who is (a) an investment professional within the meaning of Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("FPO") or (b) a high net worth entity falling within Article 49(2)(a) to (d) of the FPO; and (vi) if you are within the European Economic Area ("EEA"), then you are a person who is a "qualified investor" within the meaning of Article 2(1)(e) of EU Directive 2003/71/EC, as amended (the "Prospectus Directive").

This presentation shall not constitute or form part of any offer to sell or the solicitation of an offer to buy or subscribe for any securities. Any securities subsequently issued by Nationwide will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or any other jurisdiction of the United States. Any securities subsequently issued by Nationwide may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

**NOT FOR DISTRIBUTION TO ANY US PERSON (AS SUCH TERM IS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES.**

In the United Kingdom, this communication is directed only at persons who (i) have professional experience in matters relating to investments falling within Article 19 of the FPO, as amended; or (ii) are Professional Clients (as defined by FCA Rules), all such persons in (i) and (ii) together being referred to as "relevant persons".

This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

In the EEA, this communication is only addressed to and directed at persons who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive.

NEITHER THIS PRESENTATION NOR ANY COPY HEREOF MAY BE DISTRIBUTED IN ANY JURISDICTIONS WHERE ITS DISTRIBUTION MAY BE RESTRICTED BY LAW. PERSONS WHO RECEIVE THIS PRESENTATION SHOULD MAKE THEMSELVES AWARE OF AND ADHERE TO ANY SUCH RESTRICTIONS. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdictions. In particular, neither this presentation nor any copy of it nor the information contained in it is for distribution directly or indirectly in or into the United States, Canada, Australia or Japan.

This presentation does not constitute an offering document. The information presented herein is an advertisement and does not comprise a prospectus for the purposes of the Prospectus Directive and/or Part VI of the Financial Services and Markets Act 2000. The information herein has not been reviewed or approved by any rating agency, government entity, regulatory body or listing authority and does not constitute listing particulars in compliance with the regulations or rules of any stock exchange. Any future potential transaction is qualified in its entirety by the information in the final form documentation relating to any such proposed transaction. Investors should not subscribe for any securities except on the basis of the information contained in the final form documentation relating to any such proposed issue of securities, in particular, each reader is directed to any section headed "Risk Factors" in any such documentation.

This presentation is published solely for informational purposes and should not be treated as giving investment advice.

It has no regard to the specific investment objectives, financial situation or particular needs of any recipient. No representation or warranty, express or implied, is or will be made in relation to, and no responsibility is or will be accepted by Nationwide and its affiliates, agents, directors, partners and employees as to the accuracy or completeness of the information contained in this presentation and nothing in this presentation shall be deemed to constitute such a representation or warranty or to constitute a recommendation to any person to acquire any securities. Nationwide and its affiliates, agents, directors, partners and employees accept no liability whatsoever for any loss or damage howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith.

Although the statements of fact in this presentation have been obtained from and are based upon sources that are believed to be reliable, their accuracy is not guaranteed by Nationwide and any such information may be incomplete or condensed.

All opinions and estimates included in this presentation are subject to change without notice. Nationwide is under no obligation to update or keep current the information contained herein.

This presentation may contain statements that constitute forward-looking statements. Such forward-looking statements can be identified by the use of forward-looking terminology, such as the words "believes", "expects", "may", "intends", "should" or "anticipates", or the negative or other variations of those terms. Such statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results and performance of securities, Nationwide or the UK residential mortgage industry to differ materially from any future results or performance expressed or implied in the forward-looking statements. These risks, uncertainties and other factors include, among others: general economic and business conditions in the United Kingdom; currency exchange and interest rate fluctuations; government, statutory, regulatory or administrative rules or initiatives affecting

Nationwide; changes in business strategy, lending practices or customer relationships; and other factors that may be referred to in the document. While such statements reflect projections prepared in good faith based upon methods and data that are believed to be reasonable and accurate as of the date thereof, Nationwide undertakes no obligation to revise these forward-looking statements to reflect subsequent events or circumstances. Recipients of this presentation should not place undue reliance on forward-looking statements and are advised to make their own independent analysis and determination with respect to the forecast periods, which reflect Nationwide's view only as of the date hereof.

Losses to investments may occur due to a variety of factors. Before purchasing any securities described in this presentation you should take steps to ensure that you understand and have made an independent assessment of the suitability and appropriateness thereof, and the nature and extent of your exposure to risk of loss in light of your own objectives, financial and operational resources and other relevant circumstances. You should take such independent investigations and such professional advice as you consider necessary or appropriate for such purpose.

Furthermore, you should consult with your own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent that you deem it necessary, and make your own investment, hedging and trading decisions (including decisions regarding the suitability of any transaction) based upon your own judgement and advice from such advisers as you deem necessary and not upon any view expressed in this presentation. Certain data in this presentation has been rounded. As a result of such rounding, the totals of data presented in this presentation may vary slightly from the arithmetic totals of such data.

