UK’s largest building society: Top 2 UK mortgage and savings provider

UK’s largest building society
- Member owned, one member one vote
- Total assets of £208.9bn as at 4 April 2016

Top 2 UK mortgage and savings provider
- Net lending mortgage market share of 21.4%; strengthening our position as the UK’s second largest mortgage lender
- Member deposit balances increased by £6.3bn despite significant competition

Prudent low risk business model
- 3 months + arrears on residential mortgage book of 0.45%
- Average indexed mortgage book LTV 55%
- Common Equity Tier 1 (CET1) ratio of 23.2%; Leverage ratio of 4.2%
- LCR of 142.6%; NSFR of 127.9%

Mutual structure
- Building Societies are exempt from the ring-fencing regime but are aligned with its principles
- Cannot create a holding company and therefore all future issuance will be from the operating company

Strong credit ratings
- Fitch: LT: A ST: F1 Outlook: Positive Last ratings action date: May 2016

Full Year 2015/16 Highlights

- Statutory profit increased 23% reflecting an increase in Net Interest Income, underpinned by our strong operating performance, and an improvement in asset quality
- NIM benefitted from lower retail funding costs, partly offset by a decrease in mortgage margins
- Cost growth has arisen from investment in new digital technology, growth of our business and our focus on risk and control
- Impairment losses for the year of £73m down 71% as a result of an improvement in asset quality and divestment of our CRE portfolio

Capital

- CET1 ratio: 23.2% 340bps
- Leverage ratio: 4.2% 10bps

CET1 resources are greater than minimum leverage and risk based requirements

The Group’s strategic leverage ratio target of 4.5% reflects its desire to maintain strong levels of capital relative to maximum regulatory expectations (4.25%)

The Group is confident it will be able to meet the full MREL requirements when implemented in 2020

For more details please visit www.nationwide.co.uk/about/investor-relations/introduction
Nationwide Building Society: Investor Update
For the financial year ended 4th April 2016

Capital Structure
- Issuance will commonly be from the operating company - the building society structure does not allow for a holding company
- Differentiated approach to UK plc banks – MREL requirements will be met through CET1, Additional Tier 1 and Tier 2

UK Building Society vs. Bank PLC

Building Society vs. Bank PLC

Simple, Low Risk Business Model
Nationwide are legislated by the Building Societies Act which imposes certain limits:
- 75% of assets must be residential mortgages
- 50% of liabilities must be retail deposits
- Member owned: one member = one vote
- No proprietary trading

Implications on strategy and operations
- Profit optimising, not maximising - distributions made to members through product pricing
- Low risk credit profile
- Stable funding through retail deposits

Retail Asset Quality

Trading Performance
- Record Gross mortgage lending up 20% to £32.6bn representing an increased market share of 13.7%, strengthening our position as the UK’s 2nd largest mortgage provider
- Net lending market share of 21.4% significantly greater than our par share of the market
- Member deposits have increased £6.3bn despite competition in the current low base rate environment
- Expanded current account base, with 525,000 accounts opened in the year, up 12% on 2015

For more details please www.nationwide.co.uk/about/investor-relations/introduction