

Nationwide Building Society

Issuer View • 25. April 2024

Authors: Dr Frederik Kunze // Lukas Kühne

Ratings

NBS

	Rating	Outlook
Fitch	A	Stable
Moody's*	A1	Stable
S&P	A+	Stable

Homepage

www.nationwide.co.uk

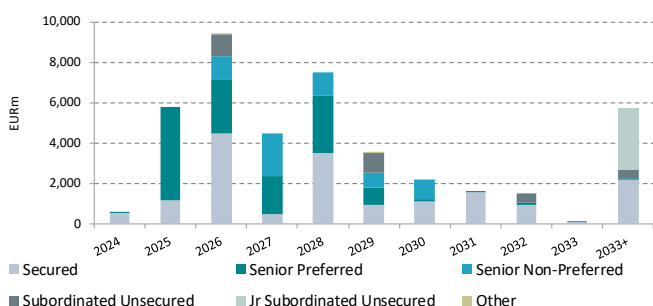
*Senior Unsecured/LT Bank Deposits

The co-operative Nationwide Building Society (NBS), based in Swindon, is the UK's largest building society by assets. The bank is the second largest provider of mortgages in the UK in terms of market share at 16.0% (09/2023) and is categorised as an otherwise systemically important institution by the Bank of England. The institution has a market share of 9.6% for deposits and 10.4% for current accounts in the UK. NBS's services include residential mortgages, deposit-taking, insurance, retail banking and financial planning. The majority of NBS's loan portfolio consists of residential mortgages, 89% of which have a fixed interest rate. The refinancing structure of NBS consists primarily of the two components "Retail Funding" (09/2023: 69.6%) and "Wholesale Funding" (20.5%). The most important instruments in wholesale funding are covered bonds (31%), TFSME (refinancing via the Bank of England; 25%) and senior preferred bonds with a share of 23%. On 21 March 2024, NBS announced its intention to acquire Virgin Money (universal bank with 6.6m customers) for a total of GBP 2.9bn. The transaction is subject to approval by Virgin Money's shareholders and the regulatory authorities in the UK. NBS is a member of the Net-Zero Banking Alliance and plans to reduce CO₂ emissions to net zero by 2050. The bank offers its customers favourable financing for the sustainable renovation and purchase of more energy-efficient properties. Preliminary figures for the 2024 financial year are to be published on 23 May.

Balance Sheet

(EURm)	2022Y	2023Y	2024H1
Net Loans to Customers	248,301	240,294	243,617
Total Securities	33,133	33,661	32,843
Total Deposits	218,597	219,263	227,817
Tier 1 Common Capital	14,883	15,656	16,513
Total Assets	325,021	309,961	316,457
Total Risk-weighted Assets	61,844	58,974	60,312

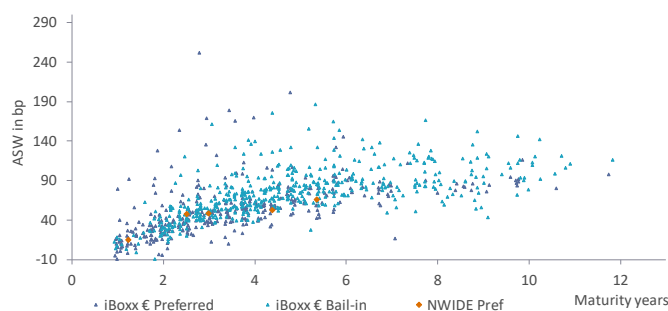
Redemption Profile



Income Statement

(EURm)	2022Y	2023Y	2024H1
Net Interest Income	4,189	5,205	2,703
Net Fee & Commission Inc.	302	140	76
Net Trading Income	58	69	135
Operating Expense	2,611	2,614	1,311
Credit Commit. Impairment	-32	146	62
Pre-tax Profit	1,878	2,579	1,144

Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2022Y	2023Y	2024H1
Net Interest Margin	1.37	1.67	1.73
ROAE	8.40	10.21	8.43
Cost-to-Income	57.51	48.38	44.96
Core Tier 1 Ratio	24.06	26.55	27.38
Liquidity Coverage Ratio	180.97	178.97	191.00
IFRS Tier 1 Leverage Ratio	4.62	5.10	5.27
NPL/ Loans at Amortised Cost	-	-	-
Reserves/Loans at Amort. Cost	0.36	0.36	0.37

As of 25.04.2024; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Floor Research

Strengths / Opportunities

- Franchise position in the domestic market
- Capitalisation
- Liquidity

Risks / Weaknesses

- Concentration risks (UK residential mortgages)
- Profitability (competitive pressure)
- Integration of Virgin Money

Covered Bonds

Authors: Dr Frederik Kunze // Lukas Kühne

Mortgage cover pool with a volume of GBP 24.476bn

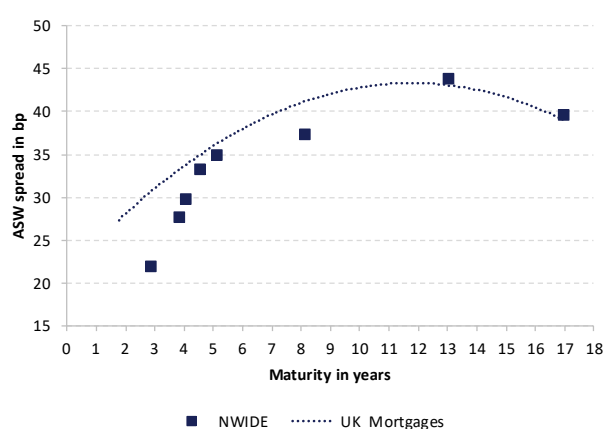
Nationwide Building Society reported an outstanding covered bond volume of GBP 15.960bn (EUR 18.4bn) as at 31 December 2023. This compares with cover assets of GBP 24.476bn (EUR 28.2bn). This makes NBS one of the largest covered bond issuers on the UK market. At 53.4%, the over-collateralisation ratio is above the statutory requirement of 8%. In addition to issues in euros, NBS also has outstanding covered bonds in Swiss francs, Norwegian kroner, US dollars and its home currency GBP. Nationwide is also represented in the iBoxx EUR Covered with a total of eight EUR benchmarks (outstanding volume: EUR 8.8bn; plus a EUR benchmark maturing in June 2024, which is not included in the iBoxx EUR Covered due to its residual maturity).

Programme data

31 December 2023	Mortgage
Covered bonds outstanding	GBP 15,960m (EUR 18,408m)
Cover pool volume	GBP 24,476m (EUR 28,231m)
Current OC (nominal / legal)	53.4% / 8.0%
Type	100% Residential
Main country	100% United Kingdom
Main region	14.8% Outer Metropolitan
Number of loans	219,251
Share top 10 exposures	0.04%
NPL	0.4%
Fixed interest (Cover Pool / CBs)	88.2% / 69.6%
WAL (Cover Pool / CBs)	20.2y / 5.5y
CB Rating (Fitch / Moody's / S&P)	AAA / Aaa / AAA

Source: Issuer, rating agencies, Bloomberg, NORD/LB Floor Research

Spread overview (BMK) – UK



Exclusively residential cover assets from the UK

The Nationwide Mortgage Cover Pool contains only primary cover assets, all of which are residential loans. In addition, the cover assets are all located within the United Kingdom and are denominated in GBP. The granularity of the pool is reflected in the number of loans (219,251) and the low proportion of the ten largest exposures (0.04%). In addition, at 58.3%, more than half of the residential loans used as cover have been in place for five years or longer. In terms of regional distribution within the UK, the Outer Metropolitan region accounts for the largest share of original cover assets (14.8%), followed by the Outer South East (12.3%), London (11.9%) and Scotland (11.3%). 88.2% of the mortgage loans in the cover pool have a fixed interest rate. The average indexed loan-to-value ratio (on a market value basis) is given as 49.5%.

Rating and regulation

The NBS mortgage-backed covered bonds each have the highest rating from the rating agencies Fitch and Standard & Poor's (both AAA) and Moody's (Aaa). In terms of regulatory treatment, a risk weight of 20% is relevant for the programme's covered bonds. In connection with LCR management, we do not currently consider the suitability or recognition of the EUR benchmarks as Level 2A assets to be assured. In the context of the ECB Collateral Framework, however, the issues can still be used and are considered eligible bonds.

Appendix

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