

Registered Number: 02537970

Nationwide Syndications Limited

**Annual Report and Financial Statements for the year ended
31 March 2020**



NATIONWIDE SYNDICATIONS LIMITED

Annual report and financial statements for the year ended 31 March 2020

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NATIONWIDE SYNDICATIONS LIMITED

Directors and company information

Directors

A Alexander
H Billington
H Leatherland
M Rennison (resigned 13 September 2019)
C Rhodes (appointed 13 September 2019)

Company secretary

NBS CoSec Limited

Independent auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Registered office

Nationwide House
Pipers Way
Swindon
SN38 1NW

Registered number

02537970

NATIONWIDE SYNDICATIONS LIMITED

Directors' report for the year ended 31 March 2020

The directors present their annual report and the audited financial statements for the year ended 31 March 2020.

As set out in the statement of accounting policies, the annual report and financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

Principal activities

Nationwide Syndications Limited ('the Company') is a wholly owned subsidiary of Nationwide Building Society ('the Group').

The principal activity of the Company is the management of a portfolio of loans specialising in syndicated commercial loans to registered social landlords.

The Company has ceased to offer lending to new customers and continues to focus on maximising value for the Group by servicing its existing loan portfolio and customers.

Results and dividends

The profit after tax was £1.0 million (2019: £1.4 million loss). No dividends were proposed, approved or paid during the year (2019: £nil).

Business review, future developments and relationships with stakeholders

The Company's business and future plans are reviewed in the Strategic report, which also includes an overview of the Company's risk management objectives and policies and its relationships with stakeholders.

Employees

The Company has no employees (2019: nil).

Environment

The Company's environmental policy is set at a Group level. The Group remains committed to managing its environmental impacts and its ambition is to look for better, cleaner ways to run its operations.

Further details of the Group's activities can be found in the Strategic report in its Annual Report and Accounts and on Nationwide Building Society's website at **nationwide.co.uk**

NATIONWIDE SYNDICATIONS LIMITED

Directors' report for the year ended 31 March 2020 (continued)

Directors and directors' interests

The directors who held office during the period were:

A Alexander
H Billington
H Leatherland
M Rennison (resigned 13 September 2019)
C Rhodes (appointed 13 September 2019)

At no time during the year have the directors, or their families, had any beneficial interest in the shares of the Company. None of the directors had any interest in any contract significant to the Company's business.

Company secretary

NBS CoSec Limited

Domicile

The Company is a private company limited by shares. It is incorporated and domiciled in the United Kingdom and is registered in England and Wales. The registered office is Nationwide House, Pipers Way, Swindon, SN38 1NW.

Going concern

The Company's business activities, together with the factors likely to affect its future development, financial position and its exposure to risk, are described in the Strategic report.

The Company is fully funded by its parent undertaking, Nationwide Building Society. Nationwide Building Society's Board of directors has confirmed that it will continue to fund the Company's activities for the foreseeable future. The foreseeable future is considered for this purpose to be a period of at least 12 months from the date of approval of the financial statements. Taking this into account, the directors have a reasonable expectation that the Company has adequate resources to continue in business for the foreseeable future.

NATIONWIDE SYNDICATIONS LIMITED

Directors' report for the year ended 31 March 2020 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK GAAP), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK GAAP standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor

Due to audit firm rotation regulations PricewaterhouseCoopers LLP resigned as the Company's auditor after the year ended 31 March 2019. Subsequently Ernst & Young LLP (EY) were appointed as external auditor for the year ended 31 March 2020 and they have expressed their willingness to continue in office.

NATIONWIDE SYNDICATIONS LIMITED

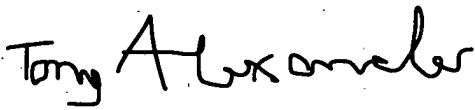
Directors' report for the year ended 31 March 2020 (continued)

Statement of disclosure of information to auditor

In accordance with Section 418 of the Companies Act 2006, for each director in office at the date the Directors' report is approved:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditor are unaware;
- (b) they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

Approved by the Board of directors and signed on its behalf by



A Alexander
Director

13 July 2020

NATIONWIDE SYNDICATIONS LIMITED

Strategic report for the year ended 31 March 2020

Business review

The Company recorded a profit before tax for the year of £1.3 million (2019: loss before tax £1.8 million). This is largely due to a decrease in administrative expenses of £2.9 million following a change in methodology in the application of the management recharge from the Society, which has been applied prospectively.

The retained earnings carried forward are £82.4 million (2019: £81.4 million).

Future developments

Whilst the loan portfolio remains closed to new business, the Company will continue to maintain its loan portfolio and support existing customers.

General market conditions have been dominated by the uncertainty primarily caused by the UK leaving the European Union and at the end of the financial year the uncertain impact of the Covid-19 pandemic and the responses to it. In particular, the Covid-19 outbreak is having far-reaching impacts on the economy, impacting financial performance, credit profile and the way the Company interacts with customers and its business operations. Further details can be found in the Strategic report of the Group's Annual Report and Accounts.

Section 172(1) statement and Statement of engagement with stakeholders

Section 172(1) of the Companies Act 2006 requires directors to act in good faith and in a way that they consider most likely to promote the success of the Company for the benefit of its members as whole.

As the Company is part of the wider Group, where matters impact other entities amongst the Group and have a wider application, stakeholder engagement is led by the Society. Further information on how the Group engages with its stakeholders can be found in the Strategic report within the Group's Annual Report and Accounts.

NATIONWIDE SYNDICATIONS LIMITED

Strategic report for the year ended 31 March 2020 (continued)

Strategic goals

Although strategic goals are set at Group level, the Board are aware of the Company's role in supporting the Group's ambition to meet these goals. The key performance indicators in relation to the Group's strategic goals are set out in the Strategic Report in its Annual Report and Accounts which is available on Nationwide Building Society's website, nationwide.co.uk

Risk overview

The Company's risk management policies are set at Group level. The Group has well-established risk management processes to ensure risks are controlled and managed appropriately.

Risks are managed through an Enterprise Risk Management Framework (ERMF), which articulates the approach to risk management. The structure is based on nine principal risk categories, establishing risk appetite and implementing risk management through the three lines of defence model. The ERMF is underpinned by processes, policies and standards that are specific to individual risk categories, and focus on the responsibilities of key executives and risk practitioners. The outputs of the ERMF are governed through the Group's risk committee structure. Further details of the Group's risk management policies can be found in the Risk report of the Group's Annual Report and Accounts.

The Group's principal risks are:

- credit risk
- solvency risk
- market risk
- business risk
- liquidity and funding risk
- pension risk
- model risk
- operational and conduct risk

NATIONWIDE SYNDICATIONS LIMITED

Strategic report for the year ended 31 March 2020 (continued)

Risk overview (continued)

Details of the principal risks that are most relevant to the Company are set out below. Formal statements of risk appetite define how much risk the Group's Board is willing to accept in the delivery of its strategy and inform the Board's strategy for managing risk.

Further details on principal risks can be found in the Risk report of the Group's Annual Report and Accounts.

Credit, market, liquidity and funding risk

Details of credit, market, liquidity and funding risk are included in note 14.

Business risk

Business risk is the risk that volumes decline or margins shrink relative to the cost base, affecting the sustainability of the business and the ability to deliver the strategy, due to external or internal factors. The Group actively manages this risk so that it continues to benefit current and future customers, with a focus on long-term sustainability rather than short-term metrics. The Group ensures that it can generate sustainable profits by focusing on recurrent sources of income that provide value commensurate with risk appetite. The Group monitors this risk as part of ongoing business performance.

Model risk

Model risk is the risk of an adverse outcome as a direct result of weaknesses or failures in the development, implementation or use of a model. A model is defined as 'a simplification of a business system using assumptions and mathematical concepts to help describe, predict or forecast' and may include approaches which are partially or wholly qualitative, or based on expert judgement. There is an inherent risk associated with models because, by their very nature, they are imperfect and incomplete representations that rely on assumptions and theoretical methodologies, and use historic data which may not represent future outcomes, leading to the potential for errors and uncertainty.

Model errors can arise when models are implemented incorrectly or misused, for instance when applied to uses that they were not designed for, or where there is a failure to update key assumptions where appropriate. Model errors and uncertainty are the primary sources of model risk and, if crystallised, could result in poor lending decisions, holding inappropriate levels of capital or provisions, inappropriate pricing decisions, financial loss or inadequate reporting.

An enterprise level Model Risk Framework (MRF) provides the foundation for the management of model risk within defined risk appetite set by the Group Board. Further details on the management of model risk can be found in the Risk report of the Group's Annual Report and Accounts.

NATIONWIDE SYNDICATIONS LIMITED

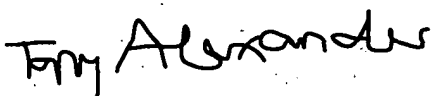
Strategic report for the year ended 31 March 2020 (continued)

Risk overview (continued)

Operational and conduct risk

Operational and conduct risk is the risk of loss resulting from inadequate or failed internal processes, conduct and compliance management, people and systems, or from external events. The Group manages operational and conduct risk across a number of sub-categories, which include cyber, IT resilience and security, business continuity, payments, fraud, financial crime and regulatory compliance.

Approved by the Board of directors and signed on its behalf by



A Alexander

Director

13 July 2020

NATIONWIDE SYNDICATIONS LIMITED

Independent auditor's report to the members of Nationwide Syndications Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Nationwide Syndications Limited for the year ended 31 March 2020 which comprise the Balance sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice)".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

NATIONWIDE SYNDICATIONS LIMITED

Strategic report for the year ended 31 March 2020 (continued)

Reporting on other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard:

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

NATIONWIDE SYNDICATIONS LIMITED

Strategic report for the year ended 31 March 2020 (continued)

Responsibilities for the financial statements and the audit (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of this report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Other required reporting

Companies Act 2006 exception reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.



Javier Faiz (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Chartered Accountants and Statutory Auditor
London

14 July 2020

NATIONWIDE SYNDICATIONS LIMITED**Statement of comprehensive income for the year ended 31 March 2020**

	Note	2020 £'000	2019 £'000
Interest receivable and similar income	3	13,261	13,944
Interest expense and similar charges	4	(11,585)	(12,379)
Net interest income		1,676	1,565
Fee and commission income	5	65	48
Total income		1,741	1,613
Administrative expenses	6	(454)	(3,387)
Impairment reversals on loans and advances to customers	7	4	2
Provisions for liabilities and charges	8	-	-
Profit/(loss) before tax		1,291	(1,772)
Taxation	9	(244)	337
Profit/(loss) after tax, being total comprehensive income/(expense) for the year		1,047	(1,435)

The notes on pages 17 to 34 form part of these financial statements.

Balance Sheet as at 31 March 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Loans and advances to customers	11	439,009	471,438
Deferred tax	9	9	9
Current assets			
Loans and advances to customers	11	5,358	5,308
Group relief		338	725
Total assets		444,714	477,480
Liabilities			
Non-current liabilities			
Amounts owed to parent undertaking	12	192,193	183,211
Current liabilities			
Amounts owed to parent undertaking	12	169,963	212,883
Corporation tax		113	-
Accruals, deferred income and other liabilities		22	12
Provisions for liabilities and charges		3	1
Total liabilities		362,294	396,107
Equity			
Share capital	13	-	-
Retained earnings		82,420	81,373
Total equity		82,420	81,373
Total equity and liabilities		444,714	477,480

The notes on pages 17 to 34 form part of these financial statements.

The financial statements on pages 14 to 34 were approved by the Board of directors on 13 July 2020 and signed on its behalf by

Tony Alexander

A Alexander
Director
13 July 2020

NATIONWIDE SYNDICATIONS LIMITED**Statement of changes in equity for the year ended 31 March 2020**

2020	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 April 2019	-	81,373	81,373
Profit after tax	-	1,047	1,047
Total comprehensive income	-	1,047	1,047
At 31 March 2020	-	82,420	82,420

2019	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 April 2018	-	82,808	82,808
Loss after tax	-	(1,435)	(1,435)
Total comprehensive expense	-	(1,435)	(1,435)
At 31 March 2019	-	81,373	81,373

The notes on pages 17 to 34 form part of these financial statements.

NATIONWIDE SYNDICATIONS LIMITED

Notes to the financial statements for the year ended 31 March 2020

1 Statement of accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention. As stated in the Directors' report, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. Accounting policies have been consistently applied in preparing these financial statements, except for changes arising from adoption of new and revised International Financial Reporting Standards (IFRS). The Company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of International Accounting Standard (IAS) 7 'Statement of Cash Flows';
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'; and
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Further information about judgements in applying accounting policies and critical accounting estimates is provided in note 2.

Adoption of new and revised standards

No new or revised standards became effective in the year which were applicable to the Company.

NATIONWIDE SYNDICATIONS LIMITED

Notes to the financial statements for the year ended 31 March 2020 (continued)

1 Statement of accounting policies (continued)

a) Interest receivable and interest expense

For instruments measured at amortised cost, the effective interest rate (EIR) method is used to measure the carrying value of a financial asset or liability and to allocate associated interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

In calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, early redemption penalty charges) and anticipated customer behaviour but does not consider future credit losses. The calculation includes all fees received and paid and costs borne that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts above or below market rates.

Interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets. For credit impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. net of the allowance for expected credit losses (ECLs)). Where loans are credit impaired on origination, or when purchased from third parties, the carrying amount at initial recognition is net of the lifetime ECL at that date. For these assets the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

b) Fees and commissions

Fees and commission income and expense includes fees other than those that are an integral part of EIR. Fees and commissions are either:

- transaction-based and therefore recognised when the performance obligation related to the transaction is fulfilled, or
- related to the provision of services over a period of time and therefore recognised on a systematic basis over the life of the agreement as services are provided.

c) Segmental reporting

The Company has one reportable segment. No segmental analysis is required on geographical lines as substantially all the Company's business activities are in the United Kingdom.

d) Taxation including deferred tax

Current tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NATIONWIDE SYNDICATIONS LIMITED

Notes to the financial statements for the year ended 31 March 2020 (continued)

1 Statement of accounting policies (continued)

d) Taxation including deferred tax (continued)

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle on a net basis.

e) Financial assets

Financial assets comprise loans and advances to customers.

Recognition and derecognition

All financial assets are recognised initially at fair value. Purchases and sales of financial assets are accounted for at trade date. Financial assets acquired through a business combination or portfolio acquisition are recognised at fair value at the acquisition date. Financial assets are derecognised when the rights to receive cash flows have expired or where the assets have been transferred and substantially all the risks and rewards of ownership have been transferred.

The fair value of a financial instrument on initial recognition is normally the transaction price (plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss). On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. Any difference between the fair value at initial recognition and the transaction price is recognised immediately as a gain or loss in the income statement where the fair value is based on a quoted price in an active market or a valuation using only observable market data. In all other cases, any gain or loss is deferred and recognised over the life of the transaction, or until valuation inputs become observable.

Modification of contractual terms

An instrument that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms (such as renegotiations of commercial loans). Commercial loans reaching the end of a fixed interest deal period are deemed repricing events, rather than a modification of contractual terms, as the change in interest rate at the end of the fixed rate period was envisaged in the original loan contract.

Where an instrument is renegotiated and not derecognised (for example forbearance), the change is considered a modification of contractual terms. Where this arises, the gross carrying amount of the loan is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the loan's original effective interest rate. Any gain or loss on recalculation is recognised immediately in the income statement.

Classification and measurement

The classification and subsequent measurement of financial assets is based on an assessment of the Company's business models for managing the assets and their contractual cash flow characteristics. All of the Company's financial assets are held at amortised cost.

Amortised cost

Financial assets held to collect contractual cash flows and where contractual terms comprise solely payments of principal and interest (SPPI) are classified as amortised cost. This category of financial assets includes commercial mortgage loans.

NATIONWIDE SYNDICATIONS LIMITED

Notes to the financial statements for the year ended 31 March 2020 (continued)

1 Statement of accounting policies (continued)

e) Financial assets (continued)

Financial assets within this category are recognised when the funds are advanced to borrowers (for commercial mortgage loans). After initial recognition, the assets are measured at amortised cost using the effective interest rate method, less provisions for expected credit losses.

f) Impairment of financial assets

Financial assets within the scope of IFRS 9 expected credit loss (ECL) requirements comprise all financial debt instruments measured at amortised cost. These include loans and advances to customers. Also within scope are irrevocable undrawn commitments to lend.

The ECL represents the present value of expected cash shortfalls following the default of a financial instrument or undrawn commitment. A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Company expects to receive.

The allowance for ECLs is based on an assessment of the probability of default, exposure at default and loss given default, discounted at the effective interest rate to give a net present value. The estimation of ECLs is unbiased and probability weighted, taking into account all reasonable and supportable information, including forward looking economic assumptions and a range of possible outcomes. ECLs are typically calculated from initial recognition of the financial asset for the maximum contractual period that the Company is exposed to the credit risk.

For financial assets recognised in the balance sheet at amortised cost, the allowance for ECLs is offset against the gross carrying value so that the amount presented in the balance sheet is net of impairment provisions. For separately identifiable irrevocable loan commitments, where the related financial asset has not yet been advanced, the provision is presented in provisions for liabilities and charges in the balance sheet.

Forward looking economic inputs

ECLs are calculated by reference to information on past events, current conditions and forecasts of future economic conditions. Multiple economic scenarios are incorporated into ECL calculation models. These scenarios are based on external sources where available and appropriate, and internally generated assumptions in all other cases. To capture any non-linear relationship between economic assumptions and credit losses, a minimum of three scenarios is used. This includes a central scenario which reflects the Company's view of the most likely future economic conditions, together with an upside and a downside scenario representing alternative plausible views of economic conditions, weighted based on management's view of their probability.

Credit risk categorisation

For the purpose of calculating ECLs, assets are categorised into three 'stages' as follows:

Stage 1: no significant increase in credit risk since initial recognition

On initial recognition, and for financial assets where there has not been a significant increase in credit risk since the date of advance, provision is made for losses from credit default events expected to occur within the next 12 months. Expected credit losses for these stage 1 assets continue to be recognised on this basis unless there is a significant increase in the credit risk of the asset.

NATIONWIDE SYNDICATIONS LIMITED

Notes to the financial statements for the year ended 31 March 2020 (continued)

1 Statement of accounting policies (continued)

f) Impairment of financial assets (continued)

Credit risk categorisation (continued)

Stage 2: significant increase in credit risk

Financial assets are categorised as being within stage 2 where an instrument has experienced a significant increase in credit risk since initial recognition. For these assets, provision is made for losses from credit default events expected to occur over the lifetime of the instrument.

Whether a significant increase in credit risk has occurred is ascertained by comparing the probability of default at the reporting date to the probability of default at origination, and is made based on quantitative and qualitative factors. Quantitative considerations take into account changes in the residual lifetime probability of default (PD) of the asset. As a backstop, all assets with an arrears status of more than 30 days past due on contractual payments are considered to be in stage 2.

Qualitative factors that may indicate a significant change in credit risk include concession events where full repayment of principal and interest is envisaged, on a discounted basis. Further information about the identification of significant increases in credit risk is provided in note 7.

Stage 3: credit impaired (or defaulted) loans

Financial assets are transferred into stage 3 when there is objective evidence that an instrument is credit impaired. Provisions for stage 3 assets are made on the basis of credit default events expected to occur over the lifetime of the instrument. Assets are considered credit impaired when:

- contractual payments of either principal or interest are past due by more than 90 days;
- there are other indications that the borrower is unlikely to pay such as signs of financial difficulty, probable bankruptcy, breaches of contract and concession events which have a detrimental impact on the present value of future cashflows; or
- the loan is otherwise considered to be in default.

Interest income on stage 3 credit impaired loans is recognised in the income statement on the loan balance net of the ECL provision. The balance sheet value of stage 3 loans reflects the contractual terms of the assets, and continues to increase over time with the contractually accrued interest.

Transfers between stages

Transfers from stage 1 to 2 occur when there has been a significant increase in credit risk and from stage 2 to 3 when credit impairment is indicated as described above.

For assets in stage 2 or 3, loans can transfer back to stage 1 or 2 once the criteria for a significant increase in credit risk or impairment are no longer met. For loans subject to concession events such as forbearance, accounts are transferred back to stage 1 or 2 only after being up to date for a period of 12 months.

NATIONWIDE SYNDICATIONS LIMITED

Notes to the financial statements for the year ended 31 March 2020 (continued)

1 Statement of accounting policies (continued)

f) Impairment of financial assets (continued)

Write-off

Loans remain on the balance sheet net of associated provisions until they are deemed to have no reasonable expectations of recovery. Loans are generally written off after realisation of any proceeds from collateral and upon conclusion of the collections process, including consideration of whether an account has reached a point where continuing attempts to recover are no longer likely to be successful. Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the value of impairment losses recorded in the income statement.

g) Financial liabilities

Borrowings are recognised initially at fair value, being the issue proceeds net of premiums, discounts and transaction costs incurred.

All borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is adjusted for the amortisation of any premiums, discounts and transaction costs. The amortisation is recognised in interest expense and similar charges using the effective interest rate method.

Financial liabilities are derecognised when the obligation is discharged, cancelled or has expired.

h) Fair value of financial assets and liabilities

IFRS 13 'Fair Value Measurement' requires an entity to classify assets and liabilities held at fair value and those not measured at fair value but for which the fair value is disclosed according to a hierarchy that reflects the significance of observable market inputs in calculating those fair values. The three levels of the fair value hierarchy are defined below:

Level 1 – Valuation using quoted market prices

Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price reflects actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Level 2 – Valuation technique using observable inputs

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market.

NATIONWIDE SYNDICATIONS LIMITED

Notes to the financial statements for the year ended 31 March 2020 (continued)

1 Statement of accounting policies (continued)

h) Fair value of financial assets and liabilities (continued)

Level 3 – Valuation technique using significant unobservable inputs

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data ('unobservable inputs'). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. An input is deemed significant if it is shown to contribute more than 10% to the valuation of a financial instrument. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

i) Share capital and dividends

Ordinary shares, net of directly attributable issue costs, are classified as equity.

Dividends paid on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the directors.

2 Judgements in applying accounting policies and critical accounting estimates

The preparation of the Company's financial statements involves management making judgements and estimates when applying those accounting policies that affect the reported amounts of assets, liabilities, income and expense. Actual results may differ from those on which management's estimates are based. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. For the year ended 31 March 2020, this evaluation has considered the potential impacts of Covid-19.

The most significant sources of estimation uncertainty made by management in applying the Company's accounting policies, which are deemed critical to the Company's results and financial position, including any additional information relating to Covid-19 where relevant, are disclosed in note 7. These accounting estimates include areas of significant judgement.

3 Interest receivable and similar income

Interest receivable and similar income of £13,261 thousand (2019: £13,944 thousand) relates to interest receivable on commercial lending and is calculated using the effective interest rate method.

4 Interest expense and similar charges

Interest expense and similar charges of £11,585 thousand (2019: £12,379 thousand) relates to interest payable on amounts owed to parent undertaking.

5 Fees and commission income

Fees and commission income of £65 thousand (2019: £48 thousand) relates to charges on loans and advances to customers.

6 Administrative expenses

Administrative expenses of £454 thousand (2019: £3,387 thousand) relate to amounts recharged from the parent undertaking. During the year there was a change in methodology in the application of the management recharge from the company's parent undertaking. This change has been applied prospectively.

NATIONWIDE SYNDICATIONS LIMITED

Notes to the financial statements for the year ended 31 March 2020 (continued)

6 Administrative expenses (continued)

Auditor's remuneration, relating solely to the statutory audit of these financial statements was £13 thousand (2019: £26 thousand) and borne by the parent undertaking.

The Company has no employees (2019: nil). Administration of the Company's loans are carried out by staff who are employed by Nationwide Building Society.

No remuneration or pension scheme benefits were paid or are payable by the Company to the directors. The directors provide services to the Group as a whole and their principal activities are not specific to the business of this Company. It is not possible to make an accurate apportionment of their emoluments to the Company. Hence, no directors' emoluments are disclosed in the financial statements of the Company.

The Directors' contracts of service are with Nationwide Building Society and their remuneration is included within the Group's financial statements.

There were no loans to related parties as at 31 March 2020 (2019: £nil).

7 Impairment reversals and provisions on loans and advances to customers

Impairment reversals of £4 thousand (2019: £2 thousand) were recognised in the year.

The impairment provision at the end of the period was £49 thousand (2019: £54 thousand).

Critical accounting estimates and judgements

Impairment is measured as the impact of credit risk on the present value of management's estimate of future cash flows. In determining the required level of impairment provisions, the Company uses outputs from statistical models, incorporating a number of estimates and judgements to determine the Probability of Default (PD), the Exposure at Default, and the Loss Given Default for each loan. The most significant areas of estimation uncertainty are:

- the impact on expected credit losses of Covid-19
- the use of forward-looking information
- the performance of interest only mortgages at maturity.

The most significant area of judgement is:

- the approach to identifying significant increases in credit risk and impairment.

The allowance for the severe downside economic scenario and the impact of Covid-19 have been assessed, following which no additional provision has been deemed necessary. The Company has a long history of zero defaults and the risk profile of the portfolio remains low. Consequently the portfolio, which is all classified as stage 1, is not sensitive to either movements in the economic variables used to evaluate ECLs, or to the impact of Covid-19.

NATIONWIDE SYNDICATIONS LIMITED**Notes to the financial statements for the year ended 31 March 2020 (continued)****8 Provisions for liabilities and charges**

Provisions for liabilities and charges comprise expected credit losses on irrevocable commercial lending commitments.

9 Taxation

Tax charge/(credit) in the statement of comprehensive income	2020	2019
	£'000	£'000
Current tax:		
Group relief receivable	244	(338)
Total current tax charge/(credit)	244	(338)
Deferred tax:		
Current year	-	1
Total deferred taxation	-	1
Tax charge/(credit)	244	(337)

The actual tax charge (2019: credit) equates to the theoretical amount that would arise using the standard rate of corporation tax in the UK as follows:

Reconciliation of tax charge/(credit)	2020	2019
	£'000	£'000
Profit/(loss) before tax	1,291	(1,772)
Tax charge/(credit) calculated at a rate of 19%	244	(337)
Tax charge/(credit)	244	(337)

Deferred taxation

Deferred tax is determined using tax rates and laws that are expected to apply in the period when the deferred tax asset is realised or deferred tax liability is settled based on rates enacted or substantively enacted at the balance sheet date. The main rate of corporation tax of 19% was announced in the Budget on 11 March 2020 and was substantively enacted on 17 March 2020.

The movements on the deferred tax account, including the deferred tax charge in the statement of comprehensive income are as follows:

Movements in deferred taxation	2020	2019
	£'000	£'000
At 1 April	9	10
Deferred tax charge in the statement of comprehensive income:		
Transitional adjustments on adoption of IFRS 9	-	(1)
At 31 March	9	9

NATIONWIDE SYNDICATIONS LIMITED**Notes to the financial statements for the year ended 31 March 2020 (continued)****9 Taxation (continued)****Deferred taxation (continued)**

Deferred tax assets are attributable to the following items:

Deferred tax assets	2020	2019
	£'000	£'000
Transitional adjustments on adoption of IFRS 9	9	9

The majority of deferred tax assets are anticipated to be recoverable in more than one year. The Company considers that there will be sufficient future trading profits in excess of profits arising from the reversal of existing taxable temporary differences to utilise the deferred tax assets.

10 Dividends

No dividends were proposed, approved or paid during the year (2019: £nil).

11 Loans and advances to customers

Loans and advances to customers relate to commercial loans to registered social landlords, secured on their underlying assets.

	2020	2019
	£'000	£'000
Gross balances	444,416	476,800
Provisions	(49)	(54)
Total	444,367	476,746

Movements in gross balances and impairment provisions

All balances are in stage 1 (2019: stage 1) and there have been no transfers between stages throughout the year. Gross balances have declined to £444 million (2019: £477 million) and provisions have decreased to £49 thousand (2019: £54 thousand) due to redemptions. The income statement release for the year was £4 thousand (2019: £2 thousand).

NATIONWIDE SYNDICATIONS LIMITED**Notes to the financial statements for the year ended 31 March 2020 (continued)****11 Loans and advances to customers (continued)****Maturity analysis**

The following table shows the residual maturity of loans and advances to customers, based on their contractual maturity:

	2020 £'000	2019 £'000
Repayable:		
In not more than three months	1,459	1,576
In more than three months but not more than one year	3,899	3,733
In more than one year but not more than five years	17,446	20,289
In more than five years	421,612	451,202
	444,416	476,800
Impairment provision (note 7)	(49)	(54)
Total	444,367	476,746

The maturity analysis is produced on the basis that where a loan is repayable by instalments, each such instalment is treated as a separate repayment. The analysis is based on contractual maturity rather than actual redemption levels experienced, which are likely to be materially different. Arrears are spread across the remaining term of the loan.

12 Amounts owed to parent undertaking

Amounts owed to parent undertaking are repayable from the date of the balance sheet in the ordinary course of business as follows:

	2020 £'000	2019 £'000
In not more than three months	169,963	187,807
In more than three months but not more than one year	-	25,076
In more than one year but not more than five years	17,023	12,002
In more than five years	175,170	171,209
Total	362,156	396,094

The amounts owed to parent undertaking comprise two elements. Firstly, a series of fixed interest rate funding transactions repayable on specific terms set up to match the expected future repayment profile of fixed rate customer loans and secondly variable interest rate funding that is repayable on demand.

All intercompany transactions are entered into on normal market conditions. The variable interest rate is predetermined and has been linked to the Sterling Overnight Index Average (SONIA) from October 2019. Before October 2019 the variable interest rate was linked to London Interbank Offered Rate (LIBOR). The fixed rate funding is set to match the fixed rate lending undertaken by the Company. All intercompany loans are unsecured.

13 Share capital

	2020 £	2019 £
Authorised, issued and fully paid:		
2 (2019: 2) Ordinary shares of £1 each	2	2

The Company has one class of ordinary shares which carry no right to fixed income.

NATIONWIDE SYNDICATIONS LIMITED

Notes to the financial statements for the year ended 31 March 2020 (continued)

14 Risk management

Credit risk

Credit risk is the risk of loss as a result of a customer or counterparty failing to meet their financial obligations. Credit risk encompasses:

- borrower/counterparty risk – the risk of loss arising from a borrower or counterparty failing to pay, or becoming increasingly likely not to pay the interest or principal on a loan, or on a financial product, or for a service, on time;
- security/collateral risk – the risk of loss arising from deteriorating security/collateral quality;
- concentration risk – the risk of loss arising from insufficient diversification;
- refinance risk – the risk of loss arising when a repayment of a loan or other financial product occurs later than originally anticipated.

Management of credit risk

The Company lends in a responsible, affordable and sustainable way to ensure we safeguard members and the financial strength of the Group throughout the credit cycle. To this end, the Board Risk Committee sets the level of risk appetite it is willing to take in pursuit of the Group's strategy, which is articulated as Board risk appetite statements and underlying principles.

The Company measures and manage risk profile and the performance of the portfolio on an ongoing basis, through a formal governance structure. Compliance with Board risk appetite is measured against absolute limits and risk metrics and is reported to the Group's Credit Committee monthly, with adverse trends being investigated and corrective action taken to mitigate the risk and bring performance back on track.

The Company is committed to helping customers who may anticipate or find themselves experiencing a period of financial difficulty, offering a range of forbearance options tailored to their individual circumstances. Accounts in financial difficulty/arrears are managed by specialist teams to ensure an optimal outcome for customers and the Group.

Further details of the Group's approach to credit risk management are included in the Risk report of the Group's Annual Report and Accounts.

Maximum exposure to credit risk

Credit risk largely arises from the Company's exposure to loans and advances to customers.

The Company's portfolio is comprised of loans and advances to registered social landlords which are secured against portfolios of residential real estate owned and let by UK housing associations. Collateral is typically revalued at least every five years based on standard social housing methodologies, which generally assume that the properties continue to be let. If the valuation were based upon normal residential use the valuation would be considerably higher. In all cases, registered social landlord collateral is in excess of the loan balance.

The maximum exposure to credit risk represents the balance sheet carrying value after allowance for impairment. For loan commitments the maximum exposure is the full amount of the committed facilities.

NATIONWIDE SYNDICATIONS LIMITED**Notes to the financial statements for the year ended 31 March 2020 (continued)****14 Risk management (continued)****Credit risk (continued)**

Maximum exposure to credit risk 31 March 2020	Gross balance	Less: Impairment provisions	Carrying value	Commitments	Maximum credit risk exposure	% of total credit risk exposure
	£'000	£'000	£'000	£'000	£'000	
Loans and advances to customers	444,416	(49)	444,367	26,710	471,077	100

Maximum exposure to credit risk 31 March 2019	Gross balance	Less: Impairment provisions	Carrying value	Commitments	Maximum credit risk exposure	% of total credit risk exposure
	£'000	£'000	£'000	£'000	£'000	
Loans and advances to customers	476,800	(54)	476,746	11,750	488,496	100

Commitments

Irrevocable undrawn commitments to lend are within the scope of provision requirements. The commitments in the table above consist of separately identifiable irrevocable commitments for the pipeline of residential mortgages. These commitments are not recognised on the balance sheet, and the total associated provision of £3 thousand (2019: £1 thousand) is included within provisions for liabilities and charges.

NATIONWIDE SYNDICATIONS LIMITED

Notes to the financial statements for the year ended 31 March 2020 (continued)

14 Risk management (continued)

Staging analysis

All assets are in stage 1 (2019: 100%) and against a backdrop of a long history of zero defaults, the risk profile of the portfolio remains low.

Provisions of £49 thousand represent 0.01% of the asset balance (2019: 0.01%).

Loan to value and credit risk concentration

All lending is to UK registered social landlords and is only secured on UK properties.

In terms of counterparty concentration, the largest single customer, including undrawn commitments, represents 37% (2019: 36%) of the total book. A total of 5 customers, including undrawn commitments, represent 97% (2019: 98%) of the total book. There has not been a history of arrears on the loans.

Geographical concentration

The following table shows the loan portfolio by LTV and region:

Loan balances by LTV and region 2020	England £'000	Scotland £'000	Total £'000	%
LTV ratio:				
0% to 25%	-	-	-	-
25% to 50%	52,969	6,892	59,861	13
50% to 75%	384,555	-	384,555	87
Total loans	437,524	6,892	444,416	100
Total geographical concentration	98%	2%	100%	

Loan balances by LTV and region 2019	England £'000	Scotland £'000	Total £'000	%
LTV ratio:				
0% to 25%	-	-	-	-
25% to 50%	55,592	6,541	62,133	13
50% to 75%	414,667	-	414,667	87
Total loans	470,259	6,541	476,800	100
Total geographical concentration	99%	1%	100%	

NATIONWIDE SYNDICATIONS LIMITED

Notes to the financial statements for the year ended 31 March 2020 (continued)

14 Risk management (continued)

Liquidity and funding risk

Liquidity risk is the risk that the Company is unable to meet its liabilities as they fall due. Funding risk is the risk that the Company is unable to maintain its funding sources.

The Company has minimal liquidity and funding risk provided that the Company's parent, Nationwide Building Society, continues to fund the Company's activities in accordance with its current funding arrangements. Assurance as to the continuance of these arrangements forms part of the going concern basis adopted in preparing the financial statements.

The Group manages liquidity and funding risks within a comprehensive risk framework which includes its policy, strategy, limit setting and monitoring, stress testing and robust governance controls. This framework ensures that the Group maintains a stable and diverse funding base and sufficient holdings of high-quality liquid assets. This ensures that there is no significant risk that liabilities cannot be met as they fall due.

Further details of the Group's approach to liquidity and funding risk management are included in the Risk report of the Group's Annual Report and Accounts.

Residual maturity of financial assets and liabilities

The table below segments the carrying value of financial assets and financial liabilities into relevant maturity groupings based on the contractual maturity date (residual maturity):

Residual maturity	Due less than one month (note i)	Due between one and three months	Due between three and twelve months	Due between one and five years	Due after more than five years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2020						
Financial assets						
Loans and advances to customers	981	478	3,899	17,444	421,565	444,367
Financial liabilities						
Amounts owed to parent undertaking	169,963	-	-	17,023	175,170	362,156
Off balance sheet commitments (note ii)	26,710	-	-	-	-	26,710
Net liquidity difference	(195,692)	478	3,899	421	246,395	55,501
2019						
Financial assets						
Loans and advances to customers	1,339	236	3,733	20,287	451,151	476,746
Financial liabilities						
Amounts owed to parent undertaking	187,807	-	25,076	12,002	171,209	396,094
Off balance sheet commitments (note ii)	11,750	-	-	-	-	11,750
Net liquidity difference	(198,218)	236	(21,343)	8,285	279,942	68,902

Notes:

- Due less than one month includes amounts repayable on demand.
- Off-balance sheet commitments include amounts payable on demand for unrecognised loan commitments.

The balance sheet structure and risks are managed and monitored at a Group level by the Assets and Liabilities Committee (ALCO). The Group uses judgement and past behavioural performance of each asset and liability class to forecast likely cash flow requirements.

NATIONWIDE SYNDICATIONS LIMITED

Notes to the financial statements for the year ended 31 March 2020 (continued)

14 Risk management (continued)

Gross undiscounted contractual cash flows of financial liabilities

The tables below provide an analysis of gross contractual cash flows. The totals differ from the analysis of residual maturity as they include estimated future interest payments, calculated using balances outstanding at the balance sheet date, contractual maturities and appropriate forward looking interest rates.

Amounts are allocated to the relevant maturity band based on the timing of individual contractual cash flows.

Gross contractual cash flows	Due less than one month (note i)	Due between one and three months	Due between three and twelve months	Due between one and five years	Due after more than five years	Total
2020	£'000	£'000	£'000	£'000	£'000	£'000
Amounts due to parent undertaking	156,706	1,502	6,748	50,885	223,985	439,826
Off balance sheet commitments (note ii)	26,710	-	-	-	-	26,710

Gross contractual cash flows	Due less than one month (note i)	Due between one and three months	Due between three and twelve months	Due between one and five years	Due after more than five years	Total
2019	£'000	£'000	£'000	£'000	£'000	£'000
Amounts due to parent undertaking	189,636	1,575	27,024	43,598	214,663	476,496
Off balance sheet commitments (note ii)	11,750	-	-	-	-	11,750

Notes:

- Due less than one month includes amounts repayable on demand
- Off-balance sheet commitments include amounts payable on demand for unrecognised loan commitments.

Market risk

Market risk is the risk that the net value of, or net income arising from, assets and liabilities is impacted as a result of changes in market prices or rates, specifically interest rates.

Interest rate risk

The main market risk faced is interest rate risk. Market movements in interest rates affect the interest rate margin realised from lending and borrowing activities.

Interest rate risk is managed at a Group level. To reduce the impact of market movements, hedging activities are undertaken by the Group's Treasury function. For example, interest rate risks generated by lending to and receiving deposits from customers are offset against each other internally where possible. The remaining net exposure is managed using derivatives, within parameters set by ALCO.

Further details of the Group's interest rate risk monitoring processes are included in the Risk report of the Group's Annual Report and Accounts.

NATIONWIDE SYNDICATIONS LIMITED

Notes to the financial statements for the year ended 31 March 2020 (continued)

15 Fair value of financial assets and liabilities measured at amortised cost

The following table summarises the carrying value and fair value of financial assets and liabilities not presented on the Company's balance sheet at fair value.

Fair value of financial assets and liabilities measured at amortised cost	Carrying value	Fair value based on Level 3	Total fair value
	£'000	£'000	£'000
2020			
Financial assets			
Loans and advances to customers	444,367	478,406	478,406
Financial liabilities			
Amounts owed to parent undertaking	362,156	442,207	442,207
	Carrying value	Fair value based on Level 3	Total fair value
	£'000	£'000	£'000
2019			
Financial assets			
Loans and advances to customers	476,746	475,307	475,307
Financial liabilities			
Amounts owed to parent undertaking	396,094	462,380	462,380

Loans and advances to customers

In arriving at the fair value of loans and advances to customers, the Company uses modelling techniques consistent with those used by the Group. The estimates take into account expected future cash flows and future lifetime expected losses, based on historic trends and discount rates appropriate to the loans, to reflect a hypothetical exit price value on an asset by asset basis.

Amounts owed to parent undertaking

The estimated fair value of variable term loans owed to parent undertakings is equal to the carrying value of the loans as they are repayable on demand.

The estimated fair values of the fixed term loans owed to parent represent the discounted amount of estimated future cash flows expected to be paid. Expected cash flows are discounted at current market rates to determine fair value.

16 Capital management

Capital comprises the retained earnings and share capital. Capital is managed on a Group basis.

Further details about the Group's capital position can be found in the solvency risk section of the Risk report in its Annual Report and Accounts.

NATIONWIDE SYNDICATIONS LIMITED

Notes to the financial statements for the year ended 31 March 2020 (continued)

17 Parent undertaking and ultimate controlling entity

The Company is a wholly owned subsidiary of Nationwide Building Society, its immediate and ultimate parent and controlling party, which is a building society incorporated and registered in England and Wales.

The results of Nationwide Syndications Limited are included in the consolidated financial statements of Nationwide Building Society which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Nationwide Building Society is registered at Nationwide House, Pipers Way, Swindon, SN38 1NW. The Group's Annual Report and Accounts can be obtained from this address or at **nationwide.co.uk**