Nationwide Building Society Preliminary Results Announcement

for the year ended 31 March 2025

Contents

Terms used in this report

Terms used in this report	Definition
Nationwide/the Group	Nationwide Building Society and all consolidated subsidiaries, including the Virgin Money sub-group
the Society/Nationwide Building Society	Nationwide Building Society, parent entity of the Group
Nationwide sub-group	Nationwide Building Society and its consolidated subsidiaries, excluding the Virgin Money sub-group
Virgin Money/Virgin Money sub-group	Virgin Money UK PLC and its consolidated subsidiaries

Accounting reference date and basis of reporting

Following the acquisition of Virgin Money UK PLC, the Society changed its accounting reference date to 31 March. Where reference is made to the ‘year’ ended 31 March 2025, this represents the 361-day period from 5 April 2024 to 31 March 2025. The 2024 comparatives are presented as at 4 April 2024 and have not been restated to include the Virgin Money results prior to the acquisition on 1 October 2024. See notes 1 and 2 to the consolidated financial statements for further information.

Alternative performance measures

Nationwide uses a number of alternative performance measures in presenting business and financial performance. In addition to statutory results, underlying measures such as underlying profit before tax are used to assist with like-for-like comparisons of performance across periods. Underlying profit before tax is not designed to measure sustainable levels of profitability as that potentially requires exclusion of non-recurring items even though they are closely related to (or even a direct consequence of) the Group's core business activities. Alternative performance measures are presented within the Financial review on pages 8 to 17.

Forward-looking statements

Certain statements in this document are forward-looking with respect to plans, goals and expectations relating to the future financial position, business performance and results of the Group. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, the Group can give no assurance that these expectations will prove to be an accurate reflection of actual results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of the Group including, amongst other things, UK domestic and global economic and business conditions, market-related risks such as fluctuation in interest rates and exchange rates, inflation/deflation, the impact of competition, changes in customer preferences, risks concerning borrower credit quality, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations involving the Society and/or within relevant industries, risks relating to sustainability and climate change, the policies and actions of regulatory authorities and the impact of tax or other legislation and other regulations in the jurisdictions in which the Group operates. The economic outlook remains uncertain and, as a result, the Group's actual future financial condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements. Due to such risks and uncertainties, the Group cautions readers not to place undue reliance on such forward-looking statements.

The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

This document does not constitute or form part of any offer, invitation or solicitation of any offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval in any jurisdiction. No securities are being offered to the public by means of this document. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering to be made in the United States will be made by means of a prospectus that may be obtained from the Group and will contain detailed information about the Group and its management, as well as its financial statements.

Review of the year

Nationwide sets new records in member value, mortgage lending and retail deposit growth, following its acquisition of Virgin Money

Debbie Crosbie, Group Chief Executive Officer, Nationwide Building Society, said:

“Nationwide has had an outstanding twelve months. We returned a record £2.8 billion in value to our members and recorded our highest ever year for growth in mortgage lending and retail deposit balances, and we remain first for customer service[1].

“Statutory profit before tax increased to over £2.3 billion, even after returning £1 billion directly to eligible members through the Fairer Share Payment and The Big Nationwide Thank You.

“The Virgin Money performance was strong in the six months since our acquisition, with improvements in customer service and a return to growth in mortgage lending.”

Muir Mathieson, Group Chief Financial Officer, Nationwide Building Society, said:

“Our financial performance has been strong, with statutory profit before tax of £2.3 billion and record member value. Total underlying income increased to £5.2 billion following the acquisition of Virgin Money, and our overall underlying net interest margin remained stable.

“Cost discipline is strong, with underlying Nationwide cost growth significantly below the headline level of inflation. Group underlying costs include six months of costs for Virgin Money.

“Our balance sheet remains robust and well capitalised. Arrears rates are low and stable, and we maintain a peer-leading Group CET1 ratio of 19.1% and leverage ratio of 5.2%.”

Kevin Parry, Chairman, Nationwide Building Society, said:

"The acquisition of Virgin Money represented a significant strategic advance for Nationwide. It will bring the benefit of mutuality to more individuals and to business customers."

[1] © Ipsos 2025, Financial Research Survey (FRS), for the 12 months ended 31 March 2013 to 12 months ended 31 March 2025. For more information, see footnote 2 on page 5.

Group Chief Executive Officer review

Business and trading highlights for the period ended 31 March 2025

Delivering record member value and leading service excellence

- Record member value of £2.8bn (2024: £2.2bn), including direct member rewards of £1bn through the Fairer Share Payment and The Big Nationwide Thank You.
- On average, interest rates on retail deposits were 30% higher than the market.
- First for customer satisfaction among our peer group for over 13 years, with increased lead of 7.5%pts[2] (March 2024: 5.5%pts).
- Extended our Branch Promise to include Virgin Money branches[3]. Nationwide has the largest single-brand branch network in the UK.
- More than 30% of new Nationwide current accounts and over 40% of ISAs were opened in our Nationwide branches.
- Over 30 new features and improvements across our personal banking apps, including innovative Nationwide biometric 'selfie' authentication.
- Created 370 new jobs in Virgin Money contact centres and online chat channels, resulting in significant improvements to customer service.

Record organic growth in Nationwide mortgages and retail deposits

- Group net mortgage lending of £15.9bn, with record Nationwide sub-group net mortgage lending of £15.5bn. Group market share of balances increased to 16.2% (2024: 12.3%).
- Group retail deposit balances increased by £67.3bn to £260.7bn, with record growth of £14.0bn through our Nationwide brand. Group deposit market share increased to 12.2% (2024: 9.5%).
- More current account switchers to Nationwide than any other brand[4].

Strong financial performance supported by excellent cost discipline

- Statutory profit before tax increased to £2,302m (2024: £1,776m).
- Underlying profit before tax of £1,852m (2024: £2,003m), reflecting our decisions to deliver value to members through better rates.
- Total underlying income of £5,211m (2024: £4,664m). Group underlying net interest margin of 1.55% (2024: 1.56%).
- Despite record organic growth, Nationwide sub-group underlying costs increased by 0.8% on a like-for-like basis[5], materially below headline inflation.
- Group underlying costs of £3,183m (2024: £2,549m), comprising Virgin Money costs of £698m including, planned, short-term investment to improve customer experience.
- Asset quality remains robust, with low and stable arrears rates.
- Peer-leading group CET1 ratio of 19.1% (2024: 27.1%)[6], and leverage ratio of 5.2% (2024: 6.5%).

Making a meaningful impact across society

- Helped 120,000 (2024: 64,000) first time buyers into a home of their own, more first time buyers than any other lender in the UK[7].
- Committed over £20m to charitable activities, including £18.7m (2024: £15.5m) as part of the 1% of pre-tax profits[8] we commit to good causes.
- Continued roll out of the National Databank programme in Virgin Money branches, providing free, data-loaded mobile SIM cards for those impacted by data poverty.

---

[2] Nationwide brand lead at March 2025: 7.5%pts, March 2024: 5.5%pts. © Ipsos 2025, Financial Research Survey (FRS), for the 12 months ended 31 March 2013 to 12 months ended 31 March 2025. Results based on a sample of around 47,000 adults (aged 16+). The survey contacts around 50,000 adults (aged 16+) a year in total across Great Britain. Interviews were face to face, over the phone and online, taking into account (and weighted to) the overall profile of the adult population. The results reflect the percentage of extremely satisfied and very satisfied customers minus the percentage of customers who were extremely or very or fairly dissatisfied across those customers with a main current account, mortgage or savings. Those in our peer group are Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB. Prior to April 2017, those in our peer group were Barclays, Halifax, HSBC, Lloyds Bank (Lloyds TSB prior to April 2015), NatWest and Santander.
[3] All our 605 Nationwide branches and 91 Virgin Money branches will remain open until at least 1 January 2028. Opening hours may vary. There may be exceptional circumstances outside of our control that mean we have to close a branch, but we will only do this if we do not have another workable option.
[4] Pay.UK quarterly Current Account Switch Service data, 9 months to December 2024, based on the latest available data. Nationwide had the highest gross and net gains in current account switches.
[5] Excluding a £116 million decrease in provisions for liabilities and charges, £36 million of integration readiness expenditure, other smaller one-off accounting items and the impact of the shorter accounting period.
[6] Peer group includes Barclays, HSBC, Lloyds Banking Group, NatWest Group, and Santander.
[7] Source based on the number of residential first time buyer mortgage completions in the UK by Banking Brand, between April 2024 to March 2025. Provided by CACI Mortgage Market database.
[8] The 1% is calculated based on average statutory pre-tax profits over the previous three years. For 2024/25, this covered the three years ended 4 April 2024 and pre-dated our acquisition of Virgin Money, which completed on 1 October 2024. Of the £18.7 million, £17.0 million was awarded as charitable donations and £1.7 million related to supporting activity and staff costs.

Group Chief Executive Officer review (continued)

Realising the benefits of our acquisition of Virgin Money UK PLC

- We now have a connection with one in three people in the UK, and are the UK's second largest provider of mortgages and retail deposits.
- Strong trading performance in the Virgin Money business since acquisition, including a return to growth in mortgage net lending.
- Supporting longer-term ambitions through planned, short-term investment to improve customer experience, support business performance and growth, and build operational resilience.
- Virgin Money's established business banking services broadens our offering and means we can support SMEs more quickly and efficiently than developing the capabilities ourselves.
- The acquisition makes us financially stronger, supporting continued investment in service and enhanced member value, including our ability to pay the Nationwide Fairer Share Payment.

Outlook

Well placed to support our customers despite economic uncertainty

- The underlying pace of UK economic activity has remained subdued and is likely to improve only gradually.
- Solid labour market conditions, resilience in real earnings and lower interest rates should support housing market activity and growth in deposits.
- The global economic outlook remains highly uncertain, but UK households and the UK-focused businesses we support appear generally well placed for potential shocks.
- The credit quality of our lending portfolios remains strong, and our capital resources are robust.

Plans for Virgin Money continue to progress positively

- Following our acquisition of Virgin Money, our financial strength will enable us to deliver value to our customers, through our competitive rates and focus on customer service.
- We are planning to introduce a new process to bring Virgin Money's business banking offering to Nationwide customers.
- Integration plans are progressing well, and our expenditure directly on integration has been lower than we expected.
- As we carefully integrate Virgin Money within the Group, we are focusing on its three key priorities: investing in customer improvements, delivering business performance and growth, and building technology resilience and readiness for integration.
- We are preparing to transfer the assets and liabilities of Virgin Money's main operating subsidiary, Clydesdale Bank PLC, into Nationwide Building Society, which we expect to complete in 2026/27[9]. This will be part of the wider integration programme that we plan to complete over several years.
- We will continue to prioritise good customer outcomes throughout the integration.

Debbie Crosbie
Group Chief Executive Officer

[9] Through a proposed banking business transfer under Part VII of the Financial Services and Markets Act 2000, subject to legal and regulatory approval and completion of internal governance processes.

Group performance summary

	2025		2024	
Financial performance	**£m**		£m	
Underlying profit before tax (note i)	**1,852**		2,003	
Statutory profit before tax	**2,302**		1,776	
Total underlying income (note i)	**5,211**		4,664	
Underlying administrative expenses (note i and ii)	**3,183**		2,549	
Mortgage lending	**£bn**	**%**	£bn	%
Residential – gross/*market share* (note iii)	**44.7**	***16.3***	26.3	*11.5*
Residential – net	**15.9**		2.6	
Average loan to value of new residential mortgages (by value)		**73**		70
Deposit balances	**£bn**	**%**	£bn	%
Retail deposits balance/market share (note iv)	**260.7**	***12.2***	193.4	*9.5*
Business deposits balance/market share	**21.1**	***2.3***	4.2	*1.1*
Retail deposits balance movement (note iv)	**67.3**		6.3	
Key ratios		**%**		%
Underlying cost to income ratio (note i and ii)		**61.1**		54.7
Statutory cost to income ratio (note ii)		**47.4**		53.3
Return on assets		**0.72**		0.48
Net interest margin – underlying basis (note i)		**1.55**		1.56

	2025		2024	
Balance sheet	**£bn**	**%**	£bn	%
Total assets (note ii)	**367.9**		272.1	
Loans and advances to customers	**300.9**		213.4	
Mortgage balances/*market share* (note v)	**275.9**	***16.2***	204.5	*12.3*
Total deposits (note vi)	**281.8**		197.6	

	2025	2024
Asset quality	**%**	%
Residential mortgages		
Proportion of residential mortgage accounts more than 3 months in arrears	**0.43**	0.41
Impairment charge as a % of average gross balance (note vii)	**0.01**	0.02
Average indexed loan to value (by value)	**56**	55
Consumer lending		
Proportion of customer balances with amounts past due more than 3 months (excluding charged off balances)	**1.11**	1.36
Impairment charge as a % of average gross balance (note vii)	**6.93**	1.17
Key ratios	**%**	%
Capital		
Common Equity Tier 1 ratio	**19.1**	27.1
Leverage ratio	**5.2**	6.5
Other balance sheet ratios		
Liquidity Coverage Ratio (note viii)	**174**	191
Non-member funding ratio (note ix)	**37.3**	22.5

Notes:
i. Underlying measures represent management's view of underlying performance. These underlying measures are reconciled to statutory measures and further information is within the Financial review on pages 8 to 17.
ii. Underlying administrative expenses, underlying cost to income ratio, statutory cost to income ratio, and total assets comparatives for the year ended 4 April 2024 have been restated. Further information is detailed in note 2 to the consolidated financial statements.
iii. Gross lending market share consists of 12 months of lending volume for Nationwide sub-group and 6 months of lending volume for Virgin Money sub-group as a percentage of market lending for the 12 months.
iv. Retail deposits include current account credit balances.
v. Mortgage balances are presented gross of credit provisions.
vi. Total deposits of £281.8 billion consists of £207.4 billion of member deposits, £53.3 billion of non-member retail deposits and £21.1 billion of business deposits.
vii. In the calculation of 'Impairment charge as a % of average gross balances', average gross balance is calculated as the average of balances at each month end date. The Group impairment charge for the year includes the recognition of Virgin Money balance sheet provisions. This provision includes the impact of recognising IFRS 9 provisions for the acquired loans, including alignment to the Group's impairment provision methodology. Further information is included in the Risk report.
viii. The Liquidity Coverage Ratio represents a simple average of the ratios for the last 12 month ends.
ix. Non-member funding ratio is calculated as deposits from Virgin Money customers, business deposits and certain on-balance sheet wholesale funding items, as a proportion of total funding liabilities.

Financial review

Group financial highlights

- Underlying profit before tax for the year reduced to £1,852 million (2024: £2,003 million). Nationwide sub-group profit is £195 million lower, partially offset by the inclusion of six months of Virgin Money sub-group profits of £44 million.
- Statutory profit before tax for the year increased to £2,302 million (2024: £1,776 million). This is predominantly due to a net one-off benefit in relation to the acquisition of Virgin Money, partially offset by an additional £656 million for member reward payments. The net one-off benefit includes a £2.3 billion gain on acquisition, partially offset by a £456 million credit impairment charge and £367 million of administrative expenses in relation to the acquisition.
- Total underlying income increased to £5,211 million (2024: £4,664 million) as a result of the acquisition of Virgin Money. Underlying net interest margin was broadly stable at 1.55% (2024: 1.56%).
- Total member value increased to a record £2,795 million (2024: £2,194 million). This consists of £1,795 million (2024: £1,850 million) of member financial benefit, the Nationwide Fairer Share Payment of £385 million (2024: £344 million) and The Big Nationwide Thank You one-off reward to members of £615 million.
- Underlying administrative expenses increased by £634 million to £3,183 million (2024: £2,549 million), including £698 million relating to Virgin Money. Underlying administrative expenses exclude costs in relation to the acquisition of Virgin Money.
- Underlying credit impairment charges increased to £176 million (2024: £112 million), of which £164 million relates to Virgin Money. Arrears rates remain low and broadly stable. Underlying credit impairment charges exclude £456 million of one-off charges arising on the acquisition of Virgin Money.
- CET1 and leverage ratios decreased to 19.1% and 5.2% (2024: 27.1% and 6.5%) respectively, due to the utilisation of capital to acquire Virgin Money.
- The average Liquidity Coverage Ratio over the 12 months ended 31 March 2025 remained strong at 174% (12 months ended 4 April 2024: 191%). Drawings from the Bank of England's Term Funding Scheme with additional incentives for Small and Medium sized Enterprises (TFSME) have been fully repaid by Nationwide sub-group. The Virgin Money sub-group retains £900 million of TFSME drawings.
- Strong organic growth in the Nationwide sub-group, together with the acquisition of Virgin Money, has led to a significant increase in product balances.
- Retail deposit balances increased by £67.3 billion to £260.7 billion (2024: £193.4 billion). This comprises record organic balance growth for Nationwide sub-group of £14.0 billion and £53.3 billion of Virgin Money balances. The Group market share of deposit balances increased to 12.2% (2024: 9.5%).
- Mortgage balances increased to £275.9 billion (2024: £204.5 billion). This includes record net lending of £15.5 billion for Nationwide sub-group and £55.6 billion of balances relating to Virgin Money. The Group market share of mortgage balances increased to 16.2%. (2024: 12.3%).
- Consumer lending balances grew to £11.1 billion (2024: £4.3 billion), including £6.7 billion of Virgin Money balances. Total credit card balances were £7.8 billion (2024: £1.6 billion), representing 10.7% share of the UK's consumer credit card balances.
- The acquisition of Virgin Money included £17.1 billion of business deposit balances and £9.5 billion of business lending balances. This brings greater diversification of the Group's products and services.

Underlying profit before tax: **£1,852m** (2024: £2,003m)
Statutory profit before tax: **£2,302m** (2024: £1,776m)
Member Value: **£2,795m** (2024: £2,194m)
Leverage ratio: **5.2%** (2024: 6.5%)
Group market share of deposit balances: **12.2%** (2024: 9.5%)
Group market share of mortgage balances: **16.2%** (2024: 12.3%)
Group market share of credit card balances: **10.7%** (2024: 2.1%)

Nationwide sub-group underlying performance highlights

- Underlying profit before tax for the year reduced to £1,808 million (2024: £2,003 million). This is due to a reduction in underlying income, partially offset by lower underlying credit impairment charges and lower underlying administrative expenses.
- Total underlying income reduced to £4,305 million (2024: £4,664 million). This is due to the timing of changes in Bank rate and the continued reduction in overall mortgage margins. Underlying net interest margin decreased to 1.49% (2024: 1.56%).
- Record member value of £2,795 million (2024: £2,194 million) has been delivered. This comprises member financial benefit of £1,795 million (2024: £1,850 million), the Nationwide Fairer Share Payment of £385 million, and The Big Nationwide Thank You of £615 million to reward over 12 million eligible members.
- Underlying administrative expenses have reduced by £64 million to £2,485 million. A decrease in provisions for liabilities and charges of £116 million is partially offset by £36 million of integration readiness expenditure. Underlying administrative expenses have increased by 0.8% on a comparable basis[10]. This is materially below inflation, despite record balance sheet growth, and reflects efficiencies within operating costs and strategic investment.
- Underlying credit impairment charges reduced to £12 million (2024: £112 million); this reflects the resilience of our lending, including the impact of reductions to provisions where the previously anticipated increase in arrears has not materialised.
- Member retail deposit balances increased to £207.4 billion (2024: £193.4 billion) with record organic growth of £14.0 billion. The market share of retail deposit balances increased to 9.7% (2024: 9.5%).
- Record mortgage net lending of £15.5 billion increased balances to £220.3 billion (2024: £204.5 billion). The market share of mortgage balances increased to 12.9% (2024: 12.3%).

Virgin Money sub-group underlying performance highlights

- Underlying profit before tax in the period since 1 October 2024 was £44 million. This includes elevated underlying administrative expenses to support integration readiness, in line with our integration plans and ambitions.
- Underlying income of £906 million includes £842 million of net interest income, with resilient net interest margin and balance sheet growth.
- Underlying administrative expenses were £698 million, of which £125 million relates to investment to support integration readiness. This investment includes expenditure to improve customer experience.
- Underlying credit impairment charges were £164 million. The credit quality of mortgage, consumer and business lending has remained stable since 1 October 2024.

[10] Excluding the £116 million decrease and £36 million increase noted above, together with other smaller one-off accounting items and the impact of the shorter accounting period.

Financial review (continued)

The results are prepared in accordance with International Financial Reporting Standards (IFRSs) as set out in note 2 to the consolidated financial statements. Alternative performance measures are used throughout the Financial review. Definitions of these measures can be found in our Glossary at **nationwide.co.uk**

Income statement

Underlying results are shown below, together with a reconciliation to the statutory results. Underlying results exclude certain items, detailed in the notes to the table below, which management do not consider to be representative of underlying business performance.

Reconciliation of underlying to statutory results	2025					2024		
	Underlying basis		Total – Underlying basis	Acquisition and other adjustments	Total - Statutory basis	Total - Underlying basis	Other adjustments	Total - Statutory basis
	Nationwide sub-group	Virgin Money sub-group (note i)						
	£m	£m	£m	£m	£m	£m	£m	£m
Net interest income (note ii)	4,189	842	5,031	(39)	4,992	4,450	-	4,450
Net other income (note iii)	116	64	180	12	192	214	117	331
Gain on the acquisition of Virgin Money (note iv)	-	-	-	2,300	2,300	-	-	-
Total income	4,305	906	5,211	2,273	7,484	4,664	117	4,781
Administrative expenses (note v and vi)	(2,485)	(698)	(3,183)	(367)	(3,550)	(2,549)	-	(2,549)
Impairment charge on loans and advances to customers (note vii)	(12)	(164)	(176)	(456)	(632)	(112)	-	(112)
Profit before member reward payments and tax	1,808	44	1,852	1,450	3,302	2,003	117	2,120
Member reward payments (note viii)	-	-	-	(1,000)	(1,000)	-	(344)	(344)
Profit before tax	1,808	44	1,852	450	2,302	2,003	(227)	1,776
Tax credit/(charge)					36			(476)
Profit after tax					2,338			1,300
Cost to income ratio (note ix)	57.7%	77.0%	61.1%		47.4%	54.7%		53.3%

Notes:
i. On 1 October 2024, the Group acquired Virgin Money, with the results of Virgin Money sub-group included from that date.
ii. Underlying net interest income excludes amortisation of fair value adjustments which were recognised on the acquisition of Virgin Money.
iii. Gains or losses from derivatives and hedge accounting are excluded from underlying net other income.
iv. The gain recognised on the acquisition of Virgin Money, as detailed in note 19 to the consolidated financial statements, has been excluded from underlying results.
v. Underlying administrative expenses exclude certain costs relating to the acquisition of Virgin Money. These comprise £36 million of transaction-related costs incurred by the Society, £56 million of amortisation relating to acquired intangible assets, and £275 million of one-off costs (and related VAT) associated with the amended Trade Mark License Agreement between Virgin Money UK PLC and Virgin Enterprises Limited.
vi. As detailed in note 2 to the consolidated financial statements, comparatives for the year ended 4 April 2024 have been restated to present provisions for liabilities and charges within administrative expenses. The cost to income ratio for the year ended 4 April 2024 has also been restated accordingly.
vii. Excluded from the underlying impairment charge are the one-off impacts of recognising IFRS 9 provisions on acquisition of Virgin Money. This includes the initial recognition of the 12-month expected loss for all acquired loans; the impact of the first application of staging criteria; and the alignment of key elements of the impairment provision methodology.
viii. Member reward payments represent discretionary payments to members of the Society which may be determined by the Board from time to time, depending on the financial strength of the Society. In 2025 this includes the Nationwide Fairer Share Payment of £385 million and a one-off amount of £615 million for The Big Nationwide Thank You.
ix. The cost to income ratio is calculated as administrative expenses divided by total income.

Financial review (continued)

Total income and net interest margin

Net interest margin	2025										2024	
	Underlying basis				Total – underlying basis		Acquisition and other adjustments		Total – statutory basis		Total – underlying and statutory basis	
	Nationwide sub-group		Virgin Money sub-group									
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
Net interest income	4,189		842		5,031		(39)		4,992		4,450	
Average total assets (note i)	283,730		88,679		327,130				327,130		285,128	
Net interest margin (note ii)		*1.49*		*1.90*		*1.55*				*1.54*		*1.56*

Notes:
i. Average total assets for Nationwide sub-group have been calculated on a full year basis and for Virgin Money sub-group on a six-month basis.
ii. Net interest margin for both Nationwide and Virgin Money sub-groups is calculated using annualised net interest income.

Underlying net interest income increased by £581 million to £5,031 million (2024: £4,450 million), of which £842 million relates to Virgin Money. This is partly offset by a decrease in Nationwide sub-group net interest income primarily driven by the timing of changes in Bank rate and continued reduction in overall mortgage margins. Underlying net interest margin decreased slightly to 1.55% (2024: 1.56%).

Underlying net other income reduced by £34 million to £180 million (2024: £214 million). Underlying net other income in Nationwide sub-group decreased by £98 million to £116 million (2024: £214 million). This is predominantly due to lower gains from the disposal of treasury assets and lower investment income following the disposal of the Society's investment advice business in February 2024. This is offset by £64 million of underlying net other income relating to the Virgin Money sub-group.

Member financial benefit

As a mutual, we seek to maintain Nationwide's financial strength whilst providing value to our members through pricing, products and service. Through member financial benefit, we measure the additional financial value for members from the competitive mortgage, savings and banking products that we offer compared to the market average. Our members are those customers with a Nationwide-branded current account, savings or mortgage, and do not include customers of Virgin Money or The Mortgage Works. Member financial benefit is calculated by comparing, in aggregate, Nationwide's average interest rates and incentives on member products to the market, predominantly using market data provided by the Bank of England and CACI, alongside internal calculations. The value for individual members will depend on their circumstances and product choices. Further information on the components of member financial benefit is set out below.

Interest rate differential

We measure how our average interest rates across our member balances in total compare against the market over the year.

For our two largest member segments, mortgages and retail deposits, we compare the average member interest rate for these portfolios against Bank of England and CACI industry data. A market benchmark based upon the data from CACI and internal Nationwide calculations is used for mortgages and a Bank of England benchmark is used for retail deposits, both adjusted to exclude Nationwide balances. The differentials derived in this way are then applied to member balances for mortgages and deposits.

For unsecured lending, a similar comparison is made. We calculate an interest rate differential based on available market data from the Bank of England and CACI and apply this to the total interest-bearing balances of credit cards and personal loans.

Financial review (continued)

Member incentives and fees

Our member financial benefit measure also includes amounts in relation to incentives and fees that Nationwide offers to members. The calculation includes annual amounts for the following:

- Mortgages: the differential on incentives for members compared to the market.
- FlexPlus current account: the difference between the FlexPlus monthly account fee and the market average monthly account fee.

For the year ended 31 March 2025 we delivered member financial benefit of £1,795 million (2024: £1,850 million). This reflects our strong savings and mortgage products which seek to provide good value to members; however, the differential to market on deposits naturally narrows as Bank rate declines.

Member reward payments

As part of our ongoing commitment to reward our members the Board announced the second Nationwide Fairer Share Payment of £385 million in May 2024, paid in June 2024 to eligible members who had a qualifying current account plus either qualifying savings or a qualifying mortgage as at 31 March 2024. To thank our members who have contributed to building the Society's financial strength and enabling the successful acquisition of Virgin Money, in March 2025 the Board announced The Big Nationwide Thank You payment of £615 million in total, to over 12 million eligible members. To qualify for The Big Nationwide Thank You payment, in the 12 months ending September 2024, members must have satisfied one of the following eligibility criteria: had at least one qualifying transaction in a Nationwide current or savings account; or had at least £100 in total in one or more Nationwide current or savings accounts; or owed at least £100 in total on one or more Nationwide residential mortgages. These payments are in addition to delivering the £1,795 million of member financial benefit.

Gain on the acquisition of Virgin Money

We recorded a gain of £2.3 billion on completion of the acquisition, as the fair value of the identifiable net assets acquired was greater than the total consideration paid of £2.8 billion. Further information is included in note 19 to the consolidated financial statements.

Administrative expenses

Underlying administrative expenses have increased by £634 million to £3,183 million (2024: £2,549 million), of which £698 million relate to the Virgin Money sub-group. Within the Nationwide sub-group, underlying administrative expenses have decreased by £64 million due to lower provisions for liabilities and charges, with the impact of annual inflation largely offset by efficiencies within operating costs and strategic investment. The costs for the Virgin Money sub-group include planned, short-term investment to improve customer experience. Statutory administrative expenses include £36 million of acquisition-related costs incurred by the Society, £275 million of costs associated with the amended Trade Mark License Agreement between Virgin Money UK PLC and Virgin Enterprises Limited, and £56 million of amortisation of acquired intangible assets recognised on the acquisition of Virgin Money.

Underlying administrative expenses are expected to increase in 2025/26, as a result of spend relating to integration.

Impairment charge/(release) on loans and advances to customers

Impairment charge/(release) (note i)						
	2025					2024
	Underlying basis		Total – underlying basis	Acquisition and other adjustments	Total – statutory basis	Total – underlying and statutory basis
	Nationwide sub-group	Virgin Money sub-group				
	£m	£m	£m	£m	£m	£m
Residential lending	(3)	15	12	21	33	44
Consumer lending	18	120	138	376	514	51
Retail lending	15	135	150	397	547	95
Business and commercial lending	(3)	29	26	59	85	17
Impairment charge/(release) on loans and advances	12	164	176	456	632	112

Note:
i. Impairment charge/(release) represents the net amount recognised in the income statement, rather than amounts written off during the year.

Financial review (continued)

The net underlying impairment charge for the year of £176 million (2024: £112 million) comprises a £12 million charge for the Nationwide sub-group driven by reductions in adjustments made to modelled provisions where the previously anticipated increase in arrears has not materialised, and a £164 million underlying charge for the Virgin Money sub-group. The statutory net impairment charge of £632m includes an additional £456 million for one-off impacts relating to the acquisition of Virgin Money. This includes the initial recognition of the 12-month expected loss; the impact of the first application of staging criteria; and the alignment of key elements of the Group's impairment provision methodology. More information regarding critical accounting judgements, and the forward-looking economic information used in impairment calculations, is included in note 8 to the consolidated financial statements.

Taxation

The main rate of UK corporation tax remained at 25%, the annual banking surcharge allowance remained at £100 million, and the banking surcharge rate remained at 3%. The Group tax credit for the year of £36 million (2024 charge: £476 million) represents an effective tax rate of (1.6)% (2024: 26.8%) which is lower than the statutory UK corporation tax rate of 25% (2024: 25%). The low Group effective tax rate is primarily due to the accounting gain which arose upon acquisition of Virgin Money on 1 October 2024, as detailed in note 19 to the consolidated financial statements. As the gain was recognised only on consolidation, it is not a taxable item in any of the individual entities within the Group. Further information is provided in note 9 to the consolidated financial statements.

Balance sheet

Total assets and total equity and liabilities have increased to £367.9 billion at 31 March 2025 (2024: £272.1 billion).

Residential mortgage balances increased to £275.9 billion (2024: £204.5 billion), driven by record net lending of £15.5 billion for Nationwide sub-group and £55.6 billion of balances relating to Virgin Money. The Group market share of mortgage balances increased to 16.2%. (2024: 12.3%).

Retail deposit balances have increased by £67.3 billion to £260.7 billion (2024: £193.4 billion). Nationwide sub-group member savings balances increased by £10.6 billion, supported by our fixed rate products and increased levels of capitalised interest due to higher average savings rates. The acquisition of Virgin Money contributed a further £53.3 billion of non-member retail deposits.

Assets				
	2025		2024 (note i)	
	£m	*%*	£m	*%*
Cash and balances at central banks	**29,483**		25,231	
Residential mortgages (note ii)	**275,926**	***91***	204,467	*95*
Business and commercial lending	**15,144**	***5***	5,491	*3*
Consumer lending	**11,107**	***4***	4,263	*2*
	302,177	***100***	214,221	*100*
Impairment provisions	**(1,288)**		(781)	
Loans and advances to customers	**300,889**		213,440	
Other financial assets	**33,178**		30,410	
Other non-financial assets	**4,327**		3,006	
Total assets	**367,877**		272,087	

Asset quality	*%*		*%*	
Residential mortgages (note ii):				
Proportion of residential mortgage accounts more than 3 months in arrears	**0.43**		0.41	
Average indexed loan to value (by value)	**56**		55	
Consumer lending:				
Proportion of customer balances with amounts past due more than 3 months (excluding charged off balances)	**1.11**		1.36	

12-month average
Liquidity Coverage Ratio
(note iv):
174%
(2024: 191%)

Financial review (continued)

Assets				
	2025		2024	
Return on assets	**£m**	**%**	£m	*%*
Statutory profit after tax	**2,338**		1,300	
Mean total assets (note iii)	**323,682**		271,990	
Return on assets		***0.72***		*0.48*

Notes:
i. Comparatives have been restated as detailed in note 2 to the consolidated financial statements.
ii. Residential mortgages include owner-occupied, buy to let and legacy lending.
iii. Mean total assets is calculated as a simple average of opening and closing assets for the period.
iv. This represents a simple average of the Liquidity Coverage Ratio (LCR) for the last 12 month ends. The LCR ensures that sufficient high-quality liquid assets are held to survive a short-term severe but plausible liquidity stress.

Cash and balances at central banks

Cash and balances held at central banks increased by £4.3 billion to £29.5 billion (2024: £25.2 billion), with a greater proportion of liquidity balances held in cash.

Residential mortgages

Total gross mortgage advances were £44.7 billion (2024: £26.3 billion) with market share of 16.3% (2024: 11.5%). Nationwide sub-group gross advances increased to £40.4 billion with the market share increasing to 14.7%, supported by a continued focus on first time home buyers.

Total mortgage net lending increased to £15.9 billion (2024: £2.6 billion), of which Nationwide sub-group net lending was a record of £15.5 billion with strong retention of existing customers through highly competitive products.

Our total market share of mortgage balances was 16.2% (2024: 12.3%) with owner-occupied balances and buy to let and legacy balances increasing to £215.5 billion (2024: £161.0 billion) and £60.3 billion (2024: £43.5 billion) respectively. Growth in mortgage balances was driven by record performance in the Nationwide sub-group and the acquisition of Virgin Money balances of £55.6 billion.

Total impairment provision balances have increased to £351 million (2024: £321 million) which include Virgin Money provisions of £37 million. The Group arrears rate is 0.43% (2024: 0.41%). Nationwide sub-group arrears remain low and stable, with cases more than three months in arrears representing 0.40% (2024: 0.41%) of the total portfolio. The Virgin Money sub-group arrears rate is 0.58%.

Consumer lending

Total consumer lending balances have increased to £11.1 billion (2024: £4.3 billion), including £6.7 billion from the Virgin Money acquisition, predominantly relating to credit card balances. Total consumer lending comprises personal loan balances of £3.0 billion (2024: £2.4 billion), credit card balances of £7.8 billion (2024: £1.6 billion) and overdrawn current account balances of £0.3 billion (2024: £0.3 billion).

Total provision balances increased to £824 million (2024: £436 million), including £452 million for the Virgin Money sub-group. Excluding charged off accounts, balances more than three months in arrears represent 1.11% (2024: 1.36%) of the total portfolio, with the decrease driven by the change in product mix resulting from the acquisition of Virgin Money. Nationwide sub-group arrears levels have remained low during the period, with balances more than three months in arrears, excluding charged off accounts, representing 1.23% (2024: 1.36%) of the portfolio. The Virgin Money sub-group credit card balance more than three months in arrears represents 1.06% of the Virgin Money credit card portfolio.

Business and commercial lending

During the year, total business and commercial lending balances increased to £15.1 billion (2024: £5.5 billion). Nationwide sub-group commercial lending is predominantly to registered social landlords with balances of £4.7 billion (2024: £4.4 billion). Virgin Money sub-group's business and commercial balances were £9.5 billion.

Total impairment provision balances increased to £113 million (2024: £24 million), which include Virgin Money provisions of £91 million.

Financial review (continued)

Other financial assets

Other financial assets increased to £33.2 billion (2024: £30.4 billion). These comprise investment assets held mainly for liquidity purposes of £28.7 billion (2024: £26.5 billion), loans and advances to banks and similar institutions of £1.8 billion (2024: £0.9 billion), derivatives with positive fair values of £4.7 billion (2024: £6.3 billion) and fair value adjustments for portfolio hedged risk of £(2.0) billion (2024: £(3.3) billion). Derivatives largely comprise interest rate and foreign exchange contracts which economically hedge financial risks inherent in our lending and funding activities.

Liquidity Coverage Ratio

The average Liquidity Coverage Ratio over the 12 months ended 31 March 2025 reduced to 174% (12 months ended 4 April 2024: 191%), with lower average liquid asset balances due to the repayment of drawings from the Bank of England's TFSME. Our internal liquidity risk appetite is more prudent than regulatory requirements, with liquidity balances remaining higher than the most severe internal 30 calendar day stress test. Further details are included in the Liquidity and funding risk section of the Risk report.

Members' interests, equity and liabilities	2025 £m	2024 (note i) £m
Member deposits	**207,428**	193,366
Non-member deposits	**53,312**	-
Business banking deposits	**21,087**	4,215
Debt securities in issue	**51,109**	34,749
Other financial liabilities	**10,468**	20,452
Other liabilities	**3,991**	1,619
Total liabilities	**347,395**	254,401
Members' interests and equity	**19,723**	17,686
Non-controlling interest	**759**	-
Total equity and liabilities	**367,877**	272,087

Non-member funding ratio:
37.3%
(2024: 22.5%)

Note:
i. Comparatives have been restated as detailed in note 2 to the consolidated financial statements.

Member, non-member and business banking deposits

Member retail deposit balances grew by £14.0 billion (2024: £6.3 billion) to £207.4 billion (2024: £193.4 billion) with the acquisition of Virgin Money contributing a further £53.3 billion of non-member retail deposits. Total Group market share of retail deposit balances increased to 12.2% (2024: 9.5%).

Nationwide sub-group savings deposit balances increased by £10.6 billion (2024: £9.1 billion) supported by competitive fixed rate products, including the Member Exclusive Bond, and increased levels of capitalised interest due to higher average savings rates. Nationwide sub-group current account credit balances increased by £3.5 billion (2024: £2.9 billion reduction), predominantly due to strong underlying performance.

Total business savings and banking balances increased to £21.1 billion (2024: £4.2 billion), of which £17.1 billion relates to Virgin Money.

Debt securities in issue and other financial liabilities

Debt securities in issue relate to wholesale funding but exclude subordinated debt which is included within other financial liabilities. Balances increased to £51.1 billion (2024: £34.7 billion) of which £9.9 billion relates to Virgin Money. Other financial liabilities increased to £84.9 billion (2024: £24.7 billion) primarily due to the acquisition of Virgin Money, offset by the repayment of £11.3 billion of drawings from the Bank of England's TFSME. Nationwide's non-member funding ratio increased to 37.3% (2024: 22.5%) because of the acquisition.

Financial review (continued)

Members' interests and equity

Members' interests and equity have increased to £19.7 billion (2024: £17.7 billion), with growth largely driven by retained profits.

Statement of comprehensive income

Statement of comprehensive income (note i)	2025 £m	2024 £m
Statutory profit after tax	**2,338**	1,300
Net remeasurement of pension obligations	**(144)**	(190)
Net movement in cash flow hedge reserve	**5**	(49)
Net movement in other hedging reserve	**(2)**	(4)
Net movement in fair value through other comprehensive income reserve	**(82)**	(24)
Net movement in revaluation reserve	**1**	(2)
Total comprehensive income	**2,116**	1,031

Note:
i. Movements are shown net of related taxation. Gross movements are set out in the consolidated financial statements on page 75.

Capital structure

The Group's capital position remains strong, with both the Common Equity Tier 1 (CET1) ratio and leverage ratio comfortably above regulatory capital requirements of 12.7% and 4.3% respectively. The CET1 ratio decreased to 19.1% (2024: 27.1%) and the leverage ratio decreased to 5.2% (2024: 6.5%). The capital disclosures included in this report are in line with UK Capital Requirements Directive V (UK CRD V).

Capital structure		
	2025	2024
	£m	£m
Capital resources		
CET1 capital	**15,611**	14,798
Tier 1 capital	**17,732**	16,134
Total regulatory capital	**19,489**	17,808
Capital requirements		
Risk weighted assets (RWAs)	**81,871**	54,628
Leverage exposure	**344,018**	249,263
UK CRD V capital ratios	**%**	%
CET1 ratio	**19.1**	27.1
Leverage ratio	**5.2**	6.5

The CET1 ratio has decreased to 19.1% (2024: 27.1%) primarily due to the acquisition of Virgin Money. CET1 capital resources increased by £0.8 billion due to profit after tax of £2.3 billion, partially offset by an increase in regulatory CET1 capital deductions of £1.4 billion following the Virgin Money acquisition; this increase in CET1 capital resources adds 1.5% to the CET1 ratio. RWAs increased by £27.2 billion, mainly driven by the inclusion of £27.7 billion of Virgin Money RWAs; the change in RWAs reduces the CET1 ratio by 9.5% in absolute terms.

The leverage ratio decreased to 5.2% (2024: 6.5%), primarily due to the Virgin Money acquisition as outlined above and increased Group residential mortgage balances. Leverage requirements continue to be the Group's binding Tier 1 capital constraint, as the combination of minimum and regulatory buffer requirements is in excess of the risk-based equivalent.

Further details of the capital position and future regulatory developments are described in the Capital risk section of the Risk report.

Risk report

Contents

Introduction

Effective risk management helps to ensure that we keep customers' money safe and secure. This is critical to delivering our purpose: *Banking - but fairer, more rewarding, and for the good of society.* The Group adopts a prudent approach to risk management, taking only those risks which support our strategy and managing them rigorously through a consistent approach.

Significant analysis has taken place, both prior to and following the acquisition of Virgin Money, to understand the impact of the acquisition on the Group's risk profile. Prior to the acquisition, the two separate businesses operated in broadly similar markets and were exposed to similar risks. Whilst the risks to which the new Group is exposed are fundamentally unchanged following the acquisition, the absolute level of risk which the Group is exposed to has increased. This reflects the larger and more complex overall business and the risks associated with integration. In response, we have ensured that appropriate risk mitigations and controls are in place. Given the Group's increased market share, we also expect to be subject to increased regulatory scrutiny, particularly throughout the integration period.

Risks are managed effectively across the Group with no material deficiencies, although some specific risk management practices differ across the Nationwide and Virgin Money sub-groups. Against an evolving backdrop, with increased prevalence of financial, economic and cyber crime, the Group will continue to prioritise investment in its defences and drive towards best practice, including investment to keep our systems up to date. The Group maintains a strong financial position and remains comfortably above regulatory and internal minima for all key measures of capital and liquidity.

Risks to the Group

The risks which the Group faces can be divided across two broad categories:

- Top and emerging risks are specific risks which have the potential to materially impact the Group's financial results and delivery of its strategic objectives and often impact across several principal risks. The most significant of these are described below, together with a summary of actions we are taking to reduce the risk, and the principal risks which are most likely to be impacted.
- Principal risks encompass all of the different types of risk to which the Group is exposed. Further information on these risks can be found on page 21.

Top and emerging risks

Risk	How we mitigate this risk	Related principal risks
Climate change ➔ The Group is exposed to both physical risks arising from climate change (such as damage to UK housing stock and property) and transitional risks (such as lower economic growth and government policy impacts on property values) as the country moves towards net-zero emissions. These threats continue to evolve as government policy develops and green technologies mature.	• We invest in sustainable business practices and proactively review lending criteria to limit the impact our activities have on climate change and to mitigate potential credit risk. • We continue to develop our processes to reflect potential changes in macroeconomic conditions and the housing market as we transition to a low-carbon economy, and we have completed relevant stress testing for climate change.	• Credit risk • Model risk • Operational and conduct risk
Cyber ➚ Given ongoing geopolitical tension, the threat of external parties exploiting cyber-security vulnerabilities to gain access to data, system, or assets; disrupt services; or otherwise affect the Group, our staff, and our customers, remains. Cyber-attacks are constantly evolving and increasing in terms of sophistication.	• We continuously monitor the cyber threat level and continue to invest in our cyber defences to ensure we are able to respond appropriately. • We have accelerated existing Virgin Money cyber defence enhancement programmes.	• Operational and conduct risk

Risk report (continued)

Top and emerging risks (continued)

Risk	How we mitigate this risk	Related principal risks
Emergent technologies ➔ The emergence of viable generative artificial intelligence, as well as the continued development of quantum computing and crypto-currency technologies, creates new risks and opportunities as they are adopted internally, across the industry and potentially by malicious organisations or individuals.	• We only use generative artificial intelligence for specific activities which are subject to robust control and oversight, including human intervention where required. • We continually develop and refine our control framework for advanced and emerging technologies, and monitor the external environment for developments in industry best practice.	• Operational and conduct risk • Model risk
Geopolitical environment ➚ The geopolitical environment remains volatile, with ongoing global conflicts and a range of global tensions. This uncertainty impacts the macroeconomic environment. Conflicts and disputes also have the potential to disrupt supply chains and increase cyber threats and economic crime.	• We prepare for a range of economic outcomes and continually assess the risks arising from these. • Whilst our retail lending is restricted to the UK, we actively control our exposure to mitigate the risks arising from geopolitical events. • We proactively engage suppliers to understand and manage exposures to geopolitical events, whilst protecting services through enhanced due diligence and diversification.	• Credit risk • Operational and conduct risk • Liquidity and funding risk
Integration risk (New) The integration activity following the acquisition of Virgin Money increases the Group's exposure to a range of risks including reputational risks arising from incidents, technology failure, people risks, ineffective group governance and reporting, regulatory risks, and risk of unknowns.	• We have established an Integration Management Office to oversee the planning and delivery of a conservative integration strategy. • Risk assessments have yielded a number of actions which will mitigate identified risks. The evolving integration landscape will be continually monitored and tracked with support from the second line oversight function.	• Operational and conduct risk
Macroeconomic environment ➚ The Group is inherently exposed to fluctuations in the UK's economic conditions, which are impacted by the global geopolitical environment, including ongoing trade disputes. The economic environment remains uncertain, with slower growth and elevated interest rates impacting customer finances, as well as other institutions and counterparties. Government policy continues to evolve, including in response to these challenges, with consequential impacts for the UK economy.	• We maintain strong capital and liquidity levels in excess of regulatory minima, and we regularly undertake both internal and regulatory stress tests to ensure our financial resources are sufficient under a range of severe but plausible scenarios. • We continuously review and adjust our credit policies so they remain appropriate for the prevailing economic conditions and continue to support customers who may experience financial difficulty. • We only have exposures to highly rated banking counterparties; these consist primarily of fully collateralised derivatives and covered bonds for liquidity management.	• Credit risk • Capital risk • Liquidity and funding risk
Technology and resilience ➔ The combination of a rapidly evolving and increasingly complex technological environment, alongside the increasing importance of services being available when customers need them, increases both the potential for, and the impact of, outages and system failures.	• We continue to prioritise strategic investment in our systems to simplify and modernise the technology estate across the Group and reduce exposure to legacy technology architecture. We have also accelerated existing activity at Virgin Money. • We continuously enhance our internal control environment, improving resilience whilst proactively balancing ongoing service provision with the need to update and develop our systems to meet the current and future needs of our customers.	• Operational and conduct risk

Key (change in underlying risk to the Group in the year)
➚ Increased level of risk
➔ Stable level of risk
➘ Decreased level of risk

Risk report (continued)

Principal risks and uncertainties

The Board is responsible for the principal risks to which the Group is exposed. These risks encompass all the different types of risk which are relevant to the Group's business and the achievement of its strategic objectives. This ensures we understand and manage all risks to which we are exposed in a comprehensive and consistent way. Further information on credit risk, liquidity and funding risk, and capital risk are included within this Risk report. Updated net interest income sensitivity analysis is included in the market risk section of this report.

Principal risk	Key developments
Credit risk – The risk of loss as a result of a customer or counterparty failing to meet their financial obligations.	Despite the pressures on household finances, the Group's credit performance remains within expectations and appropriate provisions are in place. The acquisition of Virgin Money introduced substantial business banking and credit card portfolios to the Group. Whilst this has led to significant balance growth and change in the portfolios' composition, it has not resulted in a material change to the overall credit risk profile.
Liquidity and funding risk – Liquidity risk is the risk that the Group is unable to meet its liabilities as they fall due and maintain member and other stakeholder confidence. Funding risk is the risk that the Group is unable to maintain diverse funding sources in wholesale and retail markets and manage retail funding risk that can arise from excessive concentrations of higher risk deposits.	Following the acquisition of Virgin Money, the Group's liquidity and funding position remains strong, with a Liquidity Coverage Ratio of 174% (2024: 191%) and a Net Stable Funding Ratio of 147% (2024: 151%).
Capital risk – The risk that the Group fails to maintain sufficient capital to absorb losses throughout a full economic cycle and sufficient to maintain the confidence of current and prospective investors, members, the Board, and regulators.	Whilst the Group's capital resources decreased following the acquisition of Virgin Money, they remained comfortably above both regulatory and internal minima throughout the year. At 31 March 25 the Group's Common Equity Tier 1 (CET1) ratio was 19.1% (2024: 27.1%) and the Group's leverage ratio was 5.2% (2024: 6.5%).
Market risk – The risk that the net value of, or net income arising from, the Group's assets and liabilities is impacted as a result of market price or rate changes. The Group does not have a trading book; therefore, market risk only arises in the banking book.	Whilst economic conditions impacted the Group, market risk continued to be managed prudently, resulting in a low level of exposure to interest rate risk.
Pension risk – The risk that the value of the pension scheme assets will be insufficient to meet the estimated liabilities, creating a pension deficit.	The Group's pension schemes remain well funded, and no employer deficit contributions were required or scheduled for the year.
Business risk – The risk that volumes decline, margins shrink, or losses increase relative to the cost or capital base, affecting the sustainability of the business and the ability to deliver the strategy due to external factors (macroeconomic, geopolitical, industry, regulatory, technological, or other external events) or internal factors (including the development and execution of the strategy).	The acquisition of Virgin Money has expanded and diversified the balance sheet, customer base, and income streams, increasing resilience to potential shocks. However, this also exposes the Group to new or increased risks, including those related to business banking and credit cards. Whilst we remain within risk appetite, these risks will be assessed further in upcoming stress testing activity.
Operational and conduct risk – The risk of impacts resulting from inadequate or failed internal processes, conduct and compliance management, people and systems, or from external events.	The Group has continued to mature its operational and conduct risk management processes and capabilities throughout the year, most significantly in respect of change management, economic crime and technology risk. Investment is being directed to enhance cyber defence, economic crime and conduct and compliance capabilities across the Group.
Model risk – The risk of adverse consequences from model errors or the inappropriate use of modelled outputs. Model outputs may be affected by the quality of data inputs, choice and suitability of methodology and the integrity of implementation. The adverse consequences include financial loss, poor business or strategic decision making, or damage to the Group's reputation.	Good progress has been made, improving model performance and compliance with Internal Ratings Based (IRB) roadmap regulations. Model risk management and governance capabilities continue to be enhanced in response to the implementation of the Prudential Regulation Authority's (PRA) supervisory statement 1/23 'model risk management principles for banks' and the Basel 3.1 standards.

Credit risk – Overview

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 of region, sector, counterparties or other significant factor; and
- refinance risk – the risk of loss arising when a repayment of a loan or other financial product occurs later than originally anticipated.

The Group manages credit risk for the following portfolios:

Portfolio	Definition
Residential mortgages	Loans secured on residential property
Consumer lending	Unsecured lending comprising current account overdrafts, personal loans and credit cards
Business and commercial lending	Lending to non-retail customers, including registered social landlords
Treasury	Treasury liquidity, derivatives and investment portfolios

Forbearance

Forbearance occurs when concessions are made to the contractual terms of a loan when the customer is facing or about to face difficulties in meeting their financial commitments. A concession is where the customer receives assistance, which could be a modification to the previous terms and conditions of a facility or a total or partial refinancing of debt, either mid-term or at maturity. Requests for concessions are principally attributable to:

- temporary cash flow problems;
- breaches of financial covenants; or
- an inability to repay at contractual maturity.

Consistent with the European Banking Authority reporting definitions, loans are reported as forborne, until they meet the regulatory forbearance exit criteria.

Impairment provisions

Impairment provisions on financial assets are calculated on an expected credit loss (ECL) basis for assets held at amortised cost and at fair value through other comprehensive income (FVOCI). ECL impairment provisions are based on an assessment of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), discounted to give a net present value. Provision calculations for retail portfolios are typically performed on a collective rather than individual loan basis. For collective assessments, whilst each loan has an associated ECL calculation, the calculation is based on cohort level data for assets with shared credit risk characteristics (e.g. origination date, origination loan to value, term).

Impairment provisions are calculated using a three-stage approach depending on changes in credit risk since original recognition of the assets:

- a loan which is not credit impaired on initial recognition and has not subsequently experienced a significant increase in credit risk is categorised as being within stage 1, with a provision equal to a 12-month ECL (losses arising on default events expected to occur within 12 months);
- where a loan's credit risk increases significantly, it is moved to stage 2. The provision recognised is equal to the lifetime ECL (losses on default events expected to occur at any point during the life of the asset);
- if a loan meets the definition of credit impaired, it is moved to stage 3 with a provision equal to its lifetime ECL.

Risk report (continued)

Credit risk – Overview (continued)

In addition to the stage allocation outlined above, loans which have been purchased or originated with a credit-impaired (POCI) status are reported separately. At initial recognition, POCI assets do not carry an impairment provision; instead, gross balances are presented net of lifetime expected credit losses at acquisition. All changes in lifetime expected credit losses subsequent to acquisition are recognised as an impairment charge or release.

For loans and advances held at amortised cost, the stage distribution and the provision coverage ratios are shown in this report for each portfolio. The provision coverage ratio is calculated by dividing the provisions by the gross balances for each lending portfolio. Loans remain on the balance sheet, measured net of associated provisions, until they are repaid or deemed no longer recoverable, when such loans are written off.

Governance and oversight of impairment provisions

The models used in the calculation of impairment provisions are governed in accordance with the model risk policies for the Nationwide and Virgin Money sub-groups as described in the Model risk section of this report. PD, EAD and LGD models are subject to regular monitoring and annual validation in line with the relevant sub-group policy. Where necessary, adjustments are approved for risks not captured in model outputs, for example where insufficient historic data exists.

The Group's economic scenarios used in the calculation of impairment provisions and associated probability weightings are proposed by our Chief Economist and are governed through a quarterly meeting attended by the Group Chief Financial Officer. Details of these economic assumptions and material adjustments are included in note 8 to the consolidated financial statements.

All key judgements relating to impairment provisions are governed through regular formal meetings for the Nationwide and Virgin Money sub-groups. Impairment provisions are reported to the Audit Committee for each sub-group, where the key judgements and estimates by management are reviewed and challenged.

Developments in the year

Whilst the UK economy has been broadly stable during the year, there has been some uncertainty which was largely driven by geopolitical tensions and fiscal changes. The UK has seen Bank rate reduce by 75 basis points but remain higher than the pre-2021 rates at which many current fixed-rate mortgages were originated. The rate of inflation has reduced slightly but remains above the Bank of England's target of 2%. Annual house price growth was 3.9% in the year to March 2025.

The key development in the year is the acquisition of Virgin Money. The movements in each portfolio over the period are set out below.

Residential mortgages

Group residential mortgage balances have increased to £275.9 billion (2024: £204.5 billion) following the Virgin Money acquisition. Virgin Money mortgages are primarily owner-occupied, with a similar credit risk profile to the Nationwide sub-group. Nationwide sub-group balances have increased due to continued support for first time buyers, together with the continued focus on retention through highly competitive products provided to existing customers.

Residential mortgage arrears have remained at low levels during the year and well below the industry average. The Group arrears rate has increased slightly to 0.43% (2024: 0.41%) following the acquisition of Virgin Money, which has an arrears rate of 0.58%, with the Nationwide sub-group arrears remaining broadly stable at 0.40% (2024: 0.41%).

Consumer lending

Group consumer lending balances have increased to £11.1 billion (2024: £4.3 billion). The acquisition of Virgin Money and its significant credit card portfolio has been the main driver of this increase, with credit card lending now representing 70% of total consumer lending. The significant balance growth and change in the portfolio composition has not resulted in a material change to the overall credit risk profile, reflected by a slight reduction to 1.11% (2024: 1.36%) in the Group arrears rate. Nationwide sub-group arrears have remained low during the year representing 1.23% (2024: 1.36%) of the portfolio.

Risk report (continued)

Credit risk – Overview (continued)

Business and commercial lending

Group business and commercial lending balances have increased to £15.1 billion (2024: £5.5 billion) following the Virgin Money acquisition. Virgin Money business lending balances total £9.5 billion and include term lending, asset and lease financing, specialist finance and other business lending, including business overdrafts and credit cards. The Virgin Money portfolio is diversified across a range of sectors, with the highest risk concentration being across the agriculture, business services, and government, health and education sectors. The Nationwide sub-group lending is primarily to registered social landlords which have a low risk profile.

Provisions

Provisions have increased to £1,288 million (2024: £781 million) which includes Virgin Money sub-group provisions of £580 million. Group provisions include a modelled adjustment for affordability risks totalling £83 million (2024: £145 million), which includes the impact of elevated mortgage interest rates. This adjustment has reduced during the year due to the continued resilience of the portfolios, where the previously anticipated increase in arrears has not materialised.

Outlook

In the base case scenario, the Group expects modest growth in the UK economy, with inflation expected to return to target in the years ahead. House prices are expected to continue to grow steadily, whilst Bank rate is likely to be eased gradually. However, the outlook remains uncertain, given ongoing heightened geopolitical tensions, emerging policies of the UK Government and uncertainty surrounding US trade policies.

The Group remains vigilant to the uncertainties within the geopolitical and economic landscape, assessing its impact on borrowers and the credit risks affecting our lending portfolios to ensure appropriate actions are taken to support our customers. To date, borrowers have remained resilient to affordability pressures; arrears rates are expected to rise but remain below the industry average.

Credit risk – Overview (continued)

Maximum exposure to credit risk

The Group's maximum exposure to credit risk at 31 March 2025 was £383 billion (2024: £282 billion).

Credit risk largely arises from loans and advances to customers, which account for 84% (2024: 80%) of the Group's credit risk exposure. Within this, the exposure relates primarily to residential mortgages, which account for 90% (2024: 95%) of loans and advances to customers and comprise high-quality assets with historically low occurrences of arrears and repossessions.

In addition to loans and advances to customers, the Group is exposed to credit risk on all other financial assets. For all financial assets recognised on the balance sheet, the maximum exposure to credit risk represents the balance sheet carrying value after allowance for impairment, plus off-balance sheet commitments. For off-balance sheet commitments, the maximum exposure is the maximum amount that the Group would have to pay if the commitments were to be called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, the maximum exposure is the full amount of the committed facilities.

Maximum exposure to credit risk						
2025	**Gross balances**	**Impairment provisions**	**Carrying value**	**Commitments (note i)**	**Maximum credit risk exposure**	**% of total credit risk exposure**
	£m	**£m**	**£m**	**£m**	**£m**	**%**
Amortised cost loans and advances to customers:						
Residential mortgages	275,890	(351)	275,539	13,765	289,304	76
Consumer lending	11,107	(824)	10,283	113	10,396	3
Business and commercial lending	14,818	(113)	14,705	5,580	20,285	5
Fair value adjustment for micro hedged risk (note ii)	277	-	277	-	277	-
	302,092	(1,288)	300,804	19,458	320,262	84
FVTPL loans and advances to customers:						
Residential mortgages (note iii)	36	-	36	-	36	-
Business and commercial lending (note iv)	49	-	49	-	49	-
	85	-	85	-	85	-
Other items:						
Cash and balances at central banks	29,483	-	29,483	-	29,483	8
Loans and advances to banks and similar institutions	1,810	-	1,810	-	1,810	1
Investment securities – FVOCI	28,658	-	28,658	-	28,658	7
Investment securities – Amortised cost	-	-	-	-	-	-
Investment securities – FVTPL	5	-	5	5	10	-
Derivative financial instruments	4,742	-	4,742	-	4,742	1
Fair value adjustment for portfolio hedged risk (note ii)	(2,037)	-	(2,037)	-	(2,037)	(1)
	62,661	-	62,661	5	62,666	16
Total	364,838	(1,288)	363,550	19,463	383,013	100

Risk report (continued)

Credit risk – Overview (continued)

Maximum exposure to credit risk (note v) 2024	Gross balances	Impairment provisions	Carrying value	Commitments (note i)	Maximum credit risk exposure	% of total credit risk exposure
	£m	£m	£m	£m	£m	%
Amortised cost loans and advances to customers:						
Residential mortgages	204,427	(321)	204,106	11,526	215,632	76
Consumer lending	4,263	(436)	3,827	18	3,845	2
Business and commercial lending	5,139	(24)	5,115	1,795	6,910	2
Fair value adjustment for micro hedged risk (note ii)	350	-	350	-	350	-
	214,179	(781)	213,398	13,339	226,737	80
FVTPL loans and advances to customers:						
Residential mortgages (note iii)	40	-	40	-	40	-
Business and commercial lending (note iv)	2	-	2	-	2	-
	42	-	42	-	42	-
Other items:						
Cash and balances at central banks	25,231	-	25,231	-	25,231	9
Loans and advances to banks and similar institutions	918	-	918	-	918	-
Investment securities – FVOCI	26,522	-	26,522	-	26,522	10
Investment securities – Amortised cost	4	-	4	-	4	-
Investment securities – FVTPL	6	-	6	5	11	-
Derivative financial instruments	6,290	-	6,290	-	6,290	2
Fair value adjustment for portfolio hedged risk (note ii)	(3,330)	-	(3,330)	-	(3,330)	(1)
	55,641	-	55,641	5	55,646	20
Total	269,862	(781)	269,081	13,344	282,425	100

Notes:
i. In addition to the amounts shown above, the Group has revocable commitments of £23,352 million (2024: £10,394 million) primarily in respect of credit card and overdraft facilities. These commitments represent agreements to lend in the future, subject to certain considerations. Such commitments are cancellable by the Group, subject to notice requirements, and given their nature are not expected to be drawn down to the full level of exposure.
ii. The fair value adjustment for portfolio hedged risk and the fair value adjustment for micro hedged risk (which relates to the business and commercial lending portfolio) represent hedge accounting adjustments.
iii. FVTPL residential mortgages include equity release and shared equity loans.
iv. Business and commercial lending was previously reported as commercial lending. This has been updated as a result of the Virgin Money acquisition and its material business lending portfolio.
v. Comparatives have been restated as detailed in note 2 to the consolidated financial statements.

Commitments

Irrevocable undrawn commitments to lend are within the scope of provision requirements. The commitments in the table above consist of overpayment reserves and separately identifiable irrevocable commitments for the pipeline of residential mortgages, personal loans, business and commercial loans and investment securities. These commitments are not recognised on the balance sheet; the associated provision of £4.6 million (2024: £0.3 million) is included within provisions for liabilities and charges. The majority of the off-balance sheet commitments are in stage 1, with a provision equal to a 12-month ECL.

Revocable commitments relating to overdrafts and credit cards are included in the calculation of impairment provisions, with the allowance for future drawdowns included in the estimate of the exposure at default.

Credit risk – Residential mortgages

Summary

The Group's residential mortgages comprise owner-occupied, buy to let and legacy loans. Owner-occupied residential mortgages are mainly advances made through the Nationwide, Virgin Money, Clydesdale and Yorkshire Bank brands. Buy to let is lending originated through The Mortgage Works (UK) plc as well as Virgin Money, Clydesdale and Yorkshire Bank brands. Legacy mortgages are smaller owner-occupied portfolios in run-off.

Gross balances have increased during the year to £275.9 billion (2024: £204.5 billion), with the acquisition of Virgin Money driving the majority of this increase. Virgin Money balances of £55.6 billion include £41.1 billion of owner-occupied and £14.5 billion of buy to let mortgage balances. Nationwide sub-group balances have increased by £15.9 billion, with a focus on supporting first time buyers. Net lending has also been supported by the continued focus on retention through highly competitive products provided to existing customers.

Residential mortgage arrears have remained at low levels during the year, with the Group arrears rate increasing slightly to 0.43% (2024: 0.41%) following the acquisition of Virgin Money, which has a mortgage arrears rate of 0.58%. The proportion of cases more than 3 months in arrears for the Nationwide sub-group have remained broadly stable at 0.40% (2024: 0.41%).

Residential mortgage gross balances				
	2025		2024	
	£m	**%**	£m	%
Owner-occupied	**215,546**	**78**	160,941	79
Buy to let and legacy:				
Buy to let	**59,383**	**22**	42,321	21
Legacy	**961**	**-**	1,165	-
	60,344	**22**	43,486	21
Amortised cost loans and advances to customers	**275,890**	**100**	204,427	100
FVTPL loans and advances to customers	**36**		40	
Total residential mortgages	**275,926**		204,467	

Risk report (continued)

Credit risk – Residential mortgages (continued)

Residential mortgages staging analysis

The following table shows the Group's residential mortgage lending balances carried at amortised cost, the stage allocation of the loans, impairment provisions and the resulting provision coverage ratios.

Residential mortgages staging analysis								
2025	**Stage 1**	**Stage 2 total**	**Stage 2 Up to date**	**Stage 2 1 – 30 DPD (note i)**	**Stage 2 >30 DPD (note i)**	**Stage 3**	**POCI (note ii)**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Gross balances								
Owner-occupied	200,586	13,740	12,434	841	465	833	387	215,546
Buy to let and legacy	35,822	23,821	23,261	344	216	504	197	60,344
Total	236,408	37,561	35,695	1,185	681	1,337	584	275,890
Provisions								
Owner-occupied	14	58	41	7	10	41	2	115
Buy to let and legacy	31	150	131	10	9	54	1	236
Total	45	208	172	17	19	95	3	351
Provisions as a % of total balance	%	%	%	%	%	%	%	%
Owner-occupied	0.01	0.42	0.33	0.82	2.05	4.99	-	0.05
Buy to let and legacy	0.09	0.63	0.56	2.84	4.49	10.62	-	0.39
Total	0.02	0.55	0.48	1.41	2.82	7.11	-	0.13

Risk report (continued)

Credit risk – Residential mortgages (continued)

Residential mortgages staging analysis								
2024	Stage 1	Stage 2 total	Stage 2 Up to date	Stage 2 1 – 30 DPD (note i)	Stage 2 >30 DPD (note i)	Stage 3	POCI (note ii)	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Gross balances								
Owner-occupied	147,573	12,676	11,597	785	294	692	-	160,941
Buy to let and legacy	19,922	22,910	22,371	362	177	541	113	43,486
Total	167,495	35,586	33,968	1,147	471	1,233	113	204,427
Provisions								
Owner-occupied	7	46	31	7	8	37	-	90
Buy to let and legacy	15	151	126	15	10	65	-	231
Total	22	197	157	22	18	102	-	321
Provisions as a % of total balance	%	%	%	%	%	%	%	%
Owner-occupied	0.00	0.36	0.27	0.89	2.72	5.37	-	0.06
Buy to let and legacy	0.07	0.66	0.56	4.28	5.55	12.03	-	0.53
Total	0.01	0.55	0.46	1.96	3.78	8.29	-	0.16

Notes:
i. Days past due (DPD) is a measure of arrears status.
ii. POCI loans are those which were credit impaired on purchase or acquisition. The POCI loans shown in the table above were recognised on the balance sheet when the Derbyshire Building Society was acquired in December 2008 and Virgin Money was acquired in October 2024. The provision coverage for POCI loans has not been included due to the gross balance being reported net of the lifetime ECL.

On 1 October 2024, Virgin Money balances were recognised as either stage 1 or POCI. Since this date, the acquired balances have transferred from stage 1 to stages 2 or 3 if they have met the stage allocation criteria relative to their credit risk at the acquisition date.

Stage 2 balances of £37.6 billion (2024: £35.6 billion) include £2.2 billion of Virgin Money balances where lending has transferred to stage 2 since acquisition. Nationwide sub-group stage 2 balances have remained broadly stable at £35.4 billion (2024: £35.6 billion). A reduction in the Nationwide sub-group staging impact of the modelled adjustment for affordability risks to £9.2 billion (2024: £12.8 billion) has been offset by the impact of PD model recalibrations.

Stage 3 balances of £1,337 million (2024: £1,233 million) include £118 million of Virgin Money balances. The Nationwide sub-group stage 3 balance has remained broadly stable. Of the total stage 3 balance, £910 million (2024: £800 million) is in respect of loans which are more than 90 days past due, with the remainder being impaired due to other indicators of unlikeliness to pay such as forbearance.

The POCI balance of £584 million (2024: £113 million) includes £484 million of Virgin Money loans which were credit impaired at acquisition. The POCI gross balance is presented net of lifetime ECL of £21 million (2024: £5 million).

Residential mortgage provisions have increased to £351 million (2024: £321 million), primarily due to the recognition of £37 million of provisions for the acquired Virgin Money loans. Nationwide sub-group provisions have remained broadly stable at £314 million (2024: £321 million). Group provisions include a modelled adjustment of £70 million (2024: £72 million) to reflect an increase to the PD to account for ongoing affordability risks, including those related to higher interest rates. Further information is included in note 8 to the consolidated financial statements.

Risk report (continued)

Credit risk – Residential mortgages (continued)

Group impairment charge and write-offs for the year		
	2025	2024
	£m	£m
Owner-occupied	**25**	7
Buy to let and legacy	**8**	37
Total impairment charge	**33**	44
	%	%
Impairment charge as a % of average gross balance	**0.01**	0.02
	£m	£m
Gross write-offs	**12**	8

The Group impairment charge for the year includes a £36 million charge for the Virgin Money sub-group. This charge is primarily due to the initial recognition of provisions for the acquired Virgin Money loans, including alignment to key elements of the Group's impairment provision methodology. The total charge includes an impairment release of £3 million (2024: £44 million charge) for the Nationwide sub-group, reflecting a modest reduction in balance sheet provisions to £314 million (2024: £321 million).

Credit risk – Residential mortgages (continued)

The table below summarises the movements in, and stage allocations of, the Group's residential mortgages held at amortised cost, including the impact of ECL impairment provisions. The movements within the table compare the position at 31 March 2025 to that at the start of the reporting period.

Reconciliation of net movements in residential mortgage balances and impairment provisions								
	Non-credit impaired				Credit impaired (note i)			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Stage 1		Stage 2		Stage 3 and POCI			
	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2024	167,495	22	35,586	197	1,346	102	204,427	321
Stage transfers:								
Transfers from stage 1 to stage 2	(12,649)	(2)	12,649	2	-	-	-	-
Transfers to stage 3	(137)	-	(428)	(12)	565	12	-	-
Transfers from stage 2 to stage 1	11,406	33	(11,406)	(33)	-	-	-	-
Transfers from stage 3	56	1	219	10	(275)	(11)	-	-
Net remeasurement of ECL arising from transfer of stage	-	(30)	-	28	-	15	-	13
Net movement arising from transfer of stage	(1,324)	2	1,034	(5)	290	16	-	13
New assets originated or purchased (notes ii and iii)	89,768	19	4,662	43	609	10	95,039	72
Net impact of further lending and repayments	(6,494)	(1)	(471)	(2)	(10)	(1)	(6,975)	(4)
Changes in risk parameters in relation to credit quality	-	5	-	(4)	-	9	-	10
Other items impacting income statement (including recoveries)	-	-	-	-	-	(9)	-	(9)
Redemptions	(13,037)	(2)	(3,250)	(21)	(280)	(26)	(16,567)	(49)
Income statement charge for the period								33
Decrease due to write-offs	-	-	-	-	(34)	(12)	(34)	(12)
Other provision movements	-	-	-	-	-	9	-	9
At 31 March 2025	236,408	45	37,561	208	1,921	98	275,890	351
Net carrying amount		236,363		37,353		1,823		275,539

Notes:
i. Gross balances of credit impaired loans include £584 million (2024: £113 million) of POCI loans, which are presented net of a lifetime ECL of £21 million (2024: £5 million).
ii. If a new asset is originated in the period, the values included are the closing gross balance and provision for the period. The stage in which the addition is shown reflects the stage allocation of the asset at the end of the period.
iii. Virgin Money balances of £55.6 billion have been included within the new assets originated or purchased line item.

Further information on movements in gross loans and advances to customers and impairment provisions, including the methodology applied in preparing the table, is included in note 10 to the consolidated financial statements.

Credit risk – Residential mortgages (continued)

Loans which are reported within stage 2 are those which have experienced a significant increase in credit risk since origination, determined through both quantitative and qualitative indicators. The table below summarises the Group's stage 2 balances and impairment provisions for these indicators.

Reason for residential mortgages being reported in stage 2 (note i)									
2025	**Owner-occupied**			**Buy to let and legacy**			**Total**		
	Gross balances	**Provisions**	**Provisions as a % of balance**	**Gross balances**	**Provisions**	**Provisions as a % of balance**	**Gross balances**	**Provisions**	**Provisions as a % of balance**
	£m	**£m**	**%**	**£m**	**£m**	**%**	**£m**	**£m**	**%**
Quantitative criteria:									
Payment status (greater than 30 DPD)	**465**	**10**	**2.05**	**216**	**9**	**4.49**	**681**	**19**	**2.82**
Increase in PD since origination (less than 30 DPD)	**12,589**	**46**	**0.37**	**21,731**	**125**	**0.58**	**34,320**	**171**	**0.50**
Qualitative criteria:									
Forbearance (less than 30 DPD)	**206**	**1**	**0.34**	**24**	**-**	**1.63**	**230**	**1**	**0.47**
Interest only – significant risk of inability to refinance at maturity (less than 30 DPD)	**-**	**-**	**-**	**1,709**	**15**	**0.85**	**1,709**	**15**	**0.85**
Other qualitative criteria	**480**	**1**	**0.29**	**141**	**1**	**0.46**	**621**	**2**	**0.33**
Total stage 2 gross balances	**13,740**	**58**	**0.42**	**23,821**	**150**	**0.63**	**37,561**	**208**	**0.55**

Reason for residential mortgages being reported in stage 2 (note i)									
2024	Owner-occupied			Buy to let and legacy			Total		
	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance
	£m	£m	%	£m	£m	%	£m	£m	%
Quantitative criteria:									
Payment status (greater than 30 DPD)	294	8	2.72	177	10	5.55	471	18	3.78
Increase in PD since origination (less than 30 DPD)	12,192	38	0.31	21,298	124	0.58	33,490	162	0.48
Qualitative criteria:									
Forbearance (less than 30 DPD)	148	-	0.01	2	-	0.45	150	-	0.02
Interest only – significant risk of inability to refinance at maturity (less than 30 DPD)	-	-	-	1,430	17	1.22	1,430	17	1.22
Other qualitative criteria	42	-	0.02	3	-	0.23	45	-	0.04
Total stage 2 gross balances	12,676	46	0.36	22,910	151	0.66	35,586	197	0.55

Note:

i. Where loans satisfy more than one of the criteria for determining a significant increase in credit risk, the corresponding gross balance has been assigned in the order in which the categories are presented above.

Credit risk – Residential mortgages (continued)

The table below outlines the main criteria used to determine whether a significant increase in credit risk since origination has occurred.

Criteria	Detail
Quantitative	The primary quantitative indicators are the outputs of internal credit risk assessments. For residential mortgage exposures, PDs are derived using models, which use external information such as that from credit reference agencies, as well as internal information such as known instances of arrears or other financial difficulty. Current and historical data relating to an exposure are combined with forward-looking macroeconomic information to determine the likelihood of default. The 12-month and lifetime PDs are calculated for each loan. Similar quantitative staging principles are applied across Nationwide and Virgin Money sub-groups. However, there are differences in the specific criteria, as outlined below. Nationwide sub-group: The 12-month and lifetime PDs are compared to pre-determined benchmarks at each reporting date to ascertain whether a relative or absolute increase in credit risk has occurred. The indicators for a significant increase in credit risk are: • Absolute measures: - The 12-month PD exceeds the 12-month PD threshold that is indicative, at the assessment date, of an account being in arrears. - The residual lifetime PD exceeds the residual lifetime PD threshold, set at inception, which represents the maximum credit risk that would have been accepted at that point. • Relative measure: - The residual lifetime PD has increased by at least 75 basis points and has at least doubled. Virgin Money sub-group: The residual lifetime PD is compared to a threshold which varies by portfolio, and is based on the lifetime PD curves calculated at origination. The PD threshold curves were recalculated at acquisition, to reset the origination point to 1 October 2024, being the date when the Virgin Money business was acquired by the Group.
Qualitative	Qualitative indicators include the increased risk associated with interest only loans which may not be able to refinance at maturity, customer indebtedness markers and loans which have been in arrears during the past 12 months. Also included are forbearance events where full repayment of principal and interest is still anticipated, on a discounted basis.
Backstop	In addition to the primary criteria for stage allocation described above, accounts that are more than 30 days past due are also transferred to stage 2.

At 31 March 2025, stage 2 balances were £37.6 billion (2024: £35.6 billion). Of these, only 2% (2024: 1%) are in arrears by 30 days or more, with the majority of balances in stage 2 due to an increase in PD since origination. This category includes £9.2 billion (2024: £12.8 billion) of loans where the PD has been uplifted to recognise the increased risk of default due to borrower affordability pressures. The impact of this uplift in PD has resulted in these loans breaching existing quantitative PD thresholds.

Stage 2 loans include all loans greater than 30 days past due (DPD), including those where the original reason for being classified as stage 2 was other than arrears greater than 30 DPD. The value of loans in stage 2 due solely to payment status is 0.1% (2024: <0.1%) of total stage 2 balances.

Risk report (continued)

Credit risk – Residential mortgages (continued)

Credit quality

The residential mortgage portfolio comprises many small loans which are broadly homogenous, have low volatility of credit risk outcomes and are geographically diversified. The table below shows the Group's loan balances and provisions for residential mortgages held at amortised cost, by PD range. The PD distributions shown are based on 12-month IFRS 9 PDs at the reporting date.

Loan balance and provisions by PD

2025	Gross balances (note i)				Provisions				
	Stage 1	Stage 2	Stage 3 and POCI	Total	Stage 1	Stage 2	Stage 3 and POCI	Total	Provision coverage
PD Range	£m	£m	£m	£m	£m	£m	£m	£m	%
0.00 to < 0.15%	175,908	3,617	32	179,557	5	6	-	11	0.01
0.15 to < 0.25%	24,703	2,124	16	26,843	4	5	-	9	0.03
0.25 to < 0.50%	19,419	5,160	20	24,599	5	14	-	19	0.08
0.50 to < 0.75%	8,542	3,319	14	11,875	11	9	-	20	0.17
0.75 to < 2.50%	7,032	12,249	47	19,328	10	42	-	52	0.27
2.50 to < 10.00%	613	6,678	67	7,358	5	48	-	53	0.72
10.00 to < 100%	191	4,414	201	4,806	5	84	7	96	2.00
100% (default)	-	-	1,524	1,524	-	-	91	91	5.96
Total	236,408	37,561	1,921	275,890	45	208	98	351	0.13

Loan balance and provisions by PD

2024	Gross balances (note i)				Provisions				
	Stage 1	Stage 2	Stage 3 and POCI	Total	Stage 1	Stage 2	Stage 3 and POCI	Total	Provision coverage
PD Range	£m	£m	£m	£m	£m	£m	£m	£m	%
0.00 to < 0.15%	128,032	3,099	32	131,163	4	3	-	7	0.01
0.15 to < 0.25%	14,654	1,888	7	16,549	2	4	-	6	0.04
0.25 to < 0.50%	13,712	5,865	10	19,587	6	11	-	17	0.08
0.50 to < 0.75%	5,148	3,779	8	8,935	2	9	-	11	0.12
0.75 to < 2.50%	5,525	10,733	41	16,299	4	38	-	42	0.26
2.50 to < 10.00%	389	6,491	53	6,933	3	49	-	52	0.75
10.00 to < 100%	35	3,731	191	3,957	1	83	10	94	2.37
100% (default)	-	-	1,004	1,004	-	-	92	92	9.15
Total	167,495	35,586	1,346	204,427	22	197	102	321	0.16

Note:
i. Includes POCI loans of £584 million (2024: £113 million).

At 31 March 2025, 95% (2024: 94%) of the portfolio had a 12-month IFRS 9 PD of less than 2.5%, reflecting the high quality of the residential mortgage portfolio.

Credit risk – Residential mortgages (continued)

LTV and credit risk concentration

Loan to value (LTV) is calculated by weighting the borrower level LTV by the individual loan balance to arrive at an average LTV. This approach is considered to reflect most appropriately the exposure at risk.

Group average LTV of loan stock (by value) (note i)		
	2025	2024
	%	%
Owner-occupied	**56**	55
Buy to let and legacy	**56**	56
Group	**56**	55

Group average LTV of new business (by value) (note ii)		
	2025	2024
	%	%
Owner-occupied	**75**	71
Buy to let	**65**	62
Group	**73**	**70**

Notes:
i. The average LTV of loan stock includes both amortised cost and FVTPL balances. There have been no new FVTPL advances during the year.
ii. The LTV of new business excludes further advances and product switches.

The Nationwide House Price Index has shown a 3.9% year on year increase in house prices, resulting in limited movements in the average LTV of loan stock.

The Group owner-occupied average LTV of new business has increased to 75% (2024: 71%). The strategy to support first time buyers has increased the proportion of lending at higher LTVs, with the proportion of new business at an LTV greater than 80% within the Nationwide sub-group increasing to 42% (2024: 34%). This is a segment of the owner-occupied market we have extensive experience in lending to, and we maintain robust credit criteria to support this strategy.

The Group buy to let average LTV of new business has increased to 65% (2024: 62%). This is largely due to the reduction in interest rates increasing the maximum loan sizes available to landlords.

Credit risk – Residential mortgages (continued)

Residential mortgage balances by LTV

The following table shows the Group's residential mortgages, excluding FVTPL balances, by LTV across stages 1 and 2 (non-credit impaired) and stage 3 (credit impaired). The LTV is calculated using the latest indexed valuation.

Residential mortgage balances by LTV									
2025	**Gross balances (note i)**				**Provisions (note i)**				**Provision coverage**
	Stage 1	**Stage 2**	**Stage 3 and POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3 and POCI**	**Total**	
LTV ratio:	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**
Up to 50%	**86,725**	**11,980**	**843**	**99,548**	**4**	**31**	**23**	**58**	**0.06**
50%-60%	**41,051**	**9,588**	**399**	**51,038**	**5**	**37**	**15**	**57**	**0.11**
60%-70%	**42,127**	**9,489**	**305**	**51,921**	**11**	**51**	**18**	**80**	**0.15**
70%-80%	**33,735**	**4,886**	**193**	**38,814**	**15**	**49**	**13**	**77**	**0.20**
80%-90%	**27,721**	**1,327**	**92**	**29,140**	**7**	**25**	**11**	**43**	**0.15**
90%-100%	**5,023**	**242**	**48**	**5,313**	**2**	**8**	**8**	**18**	**0.33**
Over 100%	**26**	**49**	**41**	**116**	**1**	**7**	**10**	**18**	**15.36**
Total	**236,408**	**37,561**	**1,921**	**275,890**	**45**	**208**	**98**	**351**	**0.13**

Residential mortgage balances by LTV									
2024	Gross balances (note i)				Provisions (note i)				Provision coverage
	Stage 1	Stage 2	Stage 3 and POCI	Total	Stage 1	Stage 2	Stage 3 and POCI	Total	
LTV ratio:	£m	£m	£m	£m	£m	£m	£m	£m	%
Up to 50%	63,657	11,809	602	76,068	4	36	22	62	0.08
50%-60%	28,834	9,126	293	38,253	3	36	17	56	0.14
60%-70%	31,859	8,852	224	40,935	5	43	19	67	0.16
70%-80%	23,948	4,579	135	28,662	6	38	15	59	0.21
80%-90%	14,311	939	49	15,299	3	19	13	35	0.23
90%-100%	4,839	228	19	5,086	1	10	4	15	0.30
Over 100%	47	53	24	124	-	15	12	27	21.87
Total	167,495	35,586	1,346	204,427	22	197	102	321	0.16

Note:
i. Includes POCI gross balances of £584 million (2024: £113 million) and provisions of £3 million (2024: £nil)

Geographical distribution

During the year, the geographical distribution of the Group's residential mortgages across the UK has remained broadly stable. The highest concentration of lending remains in Greater London and the South East, with the proportion of lending in these regions totalling 46% (2024: 45%).

Risk report (continued)

Credit risk – Residential mortgages (continued)

Arrears

Residential mortgage lending continues to have a low risk profile as demonstrated by the low level of arrears compared to the industry average.

Number of cases more than 3 months in arrears as % of total book		
	2025	2024
	%	%
Owner-occupied	**0.40**	0.36
Buy to let and legacy	**0.51**	0.60
Total	**0.43**	0.41
UK Finance (UKF) industry average	**0.89**	0.94

Residential mortgage arrears have remained at low levels during the year, with the Group arrears rate increasing slightly to 0.43% (2024: 0.41%) following the acquisition of Virgin Money, which has an arrears rate of 0.58%. The proportion of cases more than 3 months in arrears for the Nationwide sub-group have remained broadly stable at 0.40% (2024: 0.41%). The performance of the open buy to let book originated under the TMW brand remains strong, with 0.21% (2024: 0.23%) of cases more than 3 months in arrears.

Interest only mortgages

At 31 March 2025, interest only balances of £13,183 million (2024: £6,240 million) account for 6.1% (2024: 3.9%) of the owner-occupied residential mortgage portfolios. The increase during the year includes Virgin Money balances of £7,420 million. Maturities of interest only mortgages are managed closely, with regular engagement with borrowers in advance of maturity, to ensure the loan is redeemed or to agree a strategy for repayment.

Of the buy to let and legacy portfolio, £54,972 million (2024: £39,619 million) relates to interest only balances, representing 91% (2024: 91%) of balances. The increase during the year includes Virgin Money balances of £13,154 million. Buy to let remains open to new interest only lending under standard terms.

There is a risk that a proportion of interest only mortgages will not be redeemed at their contractual maturity date, because a borrower does not have a means of capital repayment or has been unable to refinance the loan. Interest only loans which are judged to have a significantly increased risk of inability to refinance at maturity are transferred to stage 2. The ability of a borrower to refinance is calculated using current lending criteria which consider LTV and affordability assessments. The impact of recognising this risk is to increase provisions by £28 million (2024: £35 million), of which £4 million is in relation to the Virgin Money sub-group.

Interest only mortgages (gross balance) – term to maturity (note i)							
	Term expired (still open)	**Due within one year**	**Due after one year and before two years**	**Due after two years and before five years**	**Due after more than five years**	**Total**	**% of book**
2025	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**
Owner-occupied	**126**	**282**	**445**	**1,860**	**10,470**	**13,183**	**6.1**
Buy to let and legacy	**172**	**308**	**536**	**2,169**	**51,787**	**54,972**	**91.1**
Total	**298**	**590**	**981**	**4,029**	**62,257**	**68,155**	**24.7**
2024	£m	£m	£m	£m	£m	£m	%
Owner-occupied	69	187	223	981	4,780	6,240	3.9
Buy to let and legacy	174	191	356	1,679	37,219	39,619	91.1
Total	243	378	579	2,660	41,999	45,859	22.4

Note:
i. Balances subject to forbearance with agreed term extensions are presented based on the latest agreed contractual term.

Credit risk – Residential mortgages (continued)

Past term interest only loans are not considered to be past due where contractual interest payments continue to be met, pending renegotiation of the facility. These loans are, however, treated as credit impaired and categorised as stage 3 balances from three months after the maturity date.

Forbearance

Nationwide is committed to supporting borrowers facing financial difficulty by working with them to find a solution through proactive arrears management and forbearance. The Group applies the European Banking Authority (EBA) definition of forbearance. Types of forbearance include interest or payment arrangements, where the borrower is granted a concession which varies from contractual terms and repayments during a time of financial difficulty.

The table below provides details of residential mortgages held at amortised cost subject to forbearance, including balances which are within stage 1 for provision purposes, but which continue to meet the EBA definition of forbearance. Accounts that are currently subject to a concession are assessed as either stage 2, or stage 3 (credit impaired) where full repayment of principal and interest is no longer anticipated.

Gross balances subject to forbearance						
	2025			2024		
	Owner-occupied	**Buy to let and legacy**	**Total**	Owner-occupied	Buy to let and legacy	Total
	£m	**£m**	**£m**	£m	£m	£m
Total forbearance	**1,048**	**377**	**1,425**	661	339	1,000
Of which stage 2	**363**	**108**	**471**	206	66	272
Of which stage 3 or POCI	**537**	**252**	**789**	320	263	583
	%	**%**	**%**	%	%	%
Total forbearance as a % of total gross balances	**0.5**	**0.6**	**0.5**	0.4	0.8	0.5
	£m	**£m**	**£m**	£m	£m	£m
Impairment provisions on forborne loans	**16**	**24**	**40**	15	29	44

Gross balances subject to forbearance have increased to £1,425 million (2024: £1,000 million), including £517 million of Virgin Money balances. Nationwide sub-group forbearance balances have reduced to £908 million (2024: £1,000 million) largely due to a reduction in interest only concessions.

In addition to the amortised cost balances above, £2 million (2024: £3 million) of FVTPL balances are also forborne.

Credit risk – Consumer lending

Summary

The consumer lending portfolio comprises balances on unsecured retail banking products: overdrawn current accounts, personal loans and credit cards.

Gross balances have increased during the year to £11.1 billion (2024: £4.3 billion), with the acquisition of Virgin Money driving the majority of this increase. Virgin Money balances of £6.7 billion include £6.2 billion of credit cards, £0.5 billion of personal loans and less than £0.1 billion of overdrawn current accounts. The composition of the consumer lending portfolio has materially changed as a result of the acquisition, with credit card lending now making up 70% (2024: 37%) of the consumer lending portfolio.

The Group arrears rate is 1.11% (2024: 1.36%), with the lower rate being predominantly driven by the increased credit card book as a result of the Virgin Money acquisition. The Virgin Money credit cards arrears rate is 1.06%, which has been broadly stable over the period since acquisition. Nationwide sub-group arrears levels have remained low during the year and, excluding charged off accounts, balances more than 3 months in arrears represent 1.23% (2024: 1.36%) of the portfolio.

Consumer lending gross balances				
	2025		2024	
	£m	**%**	£m	%
Overdrawn current accounts	**338**	**3**	347	8
Personal loans	**2,962**	**27**	2,353	55
Credit cards	**7,807**	**70**	1,563	37
Total consumer lending	**11,107**	**100**	4,263	100

All consumer lending loans are classified and measured at amortised cost.

Credit risk – Consumer lending (continued)

Consumer lending staging analysis

The following table shows Group consumer lending balances by stage, with the corresponding impairment provisions and resulting provision coverage ratios.

Consumer lending staging analysis	2025					2024			
	Stage 1	**Stage 2**	**Stage 3**	**POCI (note i)**	**Total**	Stage 1	Stage 2	Stage 3	Total
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
Gross balances									
Overdrawn current accounts	179	115	44	-	338	187	120	40	347
Personal loans	2,131	488	342	1	2,962	1,274	950	129	2,353
Credit cards	6,311	1,304	165	27	7,807	1,099	380	84	1,563
Total	8,621	1,907	551	28	11,107	2,560	1,450	253	4,263
Provisions									
Overdrawn current accounts	5	22	40	-	67	5	23	36	64
Personal loans	16	41	158	-	215	10	54	113	177
Credit cards	104	323	119	(4)	542	16	105	74	195
Total	125	386	317	(4)	824	31	182	223	436
Provisions as a % of total balance	%	%	%	%	%	%	%	%	%
Overdrawn current accounts	2.77	19.39	90.17	-	19.74	2.81	18.89	90.00	18.39
Personal loans	0.76	8.39	46.18	-	7.25	0.76	5.82	86.93	7.54
Credit cards	1.65	24.78	71.64	-	6.94	1.43	27.52	88.26	12.46
Total	1.46	20.26	57.32	-	7.42	1.20	12.58	87.86	10.23

Note:
i. POCI loans are those which were credit impaired on acquisition. The POCI loans shown in the table above were recognised on the balance sheet when Virgin Money was acquired in October 2024. The provision coverage for POCI loans has not been included due to the gross balance being reported net of the lifetime ECL.

On 1 October 2024, Virgin Money balances were recognised as either stage 1 or POCI. Since this date, the acquired balances have transferred from stage 1 to stages 2 or 3 if they have met the stage allocation criteria relative to their credit risk at the acquisition date. Stage 2 balances of £1,907 million (2024: £1,450 million) include £1,031 million of Virgin Money balances where lending has transferred to stage 2 since acquisition. Nationwide sub-group stage 2 balances of £876 million (2024: £1,450 million) include £66 million (2024: £473 million) of balances where the PD has been uplifted by the model adjustment for affordability risks. The reduction in balances impacted by this PD uplift, combined with an update to the personal loans PD models, has driven the reduction in stage 2 balances.

Stage 3 balances of £551 million (2024: £253 million) include £299 million of Virgin Money balances. The Virgin Money stage 3 balances include £211 million of personal loans balances which relate to a loan to the Salary Finance joint venture. A combination of the joint venture's historic trading losses and the decision to not extend any additional lending to the joint venture beyond 2025 means that the loan meets the conditions to be transferred to Stage 3. The associated provision for this loan is £45 million, which has reduced the overall provision coverage for the stage 3 loans category. The Nationwide sub-group stage 3 balance has remained broadly stable at £252 million (2024: £253 million).

The POCI gross balance of £28 million represents the Virgin Money loans which were credit impaired at acquisition; this balance is presented net of lifetime ECL of £29 million.

Credit risk – Consumer lending (continued)

Consumer lending stage 3 gross balances and provisions include charged off balances. These are accounts which are closed to future transactions and may be held on the balance sheet for an extended period (up to 36 months) whilst recovery activities take place. The charged off balances and provisions were £178 million (2024: £178 million) and £171 million (2024: £170 million) respectively. Excluding these charged off balances and related provisions, provisions amount to 6.0% (2024: 6.5%) of gross balances.

Consumer lending provisions have increased to £824 million (2024: £436 million), primarily due to the recognition of £452 million of provisions for the acquired Virgin Money loans. Nationwide sub-group balance sheet provisions of £372 million (2024: £436 million) include a modelled adjustment of £13 million (2024: £73 million) for affordability risks. This adjustment has reduced during the year due to the continued resilience of the portfolios, where the previously anticipated increase in arrears has not materialised. Further information is included in note 8 to the consolidated financial statements. The total provision coverage ratio has reduced primarily due to the reduction in the modelled adjustment for affordability risks and has also been impacted by the inclusion of Virgin Money gross balances and provisions.

Group impairment charge/(release) and write-offs for the year		
	2025	2024
Impairment charge	**£m**	£m
Overdrawn current accounts	**21**	15
Personal loans	**75**	37
Credit cards	**418**	(1)
Total impairment charge	**514**	51
	%	%
Impairment charge as a % of average gross balance	**6.93**	1.17
Gross write-offs	**£m**	£m
Overdrawn current accounts	**17**	14
Personal loans	**44**	45
Credit cards	**105**	30
Total gross write-offs	**166**	89

The Group impairment charge for the year includes the recognition of £452 million of provisions for the acquired Virgin Money loans. This provision includes the impact of recognising initial provisions for the acquired loans, including alignment to the key elements of the Group's impairment provision methodology. The Nationwide sub-group impairment charge of £18 million (2024: £51 million) includes the impact of the reduction in balance sheet provisions to £372 million (2024: £436 million) where the previously anticipated increase in arrears has not materialised, combined with broadly stable losses due to write-offs.

Gross write-offs have increased to £166 million (2024: £89 million), which include £79 million of Virgin Money balances which have been written off since the acquisition. Nationwide sub-group write-offs have remained broadly stable at £87 million (2024: £89 million).

Risk report (continued)

Credit risk – Consumer lending (continued)

The table below summarises the movements in, and stage allocation of, the Group's consumer lending balances held at amortised cost, including the impact of ECL impairment provisions. The movements within the table compare the position at 31 March 2025 to that at the start of the reporting period.

Reconciliation of net movements in consumer lending balances and impairment provisions								
	Non-credit impaired				Credit impaired			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Stage 1		Stage 2		Stage 3 and POCI (note i)			
	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2024	2,560	31	1,450	182	253	223	4,263	436
Stage transfers:								
Transfers from stage 1 to stage 2	(211)	(4)	211	4	-	-	-	-
Transfers to stage 3	(21)	(1)	(64)	(23)	85	24	-	-
Transfers from stage 2 to stage 1	702	71	(702)	(71)	-	-	-	-
Transfers from stage 3	2	1	3	2	(5)	(3)	-	-
Net remeasurement of ECL arising from transfer of stage	-	(57)	-	36	-	46	-	25
Net movement arising from transfer of stage	472	10	(552)	(52)	80	67	-	25
New assets originated or purchased (notes ii and iii)	6,578	107	1,279	291	413	174	8,270	572
Net impact of further lending and repayments	(585)	(13)	(52)	(15)	(1)	3	(638)	(25)
Changes in risk parameters in relation to credit quality	-	(7)	-	(10)	-	12	-	(5)
Other items impacting income statement (including recoveries)	-	-	-	-	-	(40)	-	(40)
Redemptions	(404)	(3)	(218)	(10)	-	-	(622)	(13)
Income statement charge for the period								514
Decrease due to write-offs	-	-	-	-	(166)	(166)	(166)	(166)
Other provision movements	-	-	-	-	-	40	-	40
At 31 March 2025	8,621	125	1,907	386	579	313	11,107	824
Net carrying amount		8,496		1,521		266		10,283

Notes:
1. Gross balances of credit impaired loans include £28 million (2024: £nil million) of POCI loans, which are presented net of lifetime ECL of £29 million (2024: £nil million).
2. If a new asset is originated or purchased during the period, the values included are the closing gross balance and provision for the period. The stage in which the addition is shown reflects the stage of the account at the end of the period.
3. Virgin Money balances of £6.7 billion have been included within the new assets originated or purchased line item.

Further information on movements in gross loans and advances to customers and impairment provisions, including the methodology applied in preparing the table, is included in note 10 to the consolidated financial statements.

Risk report (continued)

Credit risk – Consumer lending (continued)

Loans which are reported within stage 2 are those which have experienced a significant increase in credit risk since origination, determined through both quantitative and qualitative indicators. The table below summarises the Group's stage 2 balances and impairment provisions for these indicators.

Reason for consumer lending balances being reported in stage 2 (note i)												
2025	**Overdrawn current accounts**			**Personal loans**			**Credit cards**			**Total**		
	Gross balances	**Provisions**	**Provisions as a % of balance**	**Gross balances**	**Provisions**	**Provisions as a % of balance**	**Gross balances**	**Provisions**	**Provisions as a % of balance**	**Gross balances**	**Provisions**	**Provisions as a % of balance**
	£m	**£m**	**%**	**£m**	**£m**	**%**	**£m**	**£m**	**%**	**£m**	**£m**	**%**
Quantitative criteria:												
Payment status (greater than 30 DPD) (note ii)	**5**	**3**	**56**	**12**	**6**	**51**	**35**	**22**	**63**	**52**	**31**	**59**
Increase in PD since origination (less than 30 DPD)	**96**	**18**	**19**	**470**	**35**	**7**	**924**	**230**	**25**	**1,490**	**283**	**19**
Qualitative criteria:												
Forbearance (less than 30 DPD) (note iii)	**1**	**-**	**10**	**-**	**-**	**6**	**9**	**2**	**29**	**10**	**2**	**27**
Other qualitative criteria (less than 30 DPD)	**13**	**1**	**7**	**6**	**-**	**3**	**336**	**69**	**21**	**355**	**70**	**20**
Total stage 2 gross balances	**115**	**22**	**19**	**488**	**41**	**8**	**1,304**	**323**	**25**	**1,907**	**386**	**20**

Reason for consumer lending balances being reported in stage 2 (note i)												
2024	Overdrawn current accounts			Personal loans			Credit cards			Total		
	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance
	£m	£m	%	£m	£m	%	£m	£m	%	£m	£m	%
Quantitative criteria:												
Payment status (greater than 30 DPD) (note ii)	4	3	68	12	7	63	5	4	86	21	14	69
Increase in PD since origination (less than 30 DPD)	108	19	18	935	47	5	347	95	27	1,390	161	12
Qualitative criteria:												
Forbearance (less than 30 DPD) (note iii)	-	-	14	-	-	9	-	-	14	-	-	13
Other qualitative criteria (less than 30 DPD)	8	1	8	3	-	4	28	6	20	39	7	16
Total stage 2 gross balances	120	23	19	950	54	6	380	105	28	1,450	182	13

Notes:
i. Where loans satisfy more than one of the criteria for determining a significant increase in credit risk, the corresponding balance has been assigned in the order in which the categories are presented above.
ii. This category includes all loans greater than 30 DPD, including those whose original reason for being classified as stage 2 was not arrears greater than 30 DPD.
iii. Stage 2 forbearance relates to cases where full repayment of principal and interest is still anticipated.

Balances reported within stage 2 represent loans which have experienced a significant increase in credit risk since origination. The significant increase is determined through both quantitative and qualitative indicators. Of the £1,907 million (2024: £1,450 million) stage 2 balances, 3% (2024: 1%) are in arrears by 30 days or more, with the majority of balances in stage 2 due to an increase in PD since origination. This category includes £66 million (2024: £473 million) of loans where the PD has been uplifted to recognise the increased risk of default due to borrower affordability pressures. The impact of this uplift in PD has resulted in these loans breaching existing quantitative PD thresholds.

Risk report (continued)

Credit risk – Consumer lending (continued)

The other qualitative criteria category includes £225 million (2024: £28 million) of loans which have been moved to stage 2 in recognition of the risk related to borrowers in credit card persistent debt, with £193 million of this relating to Virgin Money balances.

The table below outlines the main criteria used to determine whether a significant increase in credit risk since origination has occurred.

<table>
<tr><th>Criteria</th><th>Detail</th></tr>
<tr><td>Quantitative</td><td>The primary quantitative indicators are the outputs of internal credit risk assessments. For consumer lending exposures, PDs are derived using models, which use external information such as that from credit reference agencies, as well as internal information such as known instances of arrears or other financial difficulty. Current and historical data relating to the exposure are combined with forward-looking macroeconomic information to determine the likelihood of default. 12-month and lifetime PDs are calculated for each loan.

Similar quantitative staging principles are applied across Nationwide and Virgin Money sub-groups. However, there are differences in the specific criteria, as outlined below.

Nationwide sub-group:
The 12-month and lifetime PDs are compared to pre-determined benchmarks at each reporting date to ascertain whether a relative or absolute increase in credit risk has occurred. The indicators for a significant increase in credit risk are:

• Absolute measures:
- The 12-month PD exceeds the 12-month PD threshold that is indicative, at the assessment date, of an account being in arrears.
- The residual lifetime PD exceeds the residual lifetime PD threshold, set at inception, which represents the maximum credit risk that would have been accepted at that point.

• Relative measure:
- The residual lifetime PD has increased by at least 75 basis points and has at least doubled.

Virgin Money sub-group:
The residual lifetime PD is compared to a threshold which varies by portfolio, and is based on the lifetime PD curves calculated at origination. The PD threshold curves were recalculated at acquisition, to reset the origination point to 1 October 2024, being the date when the Virgin Money business was acquired by the Group.</td></tr>
<tr><td>Qualitative</td><td>Qualitative criteria include forbearance events, customer indebtedness markers, and, within the credit card portfolio, recognition of the risk related to borrowers in persistent debt.</td></tr>
<tr><td>Backstop</td><td>In addition to the primary criteria for stage allocation described above, accounts that are more than 30 days past due are also transferred to stage 2.</td></tr>
</table>

Credit risk – Consumer lending (continued)

Credit quality

The Group adopts robust credit management policies and processes designed to recognise and manage the risks arising from its lending portfolios.

The following tables show gross balances and provisions for consumer lending balances held at amortised cost by PD range for the Group. The PD distributions shown are based on 12-month IFRS 9 PDs at the reporting date.

The credit quality of the consumer lending portfolio has remained strong; 88% (2024: 87%) of the portfolio has a 12-month IFRS 9 PD of less than 10%.

Consumer lending gross balances and provisions by PD									
2025	**Gross balances**				**Provisions**				**Provision coverage**
	Stage 1	**Stage 2**	**Stage 3 and POCI (note i)**	**Total**	**Stage 1**	**Stage 2**	**Stage 3 and POCI**	**Total**	
12-month IFRS 9 PD range	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**
0.00 to <0.15%	**1,101**	**33**	**-**	**1,134**	**2**	**2**	**-**	**4**	**0.37**
0.15 to < 0.25%	**529**	**21**	**-**	**550**	**2**	**1**	**-**	**3**	**0.58**
0.25 to < 0.50%	**1,267**	**70**	**-**	**1,337**	**7**	**3**	**-**	**10**	**0.72**
0.50 to < 0.75%	**1,030**	**80**	**-**	**1,110**	**8**	**3**	**-**	**11**	**0.98**
0.75 to < 2.50%	**3,125**	**319**	**-**	**3,444**	**43**	**24**	**-**	**67**	**1.94**
2.50 to < 10.00%	**1,502**	**740**	**1**	**2,243**	**52**	**125**	**-**	**177**	**7.90**
10.00 to < 100%	**67**	**644**	**3**	**714**	**11**	**228**	**1**	**240**	**33.74**
100% (default)	**-**	**-**	**575**	**575**	**-**	**-**	**312**	**312**	**54.21**
Total	**8,621**	**1,907**	**579**	**11,107**	**125**	**386**	**313**	**824**	**7.42**

Note:
i. Includes POCI loans of £28 million (2024: £nil million).

Consumer lending gross balances and provisions by PD									
2024	Gross balances				Provisions				Provision coverage
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
12-month IFRS 9 PD range	£m	£m	£m	£m	£m	£m	£m	£m	%
0.00 to <0.15%	684	24	-	708	2	2	-	4	0.52
0.15 to < 0.25%	307	24	-	331	1	1	-	2	0.70
0.25 to < 0.50%	408	121	-	529	2	3	-	5	0.96
0.50 to < 0.75%	227	126	-	353	2	3	-	5	1.31
0.75 to < 2.50%	555	444	-	999	7	20	-	27	2.73
2.50 to < 10.00%	354	427	1	782	14	53	-	67	8.61
10.00 to < 100%	25	284	3	312	3	100	1	104	33.42
100% (default)	-	-	249	249	-	-	222	222	88.80
Total	2,560	1,450	253	4,263	31	182	223	436	10.23

Credit risk – Consumer lending (continued)

Forbearance

The Group is committed to supporting customers facing financial difficulty by working with them to find a solution through proactive arrears management and forbearance. The Group applies the European Banking Authority definition of forbearance. The main type of forbearance offered are interest payment concessions, which result in reduced monthly payments and may be offered to customers with an overdraft, credit card or personal loan. Interest payments are suppressed during the period of the concession and arrears do not increase. Cases subject to this concession are classified as impaired.

Gross balances subject to forbearance of £191 million (2024: £81 million) include £131 million of Virgin Money balances. The Nationwide sub-group forbearance balance has decreased to £60 million (2024: £81 million). This reduction is largely the result of overdrawn current accounts, which were previously granted 0% interest rate concessions, reaching the end of the forbearance probation period.

Gross balances subject to forbearance	2025				2024			
	Overdrawn current accounts	**Personal loans**	**Credit cards**	**Total**	Overdrawn current accounts	Personal loans	Credit cards	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Total forbearance	**15**	**27**	**149**	**191**	30	30	21	81
Of which stage 2	**5**	**2**	**46**	**53**	16	2	12	30
Of which stage 3 or POCI	**10**	**24**	**94**	**128**	9	27	9	45
	%	**%**	**%**	**%**	%	%	%	%
Total forbearance as a % of total gross balances	**4.4**	**0.9**	**1.9**	**1.7**	8.6	1.3	1.3	1.9
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Impairment provisions on forborne loans	**10**	**21**	**47**	**78**	12	24	10	46

Credit risk – Business and commercial lending

Business and commercial lending comprise lending to non-retail customers, including loans to registered social landlords.

Gross balances have increased during the year to £15.1 billion (2024: £5.5 billion), of which £9.5 billion relates to Virgin Money lending. Virgin Money balances include term lending, asset and lease financing, specialist finance and other business lending, including business overdrafts and credit cards. The Virgin Money business lending portfolio is diversified across a range of sectors, with the highest risk concentration being across the agriculture, business services, and government, health and education sectors.

Nationwide sub-group lending balances total £5.6 billion (2024: £5.5 billion) and comprise loans which have been provided to meet the funding requirements of registered social landlords, project finance initiatives (PFI) and commercial real estate investors. An increase in lending to registered social landlords, both through new lending and the refinancing of existing facilities, demonstrates the continued support for this sector. The project finance and commercial real estate portfolios within the Nationwide sub-group remain closed to new business.

Business and commercial lending gross balances		
	2025	2024
	£m	£m
Business and commercial lending (excl. registered social landlords)	**9,817**	753
Registered social landlords	**5,001**	4,386
Business and commercial lending balances at amortised cost	**14,818**	5,139
Fair value adjustment for micro hedged risk	**277**	350
Business and commercial lending balances – FVTPL	**49**	2
Total	**15,144**	5,491

The following table shows the Group's business and commercial lending balances carried at amortised cost on the balance sheet, with the stage allocation of the exposures, impairment provisions and resulting provision coverage ratios.

Business and commercial lending portfolio and staging analysis									
	2025					2024			
	Stage 1	**Stage 2**	**Stage 3**	**POCI (note i)**	**Total**	Stage 1	Stage 2	Stage 3	Total
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
Gross balances									
Business and commercial lending (excl. registered social landlords)	**7,991**	**1,354**	**137**	**335**	**9,817**	623	63	67	753
Registered social landlords	**4,731**	**270**	**-**	**-**	**5,001**	4,182	204	-	4,386
Total	**12,722**	**1,624**	**137**	**335**	**14,818**	4,805	267	67	5,139
Provisions									
Business and commercial lending (excl. registered social landlords)	**34**	**39**	**35**	**4**	**112**	-	2	21	23
Registered social landlords	**1**	**-**	**-**	**-**	**1**	1	-	-	1
Total	**35**	**39**	**35**	**4**	**113**	1	2	21	24
Provisions as a % of total balance	**%**	**%**	**%**	**%**	**%**	%	%	%	%
Business and commercial lending (excl. registered social landlords)	**0.42**	**2.87**	**25.42**	**-**	**1.14**	0.11	2.93	31.58	3.15
Registered social landlords	**0.02**	**0.13**	**-**	**-**	**0.02**	0.01	0.13	-	0.02
Total	**0.27**	**2.41**	**25.42**	**-**	**0.76**	**0.03**	**0.79**	**31.58**	**0.48**

Note:

i. POCI loans are those which were credit impaired on acquisition. The POCI loans shown in the table above were recognised on the balance sheet when Virgin Money was acquired in October 2024. The provision coverage for POCI loans has not been included due to the gross balance being reported net of the lifetime ECL.

Credit risk – Business and commercial lending (continued)

On 1 October 2024, Virgin Money loans were recognised as either stage 1 or POCI. Since this date, the acquired balances have transferred from stage 1 to stages 2 or 3 if they have met the stage allocation criteria relative to their credit risk at the acquisition date. Stage 2 balances of £1,624 million (2024: £267 million) include £1,272 million of Virgin Money balances where lending has transferred to stage 2 since acquisition. The stage 2 Virgin Money balance includes £910 million of loans which have met qualitative staging criteria, including early warning indicators and forbearance events.

Stage 3 balances of £137 million (2024: £67 million) include £71 million of Virgin Money balances. The Nationwide sub-group stage 3 balance has remained broadly stable at £66 million (2024: £67 million). The POCI balance of £335 million represents the Virgin Money loans which were credit impaired at acquisition, with this balance presented net of lifetime ECL of £50 million.

During the year, total provisions increased to £113 million (2024: £24 million), which is primarily due to the recognition of £91 million of provisions for the acquired Virgin Money loans.

The Group impairment charge for the year includes a charge for the Virgin Money sub-group of £88 million. This charge is primarily due to the initial recognition of provisions for the acquired Virgin Money loans, including alignment to key elements of the Group's impairment provision methodology. The Nationwide sub-group impairment release for the year was £3 million (2024: £17 million impairment charge) reflecting updated case assessments for a small number of individually assessed exposures.

Group impairment charge and write-offs for the year		
	2025	2024
	£m	£m
Total impairment charge	**85**	17
	%	%
Impairment charge as a % of average gross balance	**0.88**	0.34
	£m	£m
Total gross write-offs	**5**	9

Risk report (continued)

Credit risk – Business and commercial lending (continued)

The table below summarises the movements in, and stage allocation of, the Group's business and commercial lending balances held at amortised cost, including the impact of ECL impairment provisions. The movements within the table compare the position at 31 March 2025 to that at the start of the reporting period.

Reconciliation of net movements in business and commercial lending balances and impairment provisions	Non-credit impaired				Credit impaired			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Stage 1		Stage 2		Stage 3 and POCI (note i)			
	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2024	4,805	1	267	2	67	21	5,139	24
Stage transfers:								
Transfers from stage 1 to stage 2	(116)	-	116	-	-	-	-	-
Transfers to stage 3	-	-	(3)	-	3	-	-	-
Transfers from stage 2 to stage 1	4	-	(4)	-	-	-	-	-
Transfers from stage 3	-	-	-	-	-	-	-	-
Net remeasurement of ECL arising from transfer of stage	-	-	-	-	-	-	-	-
Net movement arising from transfer of stage	(112)	-	109	-	3	-	-	-
New assets originated or purchased (notes ii and iii)	8,896	34	1,282	37	410	25	10,588	96
Net impact of further lending and repayments	(189)	-	(23)	-	-	-	(212)	-
Changes in risk parameters in relation to credit quality	-	-	-	-	-	(1)	-	(1)
Other items impacting income statement (including recoveries)	-	-	-	-	-	(9)	-	(9)
Redemptions	(678)	-	(11)	-	(3)	(1)	(692)	(1)
Income statement charge for the period								85
Decrease due to write-offs	-	-	-	-	(5)	(5)	(5)	(5)
Other provision movements	-	-	-	-	-	9	-	9
At 31 March 2025	12,722	35	1,624	39	472	39	14,818	113
Net carrying amount		12,687		1,585		433		14,705

Notes:
i. Gross balances of credit impaired loans include £335 million (2024: £nil million) of POCI loans, which are presented net of lifetime ECL of £50 million (2024: £nil million).
ii. If a new asset is originated or purchased in the period, the values included are the closing gross balance and provision for the period. The stage in which the addition is shown reflects the stage of the account at the end of the period.
iii. Virgin Money balances of £9.5 billion have been included within the new assets originated or purchased line item.

Risk report (continued)

Credit risk – Business and commercial lending (continued)

Loans which are reported within stage 2 are those which have experienced a significant increase in credit risk since origination, determined through both quantitative and qualitative indicators. The table below summarises the Group's stage 2 balances and impairment provisions for these indicators.

Reason for business and commercial lending balances being reported in stage 2 (note i)	2025			2024		
	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance
	£m	£m	%	£m	£m	%
Quantitative criteria:						
Payment status (greater than 30 DPD) (note ii)	**11**	**-**	**0.29**	1	-	0.01
Increase in PD since origination (less than 30 DPD)	**703**	**15**	**2.22**	146	2	1.30
Qualitative criteria:						
Watchlist/approaching financial difficulty	**833**	**23**	**2.72**	120	-	0.21
Forbearance (less than 30 DPD) (note iii)	**77**	**1**	**1.08**	-	-	-
Other qualitative criteria (less than 30 DPD)	**-**	**-**	**4.14**	-	-	-
Total stage 2 gross balances	**1,624**	**39**	**2.41**	267	2	0.80

Notes:
i. Where loans satisfy more than one of the criteria for determining a significant increase in credit risk, the corresponding balance has been assigned in the order in which the categories are presented above.
ii. This category includes all loans greater than 30 DPD, including those whose original reason for being classified as stage 2 was not arrears greater than 30 DPD.
iii. Stage 2 forbearance relates to cases where full repayment of principal and interest is still anticipated.

The table below outlines the main criteria used to determine whether a significant increase in credit risk since origination has occurred.

Criteria	Detail
Quantitative	The primary quantitative indicators are the outputs of internal credit risk assessments. For business and commercial lending exposures, internal risk grades are derived using models, which use both external and internal information, such as known instances of arrears or other financial difficulty. Current and historical data relating to an exposure are combined with forward-looking macroeconomic information to determine the likelihood of default. 12-month and lifetime PDs are calculated for each loan, based on internal risk grade and portfolio. The internal risk grades are compared to pre-determined benchmarks at each reporting date to ascertain whether an increase in credit risk has occurred.
Qualitative	Qualitative indicators include early warning indicators such as loans being added to internal watchlists or loans judged to be approaching financial difficulty. Also included are forbearance events where full repayment of principal and interest is still anticipated, on a discounted basis.
Backstop	In addition to the primary criteria for stage allocation described above, accounts that are more than 30 days past due are also transferred to stage 2.

Credit risk – Business and commercial lending (continued)

The following table shows the Group's business and commercial lending balances held at amortised cost, impairment provisions and resulting provision coverage ratios by industry sector.

Business and commercial lending portfolio by sector	2025			2024		
	Gross balance	**Provision**	**Provisions as a % of total balance**	Gross balance	Provision	Provisions as a % of total balance
	£m	**£m**	**%**	£m	£m	%
Agriculture	**1,246**	**3**	**0.22**	-	-	-
Business services	**1,286**	**18**	**1.42**	-	-	-
Commercial real estate	**842**	**6**	**0.67**	257	6	2.33
Government, health & education	**1,595**	**12**	**0.72**	-	-	-
Hospitality	**1,020**	**2**	**0.23**	-	-	-
Manufacturing	**659**	**17**	**2.52**	-	-	-
PFI	**440**	**17**	**3.98**	496	17	3.57
Registered social landlords	**5,001**	**1**	**0.02**	4,386	1	0.02
Resources	**169**	**1**	**0.80**	-	-	-
Retail and wholesale trade	**878**	**19**	**2.17**	-	-	-
Transport and storage	**391**	**1**	**0.26**	-	-	-
Utilities, post and telecoms	**578**	**7**	**1.13**	-	-	-
Other	**713**	**9**	**1.26**	-	-	-
Total business and commercial lending	**14,818**	**113**	**0.76**	5,139	24	0.48

Registered social landlords is the largest sector exposure and aligns to the Group strategic purpose. The acquired Virgin Money business lending portfolio is diversified across a range of sectors, with the highest risk concentration being across the agriculture, business services, and government, health and education sectors Nationwide sub-group exposures are limited to registered social landlords, PFI and commercial real estate.

Risk report (continued)

Credit risk – Business and commercial lending (continued)

Credit quality

The following table shows the Group's gross balances and provisions for business and commercial lending balances held at amortised cost by PD range. The PD distributions shown are based on 12-month IFRS 9 PDs at the reporting date.

The registered social landlord portfolio exposure is low risk and weighted towards the lowest PD banding range. The additional business and commercial lending exposures are predominantly within the 0.75%-10.00% range.

Business and commercial lending gross balances and provisions by PD

2025	**Gross balances**				**Provisions**				**Provision coverage**
	Stage 1	**Stage 2**	**Stage 3 and POCI (note i)**	**Total**	**Stage 1**	**Stage 2**	**Stage 3 and POCI (note i)**	**Total**	
12-month IFRS 9 PD range	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**
0.00 to <0.15%	**5,410**	**247**	**-**	**5,657**	**2**	**-**	**-**	**2**	**0.03**
0.15 to < 0.25%	**617**	**39**	**-**	**656**	**-**	**-**	**-**	**-**	**0.07**
0.25 to < 0.50%	**869**	**25**	**-**	**894**	**1**	**-**	**-**	**1**	**0.09**
0.50 to < 0.75%	**552**	**53**	**-**	**605**	**1**	**1**	**-**	**2**	**0.28**
0.75 to < 2.50%	**3,317**	**434**	**-**	**3,751**	**10**	**4**	**-**	**14**	**0.37**
2.50 to < 10.00%	**1,946**	**679**	**2**	**2,627**	**21**	**21**	**-**	**42**	**1.59**
10.00 to < 100%	**11**	**147**	**1**	**159**	**-**	**13**	**-**	**13**	**8.28**
100% (default)	**-**	**-**	**469**	**469**	**-**	**-**	**39**	**39**	**8.33**
Total	**12,722**	**1,624**	**472**	**14,818**	**35**	**39**	**39**	**113**	**0.76**

Business and commercial lending gross balances and provisions by PD

2024	Gross balances				Provisions				Provision coverage
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
12-month IFRS 9 PD range	£m	£m	£m	£m	£m	£m	£m	£m	%
0.00 to <0.15%	4,564	217	-	4,781	1	-	-	1	0.02
0.15 to < 0.25%	167	2	-	169	-	-	-	-	0.02
0.25 to < 0.50%	7	-	-	7	-	-	-	-	0.15
0.50 to < 0.75%	5	22	-	27	-	1	-	1	3.23
0.75 to < 2.50%	61	4	-	65	-	-	-	-	0.05
2.50 to < 10.00%	1	1	-	2	-	-	-	-	0.27
10.00 to < 100%	-	21	-	21	-	1	-	1	5.93
100% (default)	-	-	67	67	-	-	21	21	31.58
Total	4,805	267	67	5,139	1	2	21	24	0.48

Note:
i. Includes POCI loans of £335 million (2024: £nil million).

Credit risk – Business and commercial lending (continued)

Forbearance

Nationwide is committed to supporting borrowers facing financial difficulty by working with them to find a solution through proactive arrears management and forbearance.

Forbearance is recorded and reported at borrower level and applies to all business and commercial lending, including impaired exposures and borrowers subject to enforcement and recovery action. The Group applies the European Banking Authority definition of forbearance. Accounts that are currently subject to a concession are all assessed as either stage 2, or stage 3 (credit impaired) where full repayment of principal and interest is no longer anticipated.

The table below provides details of business and commercial lending that is currently subject to forbearance. The main types of forbearance are associated with covenants and deferrals of interest or capital repayments.

Gross balances subject to forbearance (note i)		
	2025	2024
	£m	£m
Total forbearance	**659**	184
Of which stage 2	**382**	102
Of which stage 3 or POCI	**277**	82
Total forbearance as a % of total gross balances	**4.4**	3.6
Total impairment provision on forborne loans	**42**	23

Note:
i. Balances include the fair value adjustment for micro hedged risk.

Gross balances subject to forbearance (excluding FVTPL) have increased to £659 million (2024: £184 million), including £481 million of Virgin Money balances. Nationwide sub-group forbearance balances remain broadly unchanged at £178 million (2024: £184 million).

Risk report (continued)

Credit risk – Treasury assets

Summary

The treasury portfolio is held primarily for operational purposes, liquidity management and, in the case of derivatives, for market risk management. As at 31 March 2025, treasury assets represented 17.6% (2024: 21.7%) of total assets. Treasury asset balances are set out below.

Treasury asset balances			
		2025	2024
	Classification	**£m**	(note i) £m
Cash and balances at central banks	Amortised cost	**29,483**	25,231
Loans and advances to banks and similar institutions (note ii)	Amortised cost	**1,810**	918
Investment securities (note iii)	FVOCI	**28,658**	26,522
Investment securities (note iii)	FVTPL	**5**	6
Investment securities	Amortised cost	**-**	4
Liquidity and investment portfolio		**59,956**	52,681
Derivative instruments (note iv)	FVTPL	**4,742**	6,290
Treasury assets		**64,698**	58,971

Notes:
i. Comparatives have been restated as detailed in note 2 to the consolidated financial statements.
ii. The majority of this balance is collateral placed with the Bank of England to cover requirements for payments systems.
iii. Investment securities at FVOCI include £60 million (2024: £57 million) and investment securities at FVTPL include £5 million (2024: £6 million) which relate to investments not included within the Group's liquidity portfolio. These investments primarily relate to investments made in Fintech companies which are being held for strategic purposes.
iv. Derivatives are classified as assets where their fair value is positive and liabilities where their fair value is negative. As at 31 March 2025, derivative liabilities were £1,547 million (2024: £1,451 million).

Investment activity remains focused on high-quality liquid assets, which includes assets eligible for central bank operations. Derivatives are used to economically hedge financial risks inherent in core lending and funding activities and are not used for trading or speculative purposes.

Risk report (continued)

Credit risk – Treasury assets (continued)

Liquidity and investment portfolio

The tables below show the breakdown of the Group's liquidity and investment portfolios.

Liquidity and investment portfolio										
2025		**By credit rating (note i)**				**By geographical region**				
		AAA	**AA**	**A**	**Below A**	**UK**	**US & Canada**	**Europe**	**Japan**	**Other**
	£m	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Liquid assets:										
Cash and balances at central banks	**29,483**	**-**	**100**	**-**	**-**	**100**	**-**	**-**	**-**	**-**
Government bonds (note iii)	**18,324**	**8**	**82**	**10**	**-**	**45**	**29**	**16**	**10**	**-**
Supranational bonds	**4,653**	**64**	**36**	**-**	**-**	**-**	**-**	**-**	**-**	**100**
Covered bonds	**4,343**	**100**	**-**	**-**	**-**	**50**	**32**	**12**	**-**	**6**
Residential mortgage backed securities (RMBS)	**721**	**100**	**-**	**-**	**-**	**54**	**-**	**46**	**-**	**-**
Other asset backed securities	**157**	**100**	**-**	**-**	**-**	**100**	**-**	**-**	**-**	**-**
Liquid assets total	**57,681**	**16**	**81**	**3**	**-**	**70**	**12**	**7**	**3**	**8**
Other securities (note iv):										
RMBS FVOCI	**400**	**100**	**-**	**-**	**-**	**100**	**-**	**-**	**-**	**-**
RMBS amortised cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other investments (note v)	**65**	**-**	**-**	**-**	**100**	**99**	**-**	**1**	**-**	**-**
Other securities total	**465**	**86**	**-**	**-**	**14**	**100**	**-**	**-**	**-**	**-**
Loans and advances to banks and similar institutions	**1,810**	**-**	**50**	**50**	**-**	**71**	**21**	**8**	**-**	**-**
Total	**59,956**	**16**	**79**	**5**	**-**	**70**	**12**	**7**	**3**	**8**

Risk report (continued)

Credit risk – Treasury assets (continued)

Liquidity and investment portfolio										
2024 (note ii)		By credit rating (note i)				By geographical region				
		AAA	AA	A	Below A	UK	US & Canada	Europe	Japan	Other
	£m	%	%	%	%	%	%	%	%	%
Liquid assets:										
Cash and balances at central banks	25,231	-	100	-	-	100	-	-	-	-
Government bonds (note iii)	19,080	5	81	14	-	39	35	14	12	-
Supranational bonds	3,093	44	56	-	-	-	-	-	-	100
Covered bonds	2,980	99	1	-	-	46	29	17	-	8
Residential mortgage backed securities (RMBS)	631	100	-	-	-	63	-	37	-	-
Other asset backed securities	137	100	-	-	-	100	-	-	-	-
Liquid assets total	51,152	12	83	5	-	67	15	7	4	7
Other securities (note iv):										
RMBS FVOCI	544	100	-	-	-	100	-	-	-	-
RMBS amortised cost	4	100	-	-	-	100	-	-	-	-
Other investments (note v)	63	-	-	-	100	100	-	-	-	-
Other securities total	611	90	-	-	10	100	-	-	-	-
Loans and advances to banks and similar institutions	918	-	34	66	-	47	42	11	-	-
Total	52,681	13	81	6	-	68	15	7	4	6

Notes:
i. Ratings used are obtained from S&P Global, Moody's or Fitch.
ii. Comparatives have been restated as detailed in note 2 to the consolidated financial statements.
iii. Balances classified as government bonds include government guaranteed, agency and government sponsored bonds.
iv. Includes RMBS (UK buy to let and UK non-conforming) not eligible for the Liquidity Coverage Ratio (LCR).
v. Includes investment securities held at FVTPL of £5 million (2024: £6 million).

Credit risk – Treasury assets (continued)

Derivative financial instruments

Derivatives are used for market risk management, and not for trading or speculative purposes, although the application of accounting rules can create volatility in the income statement in an individual financial year. The fair value of derivative assets at 31 March 2025 was £4.7 billion (2024: £6.3 billion) and the fair value of derivative liabilities was £1.5 billion (2024: £1.5 billion).

Derivatives are transacted with counterparties under an International Swaps and Derivatives Association (ISDA) Master Agreement with a Credit Support Annex (CSA) always executed in conjunction with the ISDA Master Agreement. The legal agreements grant the legal right of set-off and allow the netting of positions and exchange of collateral between counterparties, which can reduce net derivative credit exposure.

This table shows the exposure to counterparty credit risk for derivative contracts after netting benefits and collateral. The £13 million of unrated derivative exposure relates to Virgin Money's business banking activities.

Derivative credit exposure by credit rating								
	2025				2024			
	AA	A	Unrated	Total	AA	A	Unrated	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Derivative assets as per balance sheet	1,209	3,520	13	4,742	584	5,706	-	6,290
Netting benefits	(408)	(828)	-	(1,236)	(156)	(1,109)	-	(1,265)
Net current credit exposure	801	2,692	13	3,506	428	4,597	-	5,025
Collateral (cash)	(796)	(2,671)	-	(3,467)	(422)	(4,587)	-	(5,009)
Net derivative credit exposure	5	21	13	39	6	10	-	16

Liquidity and funding risk

Summary

Liquidity risk is the risk that the Group is unable to meet its liabilities as they fall due and maintain member and other stakeholder confidence. Funding risk is the risk that the Group is unable to maintain diverse funding sources in wholesale and retail markets and manage retail funding risk that can arise from excessive concentrations of higher risk deposits.

The Group's Liquidity Coverage Ratio (LCR), which averaged 174% over the 12 months ended 31 March 2025 (2024: 191%), demonstrates that sufficient high-quality liquid assets are held to survive a short-term severe but plausible liquidity stress. The Group continues to manage liquidity against internal risk appetite which is more prudent than regulatory requirements.

The position against the longer-term funding metric, the Net Stable Funding Ratio (NSFR), is also monitored. The Group's average NSFR for the four quarters ended 31 March 2025 was 147% (2024: 151%), well in excess of the 100% minimum regulatory requirement.

Liquidity risk

Liquid assets

The tables below set out the sterling equivalent carrying value of the Group's liquid asset buffer, by asset class and by issuing currency. The liquid asset buffer includes off-balance sheet liquidity, such as securities received through reverse repo agreements, and excludes securities encumbered through repo agreements and for other purposes.

LCR eligible assets (note i)	**2025**			2024		
	Level 1	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
	£bn	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**
Cash and balances at central banks	**25.9**	**-**	**25.9**	23.5	-	23.5
Government and supranational bonds (note ii)	**17.0**	**2.0**	**19.0**	16.2	2.8	19.0
Covered bonds	**2.3**	**2.4**	**4.7**	1.1	1.8	2.9
RMBS and ABS	**-**	**0.9**	**0.9**	-	0.8	0.8
Total LCR eligible assets	**45.2**	**5.3**	**50.5**	40.8	5.4	46.2

Risk report (continued)

Liquidity and funding risk (continued)

LCR eligible assets by currency (note i)	2025					2024				
	GBP	**EUR**	**USD**	**Other (note iii)**	**Total**	GBP	EUR	USD	Other (note iii)	Total
	£bn	**£bn**	**£bn**	**£bn**	**£bn**	£bn	£bn	£bn	£bn	£bn
Total LCR eligible assets	**36.9**	**7.2**	**4.3**	**2.1**	**50.5**	31.8	6.1	5.5	2.8	46.2

Notes:
i. Prior year comparatives have been restated to exclude holdings of non-LCR eligible assets.
ii. Government bonds include regional governments, government guaranteed, agency and government sponsored bonds. Supranational bonds are multilateral development bank and international organisations.
iii. Other currencies primarily consist of Canadian dollars and Japanese yen.

The Group's holdings of LCR eligible high-quality liquid assets averaged £54.5 billion, post any liquidity haircuts, for the 12 months ended 31 March 2025 (2024: £56.1 billion).

Funding risk

Funding strategy

Nationwide's funding strategy is to be predominantly funded by deposits from individuals, as set out below.

Funding profile (note i)					
Assets	**2025**	2024	**Members' interests, equity and liabilities**	**2025**	2024
(note ii)	**£bn**	£bn		**£bn**	£bn
Residential mortgages	**275.6**	204.1	Customer deposits – individuals	**260.9**	193.4
Treasury assets (including liquidity portfolio)	**60.0**	52.7	Customer deposits – business	**20.9**	4.2
Business and commercial lending	**15.0**	5.5	Wholesale funding (note iii)	**57.4**	51.4
Consumer lending	**10.3**	3.8	Other liabilities	**5.6**	3.2
Other assets	**7.0**	6.0	Capital and reserves (note iv)	**23.1**	19.9
Total	**367.9**	272.1	**Total**	**367.9**	272.1

Notes:
i. Comparatives have been restated as detailed in note 2 to the consolidated financial statements.
ii. Figures are stated net of impairment provisions where applicable.
iii. Includes debt securities in issue, deposits from banks and other non-customer deposits. Comparatives have been restated to exclude deposits from business customers which are now presented separately.
iv. Includes all subordinated liabilities and subscribed capital.

At 31 March 2025, the Group's loan to deposit ratio, which represents loans and advances to customers divided by the total of shares and other deposits, was 106.7% (2024: 107.9%).

The non-member funding ratio (funding from sources other than Nationwide member deposits as a proportion of total funding liabilities) at 31 March 2025 was 37.3% (2024: 22.5%). The main driver of the increase is the inclusion of Virgin Money balances within non-member funding.[11]

[11] Non-member funding comprises deposits from Virgin Money customers, business deposits and certain on-balance sheet wholesale funding items.

Risk report (continued)

Liquidity and funding risk (continued)

Wholesale funding

The wholesale funding portfolio comprises a range of secured and unsecured instruments to ensure that a stable and diversified funding base is maintained across a range of instruments, currencies, maturities, and investor types. Part of the Group's wholesale funding strategy is to remain active in core markets and currencies. A funding risk limit framework also ensures that a prudent funding mix and maturity concentration profile is maintained and limits the level of encumbrance to ensure enough contingent funding capacity is retained in the event of a stress.

Wholesale funding has increased by £6.0 billion to £57.4 billion during the period, primarily due to the acquisition of Virgin Money UK PLC offset by repayment of drawings from the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME). The Nationwide sub-group has fully repaid its TFSME drawings, while the Virgin Money sub-group has £0.9 billion remaining.

The table below sets out the Group's wholesale funding and subordinated liabilities by currency.

Currency composition of wholesale funding and subordinated liabilities	2025					2024				
	GBP	**EUR**	**USD**	**Other**	**Total**	GBP	EUR	USD	Other	Total
	£bn	**£bn**	**£bn**	**£bn**	**£bn**	£bn	£bn	£bn	£bn	£bn
Repos	**1.2**	**0.2**	**0.1**	**-**	**1.5**	0.1	1.7	0.1	-	1.9
Deposits (note i)	**3.8**	**-**	**-**	**-**	**3.8**	5.5	-	-	-	5.5
Certificates of deposit	**1.8**	**-**	**-**	**-**	**1.8**	1.5	-	-	-	1.5
Commercial paper	**0.1**	**-**	**0.6**	**-**	**0.7**	-	-	-	-	-
Covered bonds	**9.1**	**9.6**	**1.2**	**1.3**	**21.2**	5.7	7.4	1.2	1.2	15.5
Securitisations	**5.0**	**-**	**-**	**-**	**5.0**	1.9	-	0.1	-	2.0
Senior preferred	**3.1**	**7.0**	**3.6**	**1.2**	**14.9**	1.5	5.9	2.9	1.3	11.6
Senior non-preferred (note ii)	**1.8**	**2.7**	**3.2**	**0.5**	**8.2**	0.8	0.9	3.2	0.5	5.4
TFSME	**0.9**	**-**	**-**	**-**	**0.9**	9.3	-	-	-	9.3
Other (notes ii and iii)	**-**	**(0.5)**	**(0.1)**	**-**	**(0.6)**	-	(0.9)	(0.3)	(0.1)	(1.3)
Total of wholesale funding	**26.8**	**19.0**	**8.6**	**3.0**	**57.4**	26.3	15.0	7.2	2.9	51.4
Subordinated liabilities (notes ii and iv)	**0.8**	**0.4**	**1.2**	**-**	**2.4**	-	0.9	1.2	-	2.1

Notes:
i. Comparatives for deposits have been restated to exclude business customer deposits which are now presented separately from wholesale funding in the funding profile table on page 59.
ii. Comparatives for senior non-preferred notes have been reclassified from subordinated liabilities and are now shown as a separate item within wholesale funding.
iii. The figure shown for Other consists of fair value adjustments to debt securities in issue for micro hedged risks.
iv. Subordinated liabilities include fair value hedge accounting adjustments.

The following table sets out the Group's residual maturity of wholesale funding, on a contractual maturity basis.

At 31 March 2025, cash, government bonds and supranational bonds included in the liquid asset buffer represented 316% (2024: 278%[12]) of wholesale funding maturing in less than one year, assuming no rollovers.

[12] Prior year comparative has been restated to exclude £4.2 billion of deposits from business customers which are no longer classified as wholesale funding.

Liquidity and funding risk (continued)

Wholesale funding – residual maturity 2025	**Not more than one month**	**Over one month but not more than three months**	**Over three months but not more than six months**	**Over six months but not more than one year**	**Subtotal less than one year**	**Over one year but not more than two years**	**Over two years**	**Total**
	£bn	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**
Repos	**1.5**	**-**	**-**	**-**	**1.5**	**-**	**-**	**1.5**
Deposits (note i)	**3.7**	**0.1**	**-**	**-**	**3.8**	**-**	**-**	**3.8**
Certificates of deposit	**1.5**	**0.2**	**0.1**	**-**	**1.8**	**-**	**-**	**1.8**
Commercial paper	**-**	**0.7**	**-**	**-**	**0.7**	**-**	**-**	**0.7**
Covered bonds	**-**	**0.1**	**0.2**	**2.1**	**2.4**	**5.2**	**13.6**	**21.2**
Securitisations	**0.1**	**0.1**	**0.1**	**0.2**	**0.5**	**0.9**	**3.6**	**5.0**
Senior preferred	**0.1**	**0.4**	**2.5**	**0.4**	**3.4**	**3.1**	**8.4**	**14.9**
Senior non-preferred (note ii)	**0.1**	**-**	**-**	**-**	**0.1**	**4.3**	**3.8**	**8.2**
TFSME	**-**	**-**	**-**	**-**	**-**	**0.9**	**-**	**0.9**
Other (notes ii and iii)	**-**	**-**	**-**	**-**	**-**	**-**	**(0.6)**	**(0.6)**
Total of wholesale funding	**7.0**	**1.6**	**2.9**	**2.7**	**14.2**	**14.4**	**28.8**	**57.4**
Of which secured	**1.6**	**0.2**	**0.3**	**2.3**	**4.4**	**7.0**	**16.8**	**28.2**
Of which unsecured	**5.4**	**1.4**	**2.6**	**0.4**	**9.8**	**7.4**	**12.0**	**29.2**
% of total	**12.2**	**2.8**	**5.1**	**4.6**	**24.7**	**25.1**	**50.2**	**100.0**

Wholesale funding – residual maturity 2024	Not more than one month	Over one month but not more than three months	Over three months but not more than six months	Over six months but not more than one year	Subtotal less than one year	Over one year but not more than two years	Over two years	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Repos	1.9	-	-	-	1.9	-	-	1.9
Deposits (note i)	5.3	0.1	-	0.1	5.5	-	-	5.5
Certificates of deposit	1.5	-	-	-	1.5	-	-	1.5
Commercial paper	-	-	-	-	-	-	-	-
Covered bonds	0.1	0.5	-	0.6	1.2	1.5	12.8	15.5
Securitisations	0.1	-	-	0.1	0.2	0.2	1.6	2.0
Senior preferred	-	0.1	0.1	0.8	1.0	3.2	7.4	11.6
Senior non-preferred (note ii)	-	-	-	-	-	4.5	0.9	5.4
TFSME	-	-	-	4.0	4.0	5.3	-	9.3
Other (notes ii and iii)	-	-	-	-	-	(0.2)	(1.1)	(1.3)
Total of wholesale funding	8.9	0.7	0.1	5.6	15.3	14.5	21.6	51.4
Of which secured	2.1	0.5	-	4.7	7.3	7.0	13.8	28.1
Of which unsecured	6.8	0.2	0.1	0.9	8.0	7.5	7.8	23.3
% of total	17.3	1.4	0.2	10.9	29.8	28.2	42.0	100.0

Notes:

i. Comparatives for deposits have been restated to exclude business customer deposits which are now presented separately from wholesale funding in the funding profile table on page 59.

ii. Comparatives for senior non-preferred notes have been reclassified from subordinated liabilities and are now shown as a separate item within wholesale funding.

iii. The figure shown for Other consists of fair value adjustments to debt securities in issue for micro hedged risks.

Liquidity and funding risk (continued)

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 final contractual maturity date (residual maturity). This gives rise to funding mismatches on the balance sheet. In practice, customer behaviours mean that liabilities are often retained for longer than their contractual maturities and assets are repaid earlier. The balance sheet structure and risks are managed and monitored by each sub-group's ALCO within Group risk appetite. Judgement and past behavioural performance of each asset and liability class are used to forecast likely cash flow requirements.

Residual maturity (note i) 2025	Due less than one month (note ii)	Due between one and three months	Due between three and six months	Due between six and nine months	Due between nine and twelve months	Due between one and two years	Due between two and five years	Due after more than five years	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets									
Cash and balances at central banks (note iii)	29,483	-	-	-	-	-	-	-	29,483
Loans and advances to banks and similar institutions (note iii)	1,676	-	-	-	-	-	-	134	1,810
Investment securities	207	411	515	381	966	2,237	9,117	14,829	28,663
Derivative financial instruments	13	95	611	172	265	1,153	727	1,706	4,742
Fair value adjustment for portfolio hedged risk	(19)	(17)	(90)	(57)	(108)	(703)	(819)	(224)	(2,037)
Loans and advances to customers (note iv)	3,271	10,434	2,997	2,812	2,783	10,821	31,171	236,600	300,889
Total financial assets	34,631	10,923	4,033	3,308	3,906	13,508	40,196	253,045	363,550
Financial liabilities									
Shares	151,469	9,128	15,934	16,369	10,294	2,611	811	812	207,428
Deposits from banks and similar institutions	5,143	-	10	-	-	900	-	-	6,053
Of which repo	1,535	-	10	-	-	-	-	-	1,545
Of which TFSME	10	-	-	-	-	900	-	-	910
Other deposits	52,358	3,858	8,952	4,131	3,985	1,252	131	-	74,667
Fair value adjustment for portfolio hedged risk	-	4	8	7	7	1	-	-	27
Secured funding (note v)	111	175	353	403	1,932	6,057	11,180	5,632	25,843
Unsecured funding (notes v and vii)	1,569	1,337	2,561	377	39	3,320	12,127	3,936	25,266
Of which MREL resources	45	1	41	23	19	1,079	5,910	3,632	10,750
Derivative financial instruments	13	16	98	24	29	296	545	526	1,547
Subordinated liabilities (notes v and vii)	25	7	2	-	-	843	-	1,567	2,444
Subscribed capital (notes vi and vii)	-	-	1	-	-	-	-	128	129
Total financial liabilities	210,688	14,525	27,919	21,311	16,286	15,280	24,794	12,601	343,404
Off-balance sheet commitments (note viii)									
Financial guarantees	5	7	14	7	12	13	5	37	100
Other commitments	19,363	-	-	-	-	-	-	-	19,363
Net liquidity difference	(195,425)	(3,609)	(23,900)	(18,010)	(12,392)	(1,785)	15,397	240,407	683
Cumulative liquidity difference	(195,425)	(199,034)	(222,934)	(240,944)	(253,336)	(255,121)	(239,724)	683	-

Risk report (continued)

Liquidity and funding risk (continued)

Residual maturity (note i) 2024	Due less than one month (note ii) £m	Due between one and three months £m	Due between three and six months £m	Due between six and nine months £m	Due between nine and twelve months £m	Due between one and two years £m	Due between two and five years £m	Due after more than five years £m	Total £m
Financial assets									
Cash and balances at central banks (note iii)	25,231	-	-	-	-	-	-	-	25,231
Loans and advances to banks and similar institutions (note iii)	818	-	-	-	-	-	-	100	918
Investment securities	58	212	272	239	325	2,016	10,639	12,771	26,532
Derivative financial instruments	20	41	51	11	276	1,736	2,170	1,985	6,290
Fair value adjustment for portfolio hedged risk	(41)	(18)	(140)	(185)	(171)	(814)	(1,698)	(263)	(3,330)
Loans and advances to customers (note iv)	1,249	2,878	1,953	1,925	1,927	7,664	22,460	173,384	213,440
Total financial assets	27,335	3,113	2,136	1,990	2,357	10,602	33,571	187,977	269,081
Financial liabilities									
Shares	139,238	4,595	14,887	12,006	8,486	12,126	1,128	900	193,366
Deposits from banks and similar institutions	7,129	7	1	1	3,980	5,270	-	-	16,388
Of which repo	1,943	-	-	-	-	-	-	-	1,943
Of which TFSME	-	4	-	-	3,980	5,270	-	-	9,254
Other deposits	1,283	1,585	1,167	223	192	75	5	-	4,530
Fair value adjustment for portfolio hedged risk	1	3	16	17	7	6	-	-	50
Secured funding (note v)	176	533	49	54	659	1,652	7,663	6,488	17,274
Unsecured funding (notes v and vii)	1,557	75	92	35	748	3,928	9,622	1,418	17,475
Of which MREL resources	30	2	16	15	-	828	3,433	826	5,150
Derivative financial instruments	21	42	43	-	59	158	574	554	1,451
Subordinated liabilities (notes v and vii)	7	-	13	-	-	-	832	1,223	2,075
Subscribed capital (notes vi and vii)	1	-	1	-	-	-	-	171	173
Total financial liabilities	149,413	6,840	16,269	12,336	14,131	23,215	19,824	10,754	252,782
Off-balance sheet commitments (note viii)									
Other commitments	13,344	-	-	-	-	-	-	-	13,344
Net liquidity difference	(135,422)	(3,727)	(14,133)	(10,346)	(11,774)	(12,613)	13,747	177,223	2,955
Cumulative liquidity difference	(135,422)	(139,149)	(153,282)	(163,628)	(175,402)	(188,015)	(174,268)	2,955	-

Notes:

i. The analysis excludes certain financial assets and liabilities relating to accruals, trade receivables, trade payables and settlement balances which are generally short-term in nature, and lease liabilities.
ii. Due less than one month includes amounts repayable on demand.
iii. Comparatives have been restated to reflect presentational changes to the Group's financial statements required to facilitate alignment of accounting policies across the Group. For further information see note 2 to the consolidated financial statements.
iv. Credit card outstanding balances have been moved from due less than one month to due between one and three months; balances of £1,557 million have been restated for this change in the prior period.
v. The balance sheet amount for debt securities in issue is split into secured funding and unsecured funding in this table. Senior non-preferred notes were previously reported in subordinated liabilities. They have been reclassified to debt securities in issue and are now presented in unsecured funding in this table.
vi. The principal amount for undated subscribed capital is included within the due after more than five years column.
vii. Unsecured funding, subordinated liabilities and subscribed capital may include early redemption features.
viii. Off-balance sheet commitments include amounts payable on demand for undrawn loan commitments, customer overpayments on residential mortgages where the borrower can draw down the amount overpaid, and commitments to acquire financial assets.

Risk report (continued)

Liquidity and funding risk (continued)

Financial liabilities – gross undiscounted contractual cash flows

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 (note i)									
2025	**Due less than one month (note ii)**	**Due between one and three months**	**Due between three and six months**	**Due between six and nine months**	**Due between nine and twelve months**	**Due between one and two years**	**Due between two and five years**	**Due after more than five years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Shares	151,470	9,684	16,354	16,616	10,397	2,738	958	812	209,029
Deposits from banks and similar institutions	5,142	-	20	10	9	933	-	-	6,114
Other deposits	52,406	3,917	9,189	4,200	4,052	1,289	133	-	75,186
Secured funding (note iii)	134	244	520	611	2,178	6,848	12,316	6,647	29,498
Unsecured funding (notes iii and iv)	1,579	1,352	2,745	497	307	4,115	13,535	4,644	28,774
Subordinated liabilities (note iii and iv)	26	12	21	20	21	974	312	1,813	3,199
Subscribed capital (notes iv and v)	-	-	4	-	4	8	25	127	168
Total non-derivative financial liabilities	210,757	15,209	28,853	21,954	16,968	16,905	27,279	14,043	351,968
Derivative financial liabilities:									
Gross settled derivative outflows	296	635	1,508	826	755	6,351	12,454	8,433	31,258
Gross settled derivative inflows	(242)	(572)	(1,342)	(708)	(642)	(5,836)	(12,023)	(8,735)	(30,100)
Gross settled derivatives – net flows	54	63	166	118	113	515	431	(302)	1,158
Net settled derivative liabilities (note vi)	20	3	28	31	(21)	17	176	246	500
Total derivative financial liabilities	74	66	194	149	92	532	607	(56)	1,658
Total financial liabilities	210,831	15,275	29,047	22,103	17,060	17,437	27,886	13,987	353,626
Off-balance sheet commitments (note vii)									
Financial guarantees	5	7	14	7	12	13	5	37	100
Other commitments	19,363	-	-	-	-	-	-	-	19,363
Total financial liabilities including off-balance sheet commitments	230,199	15,282	29,061	22,110	17,072	17,450	27,891	14,024	373,089

Liquidity and funding risk (continued)

Gross contractual cash flows (note i) 2024	Due less than one month (note ii)	Due between one and three months	Due between three and six months	Due between six and nine months	Due between nine and twelve months	Due between one and two years	Due between two and five years	Due after more than five years	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Shares	139,238	5,206	15,376	12,327	8,679	12,442	1,284	900	195,452
Deposits from banks and similar institutions	7,129	128	122	122	4,067	5,281	-	-	16,849
Other deposits	1,283	1,612	1,179	227	194	77	5	-	4,577
Secured funding (note iii)	191	564	153	208	835	2,238	8,740	7,222	20,151
Unsecured funding (notes iii and iv)	1,563	89	200	146	901	4,563	10,837	2,125	20,424
Subordinated liabilities (note iii and iv)	8	-	35	8	18	69	998	1,342	2,478
Subscribed capital (notes iv and v)	1	-	4	1	4	11	33	188	242
Total non-derivative financial liabilities	149,413	7,599	17,069	13,039	14,698	24,681	21,897	11,777	260,173
Derivative financial liabilities:									
Gross settled derivative outflows	366	841	1,328	268	1,216	3,085	11,863	7,758	26,725
Gross settled derivative inflows	(314)	(787)	(1,256)	(219)	(1,150)	(2,906)	(11,480)	(7,670)	(25,782)
Gross settled derivatives – net flows	52	54	72	49	66	179	383	88	943
Net settled derivative liabilities (note vi)	33	16	43	84	(40)	57	343	160	696
Total derivative financial liabilities	85	70	115	133	26	236	726	248	1,639
Total financial liabilities	149,498	7,669	17,184	13,172	14,724	24,917	22,623	12,025	261,812
Off-balance sheet commitments (note vii)									
Financial guarantees	-	-	-	-	-	-	-	-	-
Other commitments	13,344	-	-	-	-	-	-	-	13,344
Total financial liabilities including off-balance sheet commitments	162,842	7,669	17,184	13,172	14,724	24,917	22,623	12,025	275,156

Notes:
- i. The analysis excludes certain financial liabilities relating to trade payables and settlement balances which are generally short-term in nature, and lease liabilities.
- ii. Due less than one month includes amounts repayable on demand.
- iii. The balance sheet amount for debt securities in issue is split into secured funding and unsecured funding in this table. Senior non-preferred notes were previously reported in subordinated liabilities. They have been reclassified to debt securities in issue and are now shown under unsecured funding in this table.
- iv. Unsecured funding, subordinated liabilities and subscribed capital may include early redemption features.
- v. The principal amount for undated subscribed capital is included within the due after more than five years column.
- vi. Cashflows from derivative assets and liabilities, and corresponding collateral balances which meet the criteria for offset in the balance sheet, are included on a net basis, with only the residual cash flows payable reflected. Comparative information has been restated to reflect this approach. Also included in this line are the residual cash flows from net settled derivatives that do not have an unconditional right of offset.
- vii. Off-balance sheet commitments include amounts payable on demand for undrawn loan commitments, customer overpayments on residential mortgages where the borrower can draw down the amount overpaid, and commitments to acquire financial assets.

Risk report (continued)

Liquidity and funding risk (continued)

Asset encumbrance

Encumbrance arises where assets are pledged as collateral against secured funding and other obligations and therefore cannot be used for other purposes. An analysis of the Group's encumbered and unencumbered on-balance sheet assets is set out below.

Asset encumbrance										
2025	**Assets encumbered as a result of transactions with counterparties other than central banks**				**Other assets (comprising assets encumbered at the central bank and unencumbered assets)**					**Total**
						Assets not positioned at the central bank				
	As a result of covered bonds	**As a result of securitisations**	**Other**	**Total**	**Assets positioned at the central bank (i.e. prepositioned plus encumbered)**	**Readily available for encumbrance**	**Other assets that are capable of being encumbered**	**Cannot be encumbered**	**Total**	
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cash and balances at central banks	**480**	**463**	**-**	**943**	**3,753**	**24,585**	**-**	**202**	**28,540**	**29,483**
Loans and advances to banks and similar institutions	**-**	**242**	**471**	**713**	**-**	**89**	**-**	**1,008**	**1,097**	**1,810**
Investment securities (note i)	**-**	**-**	**4,463**	**4,463**	**-**	**24,136**	**-**	**64**	**24,200**	**28,663**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,742**	**4,742**	**4,742**
Loans and advances to customers (note ii)	**32,739**	**19,353**	**-**	**52,092**	**96,928**	**62,369**	**89,106**	**394**	**248,797**	**300,889**
Non-financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,327**	**4,327**	**4,327**
Fair value adjustment for portfolio hedged risk	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,037)**	**(2,037)**	**(2,037)**
Total	**33,219**	**20,058**	**4,934**	**58,211**	**100,681**	**111,179**	**89,106**	**8,700**	**309,666**	**367,877**
2024 (note iii)	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cash	558	394	-	952	1,449	22,625	-	205	24,279	25,231
Loans and advances to banks and similar institutions	-	-	352	352	-	52	-	514	566	918
Investment securities (note i)	-	-	3,873	3,873	-	22,596	-	63	22,659	26,532
Derivative financial instruments	-	-	-	-	-	-	-	6,290	6,290	6,290
Loans and advances to customers (note ii)	23,581	7,321	-	30,902	67,206	51,983	62,999	350	182,538	213,440
Non-financial assets	-	-	-	-	-	-	-	3,006	3,006	3,006
Fair value adjustment for portfolio hedged risk	-	-	-	-	-	-	-	(3,330)	(3,330)	(3,330)
Total	24,139	7,715	4,225	36,079	68,655	97,256	62,999	7,098	236,008	272,087

Notes:
i. Encumbered investment securities primarily relate to repo transactions and collateral pledged for derivatives.
ii. Loans and advances to customers 'readily available for encumbrance' are expected to be immediately eligible to use in existing secured funding programmes or at the central bank. Any fair value micro hedge balance is reported as 'cannot be encumbered'. Mortgages pledged include £15.2 billion (2024: £6.3 billion) in the covered bond and securitisation programmes that are in excess of the amount contractually required to support notes in issue.
iii. Comparatives have been restated as detailed in note 2 to the consolidated financial statements.

Liquidity and funding risk (continued)

The majority of asset encumbrance arises from the use of residential mortgage pools to collateralise the covered bond and securitisation programmes. Further information is included in note 10 to the consolidated financial statements.

Certain unencumbered assets are readily available to secure funding or meet collateral requirements. These include cash and securities held in the liquid asset buffer and residential mortgages eligible for use in existing secured funding programmes or at the central bank. Other unencumbered assets, such as other residential mortgages, business and commercial loans and consumer lending, are capable of being encumbered with a degree of further management action. Assets which do not fall into either of these categories are classified as not being capable of being encumbered.

External credit ratings

The Group's long-term and short-term credit ratings are shown in the table below.

Credit ratings	Long-term	Short-term	Date of last rating action / confirmation	Outlook
Nationwide Building Society				
S&P Global	**A+**	**A-1**	**March 2024**	**Stable**
Moody's	**A1**	**P-1**	**September 2024**	**Stable**
Fitch	**A**	**F1**	**November 2024**	**Stable**
Virgin Money				
S&P Global	**BBB**	**A-2**	**October 2024**	**Stable**
Moody's	**A3**	**P-2**	**September 2024**	**Stable**
Fitch	**A-**	**F1**	**October 2024**	**Stable**
Clydesdale Bank				
S&P Global	**A**	**A-1**	**October 2024**	**Stable**
Moody's	**A1**	**P-1**	**September 2024**	**Stable**
Fitch	**A-**	**F1**	**October 2024**	**Stable**

Collateral sensitivity

The amount of additional collateral the Group would need to provide in the event of a one notch and two notch downgrade by external credit rating agencies would be £0.6 billion (2024: £nil) and £1.0 billion (2024: £0.7 billion) respectively.

Outlook

The Group continues to hold a diversified high-quality liquid asset buffer which will evolve in line with its liquidity requirements. The Group's funding plans include a continued presence in wholesale funding markets. The approach to liquidity and funding risk management will continue to evolve as part of the integration of Virgin Money.

Capital risk

Capital risk is the risk that the Group fails to maintain sufficient capital to absorb losses throughout a full economic cycle and sufficient to maintain the confidence of current and prospective investors, members, the Board, and regulators. Capital is held to protect customers, cover inherent risks, provide a buffer for stress events and support the business strategy. In assessing the adequacy of capital resources, risk appetite is considered in the context of the material risks to which the Group is exposed and the appropriate strategies required to manage those risks.

Capital position

The capital disclosures included in this report are in line with UK Capital Requirements Directive V (UK CRD V). The disclosures are on a consolidated Group basis, including all subsidiary entities, unless otherwise stated.

Capital ratios and requirements		
	2025	2024
Capital ratios	**%**	%
CET1 ratio	**19.1**	27.1
Tier 1 ratio	**21.7**	29.5
Total regulatory capital ratio	**23.8**	32.6
Leverage ratio	**5.2**	6.5
Capital requirements	**£m**	£m
Risk weighted assets (RWAs)	**81,871**	54,628
Leverage exposure	**344,018**	249,263

Risk-based capital ratios remain in excess of regulatory requirements with the CET1 ratio at 19.1% (2024: 27.1%), above the Group's CET1 capital requirement of 12.7%. The CET1 capital requirement includes a 7.2% minimum Pillar 1 and Pillar 2A requirement and the UK CRD V combined buffer requirements of 5.5% of RWAs.

The CET1 ratio has decreased to 19.1% (2024: 27.1%) primarily due to the acquisition of Virgin Money. CET1 capital resources increased by £0.8 billion due to profit after tax of £2.3 billion, partially offset by an increase in regulatory CET1 capital deductions of £1.4 billion following the Virgin Money acquisition; this increase in CET1 capital resources adds 1.5% to the CET1 ratio. RWAs increased by £27.2 billion, mainly driven by the inclusion of £27.7 billion of Virgin Money RWAs; the change in RWAs reduces the CET1 ratio by 9.5% in absolute terms.

UK CRD V requires firms to calculate a leverage ratio, which is non-risk-based, to supplement risk-based capital requirements. The Group's leverage ratio decreased to 5.2% (2024: 6.5%), primarily due to the Virgin Money acquisition as outlined above and increased Group residential mortgage balances.

The leverage ratio remains in excess of the Group's leverage capital requirement of 4.3%, which comprises a minimum Tier 1 capital requirement of 3.25% and buffer requirements of 1.05%. The buffer requirements include a 0.7% UK countercyclical leverage ratio buffer and a 0.35% additional leverage ratio buffer.

Leverage requirements continue to be the Group's binding Tier 1 capital measure, as the combination of minimum and regulatory buffer requirements is in excess of the risk-based equivalent. The risk of excessive leverage is managed through regular monitoring and reporting of leverage, which forms part of risk appetite.

Capital risk (continued)

The table below shows how components of members' interests, equity and liabilities contribute to total regulatory capital and does not include non-qualifying instruments.

Total regulatory capital	2025 £m	2024 £m
General reserve	**17,086**	15,119
Proportional consolidated gains/losses arising from joint venture (note i)	**9**	-
Core capital deferred shares (CCDS) (note ii)	**1,334**	1,334
Revaluation reserve	**35**	36
Fair value through other comprehensive income (FVOCI) reserve	**(119)**	(38)
Cash flow hedge and other hedging reserves	**79**	76
Regulatory adjustments and deductions:		
Cash flow hedge and other hedging reserves (note iii)	**(79)**	(76)
Direct holdings of CET1 instruments (note ii)	**(177)**	(177)
Foreseeable distributions (note iv)	**(100)**	(63)
Prudent valuation adjustment (note v)	**(82)**	(73)
Own credit and debit valuation adjustments (note vi)	**(4)**	(11)
Intangible assets (note vii)	**(1,226)**	(812)
Goodwill (note vii)	**(12)**	(12)
Defined-benefit pension fund asset (note vii)	**(669)**	(454)
Excess of regulatory expected losses over impairment provisions (note viii)	**(247)**	(51)
Deferred tax assets that rely on future profitability and do not arise from temporary differences (note ix)	**(217)**	-
Total regulatory adjustments and deductions	**(2,813)**	(1,729)
CET1 capital	**15,611**	14,798
Other equity instruments (Additional Tier 1 - note x)	**2,121**	1,336
Tier 1 capital	**17,732**	16,134
Subordinated debt (note xi)	**1,757**	1,650
Excess of impairment provisions over regulatory expected losses (note viii)	**-**	24
Tier 2 capital	**1,757**	1,674
Total regulatory capital	**19,489**	17,808

Notes:
i. The Group applies a proportional consolidation approach to the Salary Finance Loans Limited joint venture, which is accounted for in the consolidated financial statements using the equity method.
ii. The CCDS amount does not include the deductions for the Group's repurchase exercises completed in 2023. This is presented separately as a regulatory adjustment in line with UK Capital Requirements Regulation (CRR) article 42.
iii. In accordance with CRR article 33, institutions do not include the fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value.
iv. Foreseeable distributions in respect of CCDS and AT1 securities are deducted from CET1 capital under UK CRD V rules.
v. A prudent valuation adjustment (PVA) is applied in respect of fair valued instruments as required under UK CRD V rules.
vi. Own credit and debit valuation adjustments are applied to remove balance sheet gains or losses of fair valued liabilities and derivatives that result from changes in own credit standing and risk, as per UK CRD V rules.
vii. Intangible, goodwill and defined benefit pension fund assets are deducted from capital resources after netting associated deferred tax liabilities.
viii. Where capital expected loss exceeds accounting provisions, the excess balance is removed from CET1 capital, gross of tax. In contrast, where provisions exceed capital expected loss, the excess amount is added to Tier 2 capital, gross of tax. This calculation is not performed for equity exposures, in line with Article 159 of CRR. The expected loss amounts for equity exposures are deducted from CET1 capital, gross of tax.
ix. Deferred tax assets that rely on future profitability excluding those arising from temporary differences as per CRR article 38, net of related tax liability where the conditions in CRR article 38 (3) are met
x. Minority interest haircuts are applied to Virgin Money's externally issued Additional Tier 1 capital instruments in line with CRR article 85.
xi. Subordinated debt includes fair value adjustments relating to changes in market interest rates, adjustments for unamortised premiums and discounts that are included in the consolidated balance sheet, and any amortisation of the capital value of Tier 2 instruments required by regulatory rules for instruments with fewer than five years to maturity. In addition, minority interest haircuts are applied to Virgin Money's externally issued subordinated debt in line with CRR article 87.

Capital risk (continued)

As part of the Bank Recovery and Resolution Directive, the Bank of England, in its capacity as the UK resolution authority, has published its policy for setting the minimum requirement for own funds and eligible liabilities (MREL). In line with the latest 2025 Bank of England MREL publication, the Group is required to hold twice the minimum capital requirements (equating to 6.5% of leverage exposure), plus the applicable capital requirement buffers, which amount to 1.05% of leverage exposure. This equals a total loss-absorbing requirement of 7.55%.

At 31 March 2025, total MREL resources were 8.9% (2024: 9.4%) of leverage exposure, in excess of the loss-absorbing requirement of 7.55% (2024: 7.55%) described above.

Risk weighted assets

The table below shows the breakdown of risk weighted assets (RWAs) by risk type and business activity. Market risk has been set to zero as permitted by the UK CRR, as the exposure is below the threshold of 2% of own funds at a Group level.

Risk weighted assets (note i)	2025		2024	
	Risk weighted assets	**Minimum capital requirements**	Risk weighted assets	Minimum capital requirements
	£m	**£m**	£m	£m
Retail mortgages	**45,914**	**3,673**	37,373	2,990
Retail unsecured lending	**9,481**	**758**	4,750	380
Business and commercial lending	**11,274**	**902**	1,818	145
Treasury	**1,903**	**152**	1,736	139
Other (note ii)	**2,686**	**215**	1,676	134
Total credit risk (excluding counterparty credit risk)	**71,258**	**5,700**	47,353	3,788
Counterparty credit risk (note iii)	**463**	**38**	415	33
Credit valuation adjustment	**338**	**27**	362	29
Operational risk	**9,812**	**785**	6,498	520
Total	**81,871**	**6,550**	54,628	4,370

Notes:
i. Comparatives have been updated to align to the current year presentation; operational risk is no longer split by lending type and the credit valuation adjustment is shown separately to counterparty credit risk.
ii. Other relates to equity, fixed, intangible, deferred tax and other assets.
iii. Counterparty credit risk relates to derivative financial instruments, securities financing transactions (repurchase agreements) and exposures to central counterparties.

RWAs increased by £27.2 billion, predominantly driven by the acquisition of Virgin Money, with Virgin Money sub-group RWAs equal to £27.7 billion. Nationwide sub-group RWAs reduced by £0.5 billion, driven by a £3.0 billion reduction in RWAs following the approval of Hybrid Internal Ratings Based (IRB) mortgage models, which are used for exposures at the Nationwide individual level of consolidation. This was partially offset by an increase in RWAs due to increased residential mortgage balances.

Outlook

The Basel Committee published its final reforms to the Basel III framework in December 2017, now denoted by the PRA as Basel 3.1. The amendments include changes to the standardised approaches for credit and operational risks, including the introduction of an RWA standardised output floor to restrict the use of internal models. On 12 September 2024, the Bank of England published its last instalment of near-final rules for implementation of Basel 3.1 with a revised implementation date of 1 January 2026, following the consultation paper released on 30 November 2022. Although materially similar to the original Basel reforms, the near-final rules include interpretations and some divergences from Basel standards in relation to market, counterparty credit, and operational risks as well as credit risk and the output floor. However, on 17 January 2025, the PRA announced the decision to delay the implementation of Basel 3.1 in the UK by one year until 1 January 2027.

Capital risk (continued)

The near-final rules include a phased introduction of the RWA standardised output floor until fully implemented by 2030. The day-one impact of Basel 3.1 on the Group's CET1 ratio is expected to be positive with a small increase in the CET1 ratio anticipated, based on the Group's initial interpretation of the near-final rules. This is primarily due to the impact of changes to prescribed IRB model calculations. The Basel 3.1 RWA standardised output floor is expected to bind for the Group's risk-based capital assessment towards the end of the implementation period. The exact impact of Basel 3.1 on the Group position, and the point where the output floor becomes binding, will be influenced by the Group's interpretation of the final rules and the evolution of the balance sheet.

The Group will remain engaged in the development of the regulatory approach to ensure it is prepared for any resulting change.

The PRA has granted a renewed 12-month general prior permission to repurchase CCDS up to 2% of existing CET1 capital resources (£312 million at 31 March 2025), though this does not mean further repurchase exercises will necessarily follow. The permission will expire in January 2026.

Market risk

Summary

Market risk is the risk that the net value of, or net income arising from, the Group's assets and liabilities is impacted by changes in market prices or rates, specifically interest or currency rates. The Group has limited appetite for market risk and does not have a trading book. Market risk is closely monitored and managed to ensure the level of risk remains within appetite. Market risks are not taken unless they are essential to core business activities and they provide stability of earnings, minimise costs or enable operational efficiency.

The principal market risks that affect the Group include, interest rate risk, product option risk, foreign exchange (FX) risk, credit spread risk and inflation risk.

Net Interest Income (NII) sensitivity

The sensitivities presented below measure the extent to which the Group's pre-tax earnings are exposed to changes in interest rates over a one-year period based on instantaneous parallel rises and falls in interest rates, with the shifts applied to the prevailing interest rates at the reporting date.

The sensitivities are prepared based on a static balance sheet, with all assets and liabilities maturing within the year replaced with like-for-like products, and changes in interest rates being passed through to variable rate retail products, unless a floor close to 0% is reached when rates fall. No management actions are included in the sensitivities.

The purpose of these sensitivities is to assess the Group's exposure to interest rate risk and therefore the sensitivities should not be considered as a guide to future earnings performance, with actual future earnings influenced by the extent to which changes in interest rates are passed through to product pricing, the timing of maturing assets and liabilities and changes to the balance sheet mix. In practice, earnings changes from actual interest rate movements will differ from those shown below because interest rate changes may not be passed through in full to those assets and liabilities that do not have a contractual link to Bank rate.

Potential (adverse)/favourable impact on annual pre-tax future earnings		
	Group	
	2025	2024
	£m	£m
+100 basis points shift	**71**	(16)
+25 basis points shift	**22**	(2)
-25 basis points shift	**(49)**	(9)
-100 basis points shift	**(204)**	(47)

Market risk (continued)

Following the acquisition of Virgin Money UK PLC on 1 October 2024, the Group's NII sensitivities have increased, reflecting a larger balance sheet. The sensitivities reflect that changes in rates are fully passed through in these scenarios, and product margins are held static. The sensitivities also include the impact of balance sheet hedging and take-up risk in the mortgage pipeline. Whilst the NII sensitivities have increased in the period, they remain low in absolute terms and reflect the Group's prudent management of interest rate risk.

Outlook

The Group will continue to have a limited appetite for market risk, which will only be taken if it is essential to core business activities and provides stability of earnings, minimises costs or enables operational efficiency.

Consolidated financial statements

Contents

Consolidated income statement

For the period ended 31 March 2025	Notes	2025 £m	2024 (note i) £m
Interest receivable and similar income:			
Calculated using the effective interest rate method	3	**16,010**	13,962
Other	3	**72**	63
Total interest receivable and similar income	3	**16,082**	14,025
Interest expense and similar charges	4	**(11,090)**	(9,575)
Net interest income		**4,992**	4,450
Fee and commission income		**515**	426
Fee and commission expense		**(356)**	(292)
Other operating income	5	**21**	80
Gains from derivatives and hedge accounting	6	**12**	117
Gain on acquisition	19	**2,300**	-
Total income		**7,484**	4,781
Administrative expenses	7	**(3,550)**	(2,549)
Impairment charge on loans and advances to customers	8	**(632)**	(112)
Profit before member reward payments and tax		**3,302**	2,120
Member reward payments		**(1,000)**	(344)
Profit before tax		**2,302**	1,776
Taxation	9	**36**	(476)
Profit after tax		**2,338**	1,300
Profit attributable to non-controlling interests		**34**	-
Profit attributable to members		**2,304**	1,300

Note:
i. Comparatives have been restated as detailed in note 2.

Consolidated statement of comprehensive income

For the period ended 31 March 2025	2025 £m	2024 £m
Profit after tax	**2,338**	1,300
Other comprehensive expense:		
Items that will not be reclassified to the income statement		
Retirement benefit obligations:		
Remeasurement of net retirement benefit asset	**(192)**	(380)
Taxation	**48**	190
	(144)	(190)
Revaluation reserve:		
Revaluation of property	**1**	-
Taxation	**-**	(2)
	1	(2)
Fair value through other comprehensive income reserve:		
Revaluation (losses)/gains on equity instruments at fair value through other comprehensive income	**(1)**	5
Taxation	**(1)**	(1)
	(2)	4
	(145)	(188)
Items that may subsequently be reclassified to the income statement		
Cash flow hedge reserve:		
Hedging net gains/(losses) arising during the period	**30**	(21)
Amount transferred to income statement	**(24)**	(48)
Taxation	**(1)**	20
	5	(49)
Other hedging reserve:		
Hedging net (losses)/gains arising during the period	**(8)**	5
Amount transferred to income statement	**5**	(10)
Taxation	**1**	1
	(2)	(4)
Fair value through other comprehensive income reserve:		
Revaluation (losses)/gains on debt instruments at fair value through other comprehensive income	**(103)**	8
Amount transferred to income statement	**(8)**	(47)
Taxation	**31**	11
	(80)	(28)
	(77)	(81)
Other comprehensive expense	**(222)**	(269)
Total comprehensive income	**2,116**	1,031
Attributable to:		
Non-controlling interests	**34**	-
Members' interests	**2,082**	1,031
Total comprehensive income	**2,116**	1,031

Consolidated balance sheet

As at 31 March 2025			
		2025	2024 (note i)
	Notes	**£m**	£m
Assets			
Cash and balances with central banks		**29,483**	25,231
Loans and advances to banks and similar institutions		**1,810**	918
Investment securities		**28,663**	26,532
Derivative financial instruments		**4,742**	6,290
Fair value adjustment for portfolio hedged risk		**(2,037)**	(3,330)
Loans and advances to customers	10	**300,889**	213,440
Intangible assets		**1,481**	848
Property, plant and equipment		**796**	656
Accrued income and prepaid expenses		**394**	294
Deferred tax assets		**278**	109
Current tax assets		**262**	54
Other assets		**224**	435
Retirement benefit asset	15	**892**	610
Total assets		**367,877**	272,087
Liabilities			
Shares		**207,428**	193,366
Deposits from banks and similar institutions		**6,053**	16,388
Other deposits	11	**74,667**	4,530
Fair value adjustment for portfolio hedged risk		**27**	50
Debt securities in issue		**51,109**	34,749
Derivative financial instruments		**1,547**	1,451
Other liabilities		**2,432**	859
Provisions for liabilities and charges	13	**70**	149
Accruals and deferred income		**1,223**	405
Subordinated liabilities	12	**2,444**	2,075
Subscribed capital	12	**129**	173
Deferred tax liabilities		**266**	206
Total liabilities		**347,395**	254,401
Members' interests and equity			
Core capital deferred shares	16	**1,157**	1,157
Other equity instruments	17	**1,485**	1,336
General reserve		**17,086**	15,119
Revaluation reserve		**35**	36
Cash flow hedge reserve		**132**	127
Other hedging reserve		**(53)**	(51)
Fair value through other comprehensive income reserve		**(119)**	(38)
Total members' interests and equity		**19,723**	17,686
Non-controlling interests		**759**	-
Total equity and liabilities		**367,877**	272,087

Note:
i. Comparatives have been restated as detailed in note 2.

Consolidated statement of movements in members' interests and equity

For the period ended 31 March 2025	Core capital deferred shares	Other equity instruments	General reserve	Revaluation reserve	Cash flow hedge reserve	Other hedging reserve	FVOCI reserve	Total members' interests	Non-controlling interest	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2024	1,157	1,336	15,119	36	127	(51)	(38)	17,686	-	17,686
Profit for the period	-	-	**2,304**	-	-	-	-	**2,304**	**34**	**2,338**
Net remeasurements of retirement benefit obligations	-	-	**(144)**	-	-	-	-	**(144)**	-	**(144)**
Net revaluation of property	-	-	-	**1**	-	-	-	**1**	-	**1**
Net movement in cash flow hedge reserve	-	-	-	-	**5**	-	-	**5**	-	**5**
Net movement in other hedging reserve	-	-	-	-	-	**(2)**	-	**(2)**	-	**(2)**
Net movement in FVOCI reserve	-	-	-	-	-	-	**(82)**	**(82)**	-	**(82)**
Total comprehensive income	-	-	**2,160**	**1**	**5**	**(2)**	**(82)**	**2,082**	**34**	**2,116**
Reserve transfer	-	-	**1**	**(2)**	-	-	**1**	-	-	-
Issuance of Additional Tier 1 capital	-	**742**	-	-	-	-	-	**742**	-	**742**
Redemption of Additional Tier 1 capital	-	**(593)**	**(7)**	-	-	-	-	**(600)**	-	**(600)**
Distribution to the holders of core capital deferred shares	-	-	**(94)**	-	-	-	-	**(94)**	-	**(94)**
Distribution to the holders of Additional Tier 1 capital	-	-	**(93)**	-	-	-	-	**(93)**	-	**(93)**
Non-controlling interests on acquisition of a subsidiary	-	-	-	-	-	-	-	-	**759**	**759**
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	**(34)**	**(34)**
At 31 March 2025	**1,157**	**1,485**	**17,086**	**35**	**132**	**(53)**	**(119)**	**19,723**	**759**	**20,482**

For the year ended 4 April 2024	Core capital deferred shares	Other equity instruments	General reserve	Revaluation reserve	Cash flow hedge reserve	Other hedging reserve	FVOCI reserve	Total members' interests	Non-controlling interests	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2023	1,233	1,336	14,184	38	176	(47)	(14)	16,906	-	16,906
Profit for the year	-	-	1,300	-	-	-	-	1,300	-	1,300
Net remeasurements of retirement benefit obligations	-	-	(190)	-	-	-	-	(190)	-	(190)
Net revaluation of property	-	-	-	(2)	-	-	-	(2)	-	(2)
Net movement in cash flow hedge reserve	-	-	-	-	(49)	-	-	(49)	-	(49)
Net movement in other hedging reserve	-	-	-	-	-	(4)	-	(4)	-	(4)
Net movement in FVOCI reserve	-	-	-	-	-	-	(24)	(24)	-	(24)
Total comprehensive income	-	-	1,110	(2)	(49)	(4)	(24)	1,031	-	1,031
Repurchase of core capital deferred shares	(76)	-	-	-	-	-	-	(76)	-	(76)
Distribution to the holders of core capital deferred shares	-	-	(97)	-	-	-	-	(97)	-	(97)
Distribution to the holders of Additional Tier 1 capital	-	-	(78)	-	-	-	-	(78)	-	(78)
At 4 April 2024	1,157	1,336	15,119	36	127	(51)	(38)	17,686	-	17,686

Notes to the consolidated financial statements

1. Reporting period

The year end date of Nationwide Building Society has been changed to 31 March, which aligns with that of its subsidiary undertakings including Virgin Money UK PLC. These results have been prepared as at 31 March 2025 and show the financial performance for the period from, and including, 5 April 2024 to this date.

2. Basis of preparation

These consolidated financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Building Societies Act 1986 and with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 (as amended) that are applicable. International accounting standards which have been adopted for use within the UK have also been applied in these consolidated financial statements.

The accounting policies adopted for use in the preparation of this Preliminary Results Announcement and which will be used in preparing the Annual Report and Accounts for the period ended 31 March 2025 were included in the 'Annual Report and Accounts 2024' document, except for the addition of new accounting policies in the period for business combinations and segmental reporting. Copies of the Annual report and accounts are available at **nationwide.co.uk**

Acquisition of Virgin Money UK PLC

On 1 October 2024, the Group acquired Virgin Money UK PLC (hereafter referred to as Virgin Money). The results of Virgin Money are included in the Group's consolidated financial results for the period from 1 October 2024 to 31 March 2025 only.

Business combinations

Business combinations are accounted for using the acquisition method, as prescribed by IFRS 3 'Business Combinations'. Under this method, any excess of the fair value of the consideration transferred over the fair value of the identifiable net assets acquired is recognised as goodwill. If the fair value of the identifiable net assets acquired exceeds the aggregate fair value of the consideration transferred, this results in a gain on acquisition, recognised in the income statement on the date of the acquisition.

The fair value measurement of identifiable assets acquired and liabilities assumed may be adjusted following management's finalisation of its acquisition date fair value estimates if new information about facts and circumstances existing on the date of the acquisition is obtained, as allowed by IFRS 3 for a maximum of one year from the acquisition date.

The amount of non-controlling interests is measured at fair value as at the date of acquisition. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Further information on the acquisition of Virgin Money during the current period is included in note 19.

Segmental reporting

The Group Management Committee (GMC) is responsible for allocating resources and assessing the performance of the business and is therefore identified as the chief operating decision maker.

Operating segments are reported in a manner consistent with internal reporting provided to the GMC and include the Nationwide sub-group and the Virgin Money sub-group.

No segmental analysis is required on geographical lines as substantially all of the Group's activities are in the United Kingdom.

Prior to the acquisition of Virgin Money, the Nationwide Executive Committee (ExCo) was considered to be the chief operating decision maker and there was only one reportable segment.

Adoption of new and revised IFRSs

A number of amendments and improvements to accounting standards have been issued by the International Accounting Standards Board (IASB) with an effective date for annual reporting periods beginning on or after 1 January 2024. The adoption of these amendments had no significant impact on the Group.

Future accounting developments

'Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7' was issued in May 2024 and is effective for accounting periods beginning on or after 1 January 2026. The amendments provide clarification as to the derecognition criteria for financial liabilities when using an electronic payment system. The amendments also provide guidance on the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows. The impact of these amendments is currently being assessed.

2. Basis of preparation (continued)

IFRS 18 'Presentation and Disclosure in Financial Statements' was issued in April 2024 and is effective for accounting periods beginning on or after 1 January 2027, but is not yet endorsed for use in the UK. IFRS 18 replaces IAS 1, and while much of IAS 1 has been retained in IFRS 18, the new standard establishes updated principles for the presentation and disclosure of information in the financial statements, in particular the income statement. The requirements of IFRS 18 are currently being assessed, and while the new standard will potentially alter the presentation of information, it is not anticipated to affect underlying recognition or measurement criteria.

The IASB has also issued a number of other minor amendments to IFRSs that become effective for annual reporting periods beginning on or after 1 January 2025, some of which have not yet been endorsed for use in the UK. These amendments are not expected to have a significant impact for the Group.

Judgements in applying accounting policies and critical accounting estimates

The preparation of the Group's financial statements in accordance with IFRS 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 period ended 31 March 2025, this evaluation has considered the impact of climate-related risks on the Group's financial position and performance. While the effects of climate change represent a source of uncertainty, the Group does not consider there to be a material impact on its judgements and estimates from physical and transition risks of climate change in the short to medium term.

In relation to the acquisition of Virgin Money on 1 October 2024, the Group made significant judgements in respect of valuation techniques, modelling assumptions and estimates of market inputs used to determine the fair value of identifiable assets acquired and liabilities assumed. The fair values calculated resulted in the recognition of a £2.3 billion gain on the acquisition. Further information on the valuation approaches applied is included in note 19.

The key areas involving significant sources of estimation uncertainty or a higher degree of judgement by management in applying the Group's accounting policies, where actual results may differ from those on which management's estimates are based, are disclosed in the following notes.

	Estimates	Judgements
Impairment charge and provisions on loans and advances to customers	Note 8	Note 8
Retirement benefit obligations	Note 15	
Deferred taxation	Note 9	

Going concern

The directors have assessed the Group's ability to continue as a going concern, with reference to current and anticipated market conditions as well as the impact of climate-related matters and the acquisition of Virgin Money UK PLC. The directors confirm they are satisfied that the Group has adequate resources to continue in business for a period of not less than 12 months from the date of approval of these consolidated financial statements and that it is therefore appropriate to adopt the going concern basis.

Restatement of prior year comparatives

Following the acquisition of Virgin Money, the Group has assessed the alignment of accounting policies across the consolidated group. As a result of some differences identified, a number of presentational changes to the Group's financial statements have been made to better reflect the nature of the underlying assets, liabilities and income statement line items, and to align to market practice where appropriate. Comparatives for the year ended 4 April 2024 have been restated accordingly. As set out in the table on the next page, these changes had no impact on the Group's net assets or members' interests and equity at 4 April 2024, or on profits for the year ended 4 April 2024.

2. Basis of preparation (continued)

The restatements to comparatives for the items noted above are set out below.

Balance sheet extract at 4 April 2024	Previously published	Adjustments	Restated
	£m	£m	£m
Total assets	**271,917**	**170**	**272,087**
Impacted line items:			
Cash and balances at central banks (notes i, ii)	23,817	1,414	25,231
Loans and advances to banks and similar institutions (notes i, ii)	2,478	(1,560)	918
Other assets (note ii)	122	313	435
Retirement benefit asset (note iii)	607	3	610
Total liabilities	**254,231**	**170**	**254,401**
Impacted line items:			
Debt securities in issue (note iv)	29,599	5,150	34,749
Subordinated liabilities (note iv)	7,225	(5,150)	2,075
Other liabilities (notes ii, iii)	689	170	859

Notes:
i. Balance sheet line item has been renamed to cash and balances at central banks (previously referred to as ‘cash’). Adjustments totalling £1,397 million have been made, primarily reflecting reclassification of collateral balances held with the Bank of England in support of participation in payment schemes, which were previously included within loans and advances to banks and similar institutions.
ii. Certain balances relating to settlement accounts held with payment schemes have been reclassified, resulting in increases to cash and balances at central banks of £17 million, other assets of £313 million and other liabilities of £167 million, and a decrease to loans and advances to banks and similar institutions of £163 million.
iii. Unfunded retirement benefit obligations of £3 million have been reclassified to other liabilities. This balance was previously included within the retirement benefits asset line item.
iv. Senior non-preferred notes have been reclassified from subordinated liabilities to debt securities in issue.

Income statement extract for the year ended 4 April 2024	Previously published	Adjustments	Restated
	£m	£m	£m
Administrative expenses (note i)	(2,422)	(127)	(2,549)
Provisions for liabilities and charges (note i)	(127)	127	-

Note:
i. Provisions for liabilities and charges are now included within administrative expenses in the income statement.

3. Interest receivable and similar income

	2025 £m	2024 £m
On financial assets measured at amortised cost:		
Residential mortgages	**8,904**	6,424
Other loans (note i)	**1,399**	718
Other liquid assets, including reserves at central banks	**1,647**	1,962
Investment securities	**-**	1
On investment securities measured at FVOCI	**644**	522
Net income on financial instruments hedging assets in a qualifying hedge accounting relationship	**3,416**	4,335
Total interest receivable and similar income calculated using the effective interest rate method	**16,010**	13,962
Interest on net defined benefit pension surplus (note 15)	**45**	44
Other interest and similar income (note ii)	**27**	19
Total	**16,082**	14,025

Notes:

i. Includes interest on financial lease receivables of £31 million (2024: £nil).

ii. Includes interest on financial instruments hedging assets that are not in a qualifying hedge accounting relationship.

4. Interest expense and similar charges

	2025 £m	2024 £m
On shares held by individuals	**6,001**	5,217
On non-member retail deposits	**834**	-
On subscribed capital	**10**	11
On other deposits and other borrowings:		
Subordinated liabilities (note i)	**96**	72
Deposits from banks and similar institutions and other deposits	**1,246**	1,723
Debt securities in issue (note i)	**1,837**	1,449
Net expense on financial instruments hedging liabilities	**1,066**	1,103
Total	**11,090**	9,575

Note:

i. Comparatives have been restated to align with the reclassification of senior non-preferred notes from subordinated liabilities to debt securities in issue, as set out in note 2.

5. Other operating income

	2025 £m	2024 £m
Gains on disposal of FVOCI investment securities	8	47
Losses on financial assets measured at FVTPL	(2)	(6)
Other income	15	39
Total	**21**	80

Other income for the year ended 4 April 2024 includes a £42 million net gain relating to the disposal of the Society's investment advice business.

The Group's unrecognised share of profits of joint ventures was £1 million for the period (2024: £nil). For loss-making entities, subsequent profits earned are not recognised until previously unrecognised losses are extinguished. On a cumulative basis, the Group's unrecognised share of joint venture losses, net of unrecognised profits, is £14 million (2024: £nil); the Group has no obligation to fund these losses.

6. Gains/losses from derivatives and hedge accounting

As a part of its risk management strategy, the Group uses derivatives to economically hedge financial assets and liabilities. More information on how the Group manages market risk can be found in the Risk report. Hedge accounting is employed by the Group to minimise the accounting volatility associated with the change in fair value of derivative financial instruments. The Group only uses derivatives for the hedging of risks; however, income statement volatility can still arise due to hedge accounting ineffectiveness or because hedge accounting is either not applied or is not currently achievable. The overall impact of derivatives will remain volatile from period to period as new derivative transactions replace those which mature to ensure that interest rate and other market risks are continually managed.

	2025 £m	2024 £m
Gains from fair value hedge accounting (note i)	73	111
(Losses) from cash flow hedge accounting	(32)	-
Fair value (losses)/gains from other derivatives (note ii)	(29)	10
Foreign exchange retranslation (note iii)	-	(4)
Total	**12**	117

Notes:

i. Includes gains or losses from portfolio hedges of interest rate risk arising from amortisation of existing balance sheet amounts and hedge ineffectiveness.

ii. Gains or losses arise from derivatives used for economic hedging purposes which are not currently in a hedge accounting relationship, including derivatives economically hedging fixed rate mortgages not yet on the balance sheet, and valuation adjustments applied at a portfolio level which are not allocated to individual hedge accounting relationships.

iii. Gains or losses arise from the retranslation of foreign currency monetary items not subject to effective hedge accounting.

Gains from fair value hedge accounting include the impact of updating the hedge accounting amortisation methodology used for macro hedges. This updated methodology applies a more refined EIR approach, to reduce volatility in a high-interest rate environment by improving the phasing of amortisation. The impact of this has been to reduce gains by £52 million compared to the previous approach.

7. Administrative expenses

	2025 £m	2024 £m
Staff costs:		
Wages and salaries	**839**	660
Bonuses	**132**	83
Social security costs	**116**	86
Pension costs	**204**	168
Other staff costs (note i)	**12**	(6)
	1,303	991
Other administrative expenses (notes i, ii, iii)	**1,621**	1,084
Bank levy	**34**	13
Depreciation, amortisation and impairment (note iii)	**592**	461
Total	**3,550**	2,549

Notes:

i. Other staff costs have been recategorised from other administrative expenses to staff costs. Other staff costs include credits of £99 million (2024: £96 million) for capitalised permanent, contract and temporary staff costs which were previously included within other administrative expenses.

ii. Other administrative expenses have been updated to include costs relating to provisions for customer redress, and legal and regulatory matters, which were previously shown separately on the income statement. Prior period comparatives have been restated on a consistent basis.

iii. Administrative expenses include certain costs relating to the acquisition of Virgin Money. These comprise:

- £36 million of transaction-related costs and £275 million of one-off costs (and related VAT) associated with the amended Trade Mark License Agreement between Virgin Money UK PLC and Virgin Enterprises Limited, which are included in other administrative expenses; and
- £56 million of amortisation relating to acquired intangible assets, which is included within depreciation, amortisation and impairment.

8. Impairment charge and provisions on loans and advances to customers

The following tables set out the impairment charges during the period and the closing provision balances which are deducted from the relevant asset values in the balance sheet:

Impairment charge	2025 £m	2024 £m
Owner-occupied mortgages	**25**	7
Buy to let and legacy residential mortgages	**8**	37
Consumer lending	**514**	51
Business and commercial lending	**85**	17
Total	**632**	112

Impairment provisions	2025 £m	2024 £m
Owner-occupied mortgages	**115**	90
Buy to let and legacy residential mortgages	**236**	231
Consumer lending	**824**	436
Business and commercial lending	**113**	24
Total	**1,288**	781

8. Impairment charge and provisions on loans and advances to customers (continued)

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, outputs from statistical models are used, and judgements incorporated to determine the probability of default (PD), the exposure at default (EAD), and the loss given default (LGD) for each loan. Provisions represent a probability-weighted average of these calculations under multiple economic scenarios. Adjustments are made in modelling provisions, applying further judgements to take into account model limitations, or to deal with instances where insufficient data exists to fully reflect credit risks in the models.

The most significant areas of judgement are:

- The approach to identifying significant increases in credit risk; and
- The approach to identifying credit-impaired loans.

The most significant areas of estimation uncertainty are:

- The use of forward-looking economic information using multiple economic scenarios; and
- The additional judgements made in modelling expected credit losses (ECL) – these currently include PD uplifts relating to both affordability risks and risks associated with credit card persistent debt, and LGD uplifts for property valuation risk.

Sensitivity analysis has been completed, based on the results from previous climate change stress tests, that supports the Group's view that the impact of climate change on impairment provisions remains immaterial. The potential economic impact of climate change is captured by our existing range of economic scenarios. Supported by our controls operated at lending origination, the expected credit losses associated with physical risks are low and arise over the long term, and therefore currently have an immaterial impact on the Group's retail lending due to the effect of loan amortisation and redemptions over time. There are no current transition policies that require additional provisions against current retail lending, while potential future Government transition policies and the Group's response to these remain highly uncertain. The Group's exposure to increased losses from business sectors most affected by climate change, whether via physical or transition risks, are also judged to be immaterial.

Identifying significant increases in credit risk (stage 2)

Loans are allocated to stage 1 or stage 2 according to whether there has been a significant increase in credit risk. Judgement has been used to select both quantitative and qualitative criteria which are used to determine whether a significant increase in credit risk has taken place. These criteria are detailed within the Credit risk section of the Risk report. The primary quantitative indicators are the outputs of internal credit risk assessments. While different approaches are used within each portfolio, the intention is to combine current and historical data relating to the exposure with forward-looking economic information to determine the probability of default (PD) at each reporting date. For residential mortgages and consumer lending, the main indicators of a significant increase in credit risk are either of the following:

Nationwide sub-group portfolios:

- The residual lifetime PD exceeds a benchmark determined by reference to the maximum credit risk that would have been accepted at origination; or
- The residual lifetime PD is at least 75 basis points more than, and at least double, the residual lifetime PD calculated at origination.

Virgin Money sub-group portfolios:

- The residual lifetime PD exceeds a threshold which varies by portfolio, and is based on the lifetime PD curves calculated at origination. The PD threshold curves were recalculated at acquisition, to reset the origination point to 1 October 2024, being the date when the Virgin Money business was acquired by the Group.

These complementary criteria have been reviewed through regular model monitoring, using management performance indicators and actual default experience, and found to be effective in capturing events which would constitute a significant increase in credit risk.

Identifying credit impaired loans (stage 3)

The identification of credit-impaired loans is an important judgement within the staging approach. A loan is credit-impaired if it has an arrears status of more than 90 days past due, is considered to be in default, or it is considered unlikely that the borrower will repay the outstanding balance in full, without recourse to actions such as realising security.

8. Impairment charge and provisions on loans and advances to customers (continued)

Critical accounting estimates and judgements (continued)

Use of forward-looking economic information

Management exercises judgement in estimating future economic conditions which are incorporated into provisions through modelling of multiple scenarios. The economic scenarios are reviewed and updated on a quarterly basis. The provision recognised is the probability-weighted sum of the provisions calculated under a range of economic scenarios. The scenarios and associated probability weights are derived using external data and statistical methodologies, together with management judgement. The Group continues to model four economic scenarios, which together encompass an appropriate range of potential economic outcomes. The base case scenario is aligned to the Group's financial planning process. The upside and downside scenarios are reasonably likely favourable and adverse alternatives to the base case, and the severe downside scenario is aligned with the Group's internal stress testing.

Probability weightings for each scenario are reviewed quarterly to reflect economic conditions as they evolve. The probability weightings applied to the scenarios were unchanged over the year and are shown in the table below. As a result of geopolitical tensions, the potential impact of UK Government tax changes, and US trade policies, the probability weighting for the severe downside scenario has been maintained at 15%.

Scenario probability weighting (%)	Upside scenario	Base case scenario	Downside scenario	Severe downside scenario
31 March 2025	**10**	**45**	**30**	**15**
4 April 2024	10	45	30	15

8. Impairment charge and provisions on loans and advances to customers (continued)

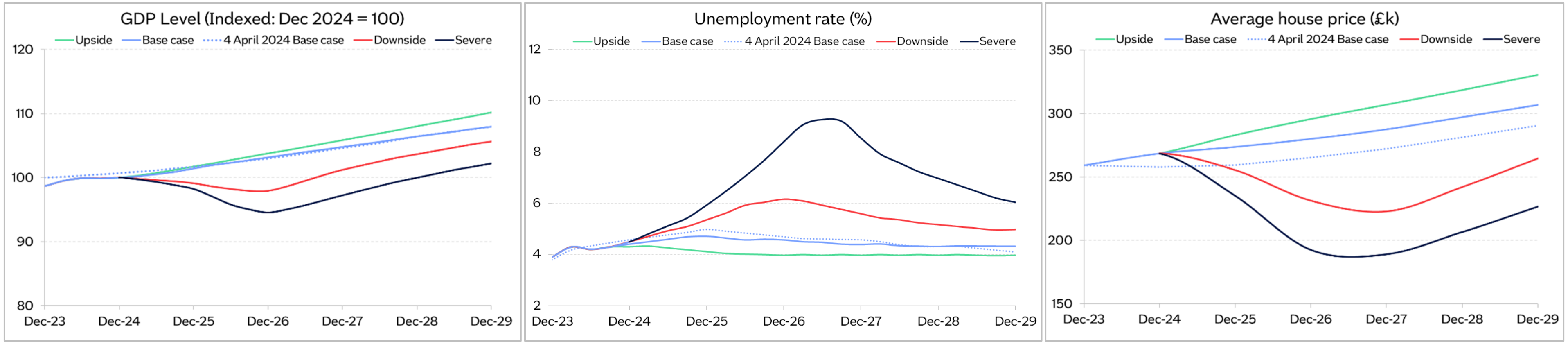
Critical accounting estimates and judgements (continued)

In the base case scenario, modest growth in GDP of 1.4% is expected during 2025, following a period of stagnation. In this scenario, unemployment is forecast to increase to 4.7% by the end of 2025. By contrast, in the downside scenario, GDP reflects a significant UK recession, and the peak unemployment increases to 6.2%, whilst the severe downside scenario unemployment peak of 9.3% corresponds with a severe and longer-lasting economic downturn.

As a result of continued economic uncertainty, the house price forecasts used within the provision calculations cover a wide range of outcomes. House prices are now expected to increase in the base case scenario by 1.9% during 2025 and a further 2.3% during 2026. The downside scenario continues to assume a significant fall in both 2025 and 2026, driven by a deterioration in economic conditions, including an increase in unemployment, whilst the severe downside scenario includes a fall in house prices of 30.1% from the end of 2024 to the low point in early 2027.

Bank rate in the base case scenario is expected to continue to reduce to 3.75% during 2025 and 3.25% by the end of 2028. Inflation in this scenario is expected to reduce to the Bank of England target rate of 2.0% by the end of 2026. In the downside scenario, the recession results in Bank rate remaining at low levels from 2025 onwards, in order to stimulate economic demand. By contrast the severe downside scenario includes a sustained high level of inflation, which requires an increase in Bank rate to 8.5%.

The graphs below show the historical and forecasted GDP level, unemployment rate and average house price for the Group's current economic scenarios, as well as the previous base case economic scenario.



8. Impairment charge and provisions on loans and advances to customers (continued)

Critical accounting estimates and judgements (continued)

The tables below provide a summary of the values of the key UK economic variables used within the economic scenarios over the first five years of the scenario:

Economic variables									
	Rate/annual growth rate at December 2024-2029						5-year average (note i)	Dec-24 to peak (note ii)	Dec-24 to trough (note ii)
	Actual	Forecast							
	2024	2025	2026	2027	2028	2029			
31 March 2025	%	%	%	%	%	%	%	%	%
GDP growth									
Upside scenario	1.4	1.7	2.0	2.0	2.0	2.0	2.0	10.2	0.3
Base case scenario	1.4	1.4	1.7	1.6	1.6	1.4	1.5	8.0	0.2
Downside scenario	1.4	(0.9)	(1.2)	3.3	2.4	1.9	1.1	5.6	(2.1)
Severe downside scenario	1.4	(1.8)	(3.7)	2.8	2.8	2.2	0.4	2.2	(5.5)
Probability weighted	1.4	0.3	0.1	2.4	2.1	1.8			
HPI growth									
Upside scenario	3.6	5.4	4.5	3.8	3.8	3.8	4.2	23.1	1.3
Base case scenario	3.6	1.9	2.3	2.7	3.3	3.2	2.7	14.3	0.1
Downside scenario	3.6	(4.9)	(9.4)	(3.7)	8.7	9.3	(0.3)	(0.6)	(17.1)
Severe downside scenario	3.6	(12.4)	(18.1)	(1.8)	9.3	9.7	(3.3)	(1.4)	(30.1)
Probability weighted	3.6	(1.9)	(4.1)	0.2	5.9	6.1			
Unemployment									
Upside scenario	4.4	4.1	4.0	4.0	4.0	4.0	4.0	4.3	4.0
Base case scenario	4.4	4.7	4.6	4.4	4.3	4.3	4.5	4.7	4.3
Downside scenario	4.4	5.4	6.2	5.6	5.2	5.0	5.4	6.2	4.7
Severe downside scenario	4.4	5.9	8.4	8.5	7.0	6.0	7.1	9.3	4.8
Probability weighted	4.4	5.0	5.6	5.3	4.9	4.7			
Bank rate									
Upside scenario	4.8	4.3	4.3	4.3	4.3	4.3	4.3	4.5	4.3
Base case scenario	4.8	3.8	3.5	3.5	3.3	3.3	3.6	4.5	3.3
Downside scenario	4.8	2.5	0.5	0.5	0.5	0.5	1.3	4.5	0.5
Severe downside scenario	4.8	6.5	8.0	5.0	4.3	3.5	5.4	8.5	3.5
Probability weighted	4.8	3.8	3.4	2.9	2.7	2.6			
Consumer price inflation									
Upside scenario	2.6	2.5	2.0	2.0	2.0	2.0	2.1	2.7	2.0
Base case scenario	2.6	3.4	2.0	2.0	2.0	2.0	2.3	3.5	1.8
Downside scenario	2.6	1.5	0.3	1.2	1.8	2.0	1.5	2.8	0.3
Severe downside scenario	2.6	6.5	7.0	2.2	2.0	2.0	4.1	8.0	2.0
Probability weighted	2.6	3.2	2.2	1.8	1.9	2.0			

8. Impairment charge and provisions on loans and advances to customers (continued)

Critical accounting estimates and judgements (continued)

Economic variables	Rate/annual growth rate at December 2023-2028								
	Actual	Forecast					5-year average (note i)	Dec-23 to peak (note ii)	Dec-23 to trough (note ii)
	2023	2024	2025	2026	2027	2028			
4 April 2024	%	%	%	%	%	%	%	%	%
GDP growth									
Upside scenario	(0.2)	1.6	1.6	1.6	1.6	1.7	1.6	8.4	0.4
Base case scenario	(0.2)	0.7	1.0	1.2	1.6	1.8	1.3	6.4	0.1
Downside scenario	(0.2)	(0.6)	(1.9)	1.8	3.3	2.1	0.9	4.8	(2.6)
Severe downside scenario	(0.2)	(1.8)	(3.5)	3.1	3.0	2.3	0.6	3.1	(5.2)
Probability weighted	(0.2)	0.0	(0.5)	1.7	2.3	1.9			
HPI growth									
Upside scenario	(2.3)	5.5	3.8	3.8	3.8	3.8	4.1	22.6	0.7
Base case scenario	(2.3)	(0.5)	0.6	2.2	2.7	3.3	1.7	9.0	(1.1)
Downside scenario	(2.3)	(6.1)	(9.2)	(1.8)	5.1	7.5	(1.1)	(1.3)	(16.3)
Severe downside scenario	(2.3)	(13.3)	(16.0)	0.2	8.2	8.0	(3.1)	(2.6)	(28.3)
Probability weighted	(2.3)	(3.5)	(4.5)	0.9	4.3	5.3			
Unemployment									
Upside scenario	3.8	4.1	4.0	4.0	4.0	4.0	4.0	4.1	4.0
Base case scenario	3.8	4.6	5.0	4.7	4.6	4.3	4.6	5.0	4.2
Downside scenario	3.8	5.3	6.7	6.2	5.6	5.3	5.7	6.7	4.3
Severe downside scenario	3.8	5.9	8.6	8.4	6.6	5.8	7.0	9.5	4.6
Probability weighted	3.8	4.9	5.9	5.6	5.1	4.8			
Bank rate									
Upside scenario	5.3	4.8	4.0	4.0	4.0	4.0	4.2	5.3	4.0
Base case scenario	5.3	4.3	3.5	3.0	3.0	3.0	3.5	5.3	3.0
Downside scenario	5.3	5.8	3.0	1.0	1.0	1.0	2.7	6.0	1.0
Severe downside scenario	5.3	7.5	6.0	4.5	4.0	3.5	5.3	7.5	3.5
Probability weighted	5.3	5.2	3.8	2.7	2.7	2.6			
Consumer price inflation									
Upside scenario	3.9	1.7	2.0	2.0	2.0	2.0	1.9	2.3	1.4
Base case scenario	3.9	2.6	1.7	1.9	2.0	2.0	2.1	3.7	1.6
Downside scenario	3.9	2.0	0.3	1.2	1.7	2.0	1.5	4.0	0.3
Severe downside scenario	3.9	8.0	3.0	2.0	2.0	2.0	3.8	8.0	2.0
Probability weighted	3.9	3.1	1.5	1.7	1.9	2.0			

Notes:
i. The average rate for GDP and HPI is based on the cumulative annual growth rate over the forecast period. Average unemployment and CPI is calculated using a simple average using quarterly points.
ii. GDP growth and HPI are shown as the largest cumulative growth/fall over the forecast period. The unemployment rate and CPI is shown as the highest/lowest rate over the forecast period.

8. Impairment charge and provisions on loans and advances to customers (continued)

Critical accounting estimates and judgements (continued)

To give an indication of the sensitivity of ECLs to different economic scenarios, the table below shows the ECL if 100% weighting is applied to each scenario:

Expected credit losses under 100% weighted scenarios						Proportion of balances in stage 2 under 100% weighted scenarios					
	Upside scenario	Base case scenario	Downside scenario	Severe downside scenario	Reported provision	Upside scenario	Base case scenario	Downside scenario	Severe downside scenario	Reported stage 2	Reported stage 3 and POCI (note i)
31 March 2025	**£m**	**£m**	**£m**	**£m**	**£m**	**%**	**%**	**%**	**%**	**%**	**%**
Residential mortgages	**224**	**229**	**271**	**1,089**	**351**	**12.6**	**11.6**	**9.9**	**37.7**	**13.6**	**0.7**
Consumer lending – credit cards	**475**	**480**	**479**	**1,120**	**542**	**13.6**	**13.7**	**13.4**	**41.2**	**16.7**	**2.5**
Consumer lending – personal loans and overdrafts	**270**	**272**	**279**	**331**	**282**	**17.6**	**17.5**	**17.0**	**25.2**	**18.3**	**11.7**
Business and commercial lending	**102**	**106**	**118**	**288**	**113**	**9.2**	**9.3**	**11.7**	**39.2**	**11.0**	**3.2**
Total	**1,071**	**1,087**	**1,147**	**2,828**	**1,288**						
4 April 2024	£m	£m	£m	£m	£m	%	%	%	%	%	%
Residential mortgages	210	216	275	814	321	15.0	13.7	13.0	27.7	17.4	0.6
Consumer lending – credit cards	186	183	187	247	195	23.8	23.0	22.4	24.6	24.3	5.4
Consumer lending – personal loans and overdrafts	229	232	245	269	241	35.3	37.1	41.1	45.6	39.6	6.3
Business and commercial lending	24	24	24	24	24	5.2	5.2	5.2	5.2	5.2	1.3
Total	649	655	731	1,354	781						

Note:

i. The staging of stage 3 assets is not sensitive to economic scenarios. The reported stage 3 proportion is the same as it would be in any of the 100% weighted scenarios.

Reported ECL represents 118% (2024: 119%) of the base case scenario ECL, primarily due to the impact of increased losses in the severe downside scenario. The increased ECLs in both the downside and severe downside scenarios are the result of increased unemployment rates combined with material house price falls. The low Bank rate forecast in the downside scenario is the main driver of residential mortgage and consumer lending stage 2 proportions being lower in the downside scenario than in the base case scenario.

The ECL for each scenario multiplied by the scenario probability will not reconcile to the reported provision. Whilst the stage allocation of loans varies in each individual scenario, each loan is allocated to a single stage in the reported provision calculation; this is based on a weighted average PD which takes into account the economic scenarios. A probability-weighted 12-month or lifetime ECL (which takes into account the economic scenarios) is then calculated based on the stage allocation.

The table below shows the sensitivity at 31 March 2025 to some of the key assumptions used within the ECL calculation:

Sensitivity to key forward-looking information assumptions	
	Increase in provision
2025	**£m**
Single-factor sensitivity to key economic variables (note i)	
10% decrease in house prices (HPI) at 31 March 2025 and throughout the forecast period	**16**
1% increase in unemployment rate at 31 March 2025 and throughout the forecast period	**32**
Sensitivity to changes in scenario probability weightings	
10% increase in the probability of the downside scenario (reducing the upside by a corresponding 10%)	**8**
5% increase in the probability of the severe downside scenario (reducing the downside by a corresponding 5%)	**84**

Note:

i. These are single-factor sensitivities; therefore, they should not be extrapolated due to the likely non-linear effects. The provision impacts are calculated using the base case scenario. The house price sensitivity is the impact of a 10% decrease in house prices on LGD for the residential mortgage portfolio.

8. Impairment charge and provisions on loans and advances to customers (continued)

Critical accounting estimates and judgements (continued)

The table below shows key adjustments made in modelling provisions in relation to the significant areas of estimation uncertainty for the retail portfolios (residential mortgages and consumer lending), with further details on each provided below. There are no significant adjustments for the business and commercial lending portfolio.

Significant adjustments made in modelling provisions								
	2025				2024			
		Consumer lending				Consumer lending		
	Residential Mortgages	**Credit cards**	**Personal loans and overdrafts**	**Total**	Residential Mortgages	Credit cards	Personal loans and overdrafts	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
PD uplift for affordability risks (note i)	**70**	**6**	**7**	**83**	72	44	29	145
PD uplift for credit card persistent debt	**-**	**23**	**-**	**23**	-	5	-	5
LGD uplift for property valuation risks	**21**	**-**	**-**	**21**	19	-	-	19
Total	**91**	**29**	**7**	**127**	91	49	29	169
Of which:								
Stage 1	**14**	**1**	**1**	**16**	7	6	3	16
Stage 2	**70**	**28**	**6**	**104**	76	43	26	145
Stage 3	**7**	**-**	**-**	**7**	8	-	-	8

Note:
i. This adjustment was previously called 'PD uplift for economic uncertainty' but has been updated during the year to reflect the nature of the remaining provision adjustment at 31 March 2025.

PD uplift for affordability risks

At 31 March 2025, the PD uplift adjustment for affordability risks increased provisions by £83 million (2024: £145 million). This adjustment reflects the ongoing affordability pressures faced by borrowers, primarily within the residential mortgage portfolio. This adjustment includes the risks associated with borrowers who have switched or are expected to switch to higher mortgage interest rates in the next two years. The uplift in PD has resulted in loans breaching existing quantitative criteria for transfer to stage 2. This has resulted in approximately £9.2 billion (2024: £12.8 billion) of residential mortgages and £66 million (2024: £473 million) of consumer lending balances moving from stage 1 to stage 2.

The prior year provision adjustment also assumed that model inputs relating to borrower credit quality were still benefitting from temporary improvements to credit indicators which were expected to reverse, such as reduced levels of arrears. It is now judged that this adjustment is no longer required, due to observed credit quality returning to longer-term levels for most portfolios, and continued resilient arrears performance for all portfolios. The removal of this element of the PD adjustment has primarily impacted provisions for the consumer lending portfolios.

PD uplift for credit card persistent debt

A borrower is defined as being in persistent debt if they have been paying more in interest, fees and charges than they are paying to reduce their outstanding balance for at least three years. Nationwide provides support to these borrowers, including the offer of forbearance, to help reduce the level of their credit card debt. To reflect an increase in risk since origination, accounts are moved to stage 2 and therefore receive a lifetime ECL This adjustment to modelled stage increases provisions by £23 million (2024: £5 million) and results in £225 million (2024: £28 million) of credit card balances being reported in stage 2. The increase during the period relates to the Virgin Money credit card portfolio.

8. Impairment charge and provisions on loans and advances to customers (continued)

LGD uplift for property valuation risks

An adjustment is made to reflect the property valuation risk associated with flats, originally driven by risks for properties subject to fire safety issues such as unsuitable cladding. We continue to hold an adjustment to provisions for this segment of the market whilst there is insufficient evidence of a recovery in the value of affected properties. This adjustment increased provisions by £21 million (2024: £19 million).

9. Taxation

Tax charge in the income statement		
	2025	2024
	£m	£m
Current tax:		
UK corporation tax charge	**96**	483
Adjustments in respect of prior years	**(77)**	(28)
Total current tax charge	**19**	455
Deferred tax:		
Current year (credit)/charge	**(114)**	(3)
Adjustments in respect of prior years	**59**	24
Total deferred taxation (credit)/charge	**(55)**	21
Tax (credit)/charge	**(36)**	476

The actual tax charge differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK as follows:

Reconciliation of tax charge		
	2025	2024
	£m	£m
Profit before tax:	**2,302**	1,776
Tax calculated at a tax rate of 25% (2024: 25%)	**576**	444
Adjustments in respect of prior years	**(18)**	(4)
Tax credit on Additional Tier 1 capital	**(34)**	(20)
Banking surcharge	**6**	41
Bank levy	**8**	3
Deferred tax assets derecognised	**3**	-
Gain on acquisition	**(575)**	-
Expenses not deductible for tax purposes/ (income not taxable) (note i)	**15**	12
Effect of deferred tax provided at different tax rates	**(17)**	-
Tax (credit)/charge	**(36)**	476

Note:

i. Expenses not deductible for tax purposes/ (income not taxable) primarily include depreciation on non-qualifying assets, non-deductible acquisition expenses, the credit recognised for research and development expenditure and non-deductible customer redress provisions.

9. Taxation (continued)

Deferred tax assets and liabilities	2025 £m	2024 £m
Deferred tax assets	**278**	109
Deferred tax liabilities	**266**	206

Critical accounting estimates and judgements

The Group has recognised deferred tax assets in respect of trading tax losses of £220 million (2024: £nil), based on future taxable profits. Deferred tax assets have not been recognised in respect of trading tax losses of £58 million (2024: £nil) (£232 million of gross losses valued at the mainstream rate of 25%) representing trading tax losses whose use is not forecast within the foreseeable future.

The Group has assessed the likelihood of recovery of the recognised deferred tax assets at 31 March 2025, and considers it probable that sufficient future taxable profits will be available over its planning horizon against which the underlying deductible temporary differences can be utilised. Deferred tax assets in respect of these tax losses are recognised to the extent that they are expected to be utilised within six years of the balance sheet date. An increase or decrease of one year to the forecast period would increase or decrease the recognised deferred tax asset in respect of losses by £44 million. An increase or decrease of 10% to forecast Group taxable profits would increase or decrease the deferred tax asset recognised in respect of tax losses by £19 million. All tax assets arising will be used within the UK.

For other deferred tax assets recognised on the balance sheet, the Group 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. Loans and advances to customers

	2025						2024					
	Loans held at amortised cost				**Loans held at FVTPL**	**Total**	Loans held at amortised cost				Loans held at FVTPL	Total
	Gross	**Provisions**	**Other (note i)**	**Total**			Gross	Provisions	Other (note i)	Total		
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Owner-occupied mortgages	**215,546**	**(115)**	**-**	**215,431**	**36**	**215,467**	160,941	(90)	-	160,851	40	160,891
Buy to let and legacy residential mortgages	**60,344**	**(236)**	**-**	**60,108**	**-**	**60,108**	43,486	(231)	-	43,255	-	43,255
Consumer lending	**11,107**	**(824)**	**-**	**10,283**	**-**	**10,283**	4,263	(436)	-	3,827	-	3,827
Business and commercial lending	**14,818**	**(113)**	**277**	**14,982**	**49**	**15,031**	5,139	(24)	350	5,465	2	5,467
Total	**301,815**	**(1,288)**	**277**	**300,804**	**85**	**300,889**	213,829	(781)	350	213,398	42	213,440

Note:
i. 'Other' represents a fair value adjustment for micro hedged risk for commercial loans that were previously hedged on an individual basis. The hedge relationships have been discontinued and the balances are being amortised over the remaining life of the loans.

The tables below summarise the movements in, and stage allocation of, gross loans and advances to customers held at amortised cost, including the impact of impairment provisions and excluding the fair value adjustment for micro hedged risk. Residential mortgages represent the majority of the Group's loans and advances to customers. Additional tables summarising the movements for the Group's residential mortgages and consumer lending are presented in the Credit risk section of the Risk report.

The tables are prepared on a net basis. The movements within the tables compare the position at 31 March 2025 to that at 4 April 2024. Further detail on the methodology is included within the footnotes to the tables.

10. Loans and advances to customers (continued)

The reasons for key movements for the period ended 31 March 2025 were as follows:

- Gross balances increased by £88 billion, of which £72 billion relates to the Virgin Money sub-group, with this amount included in the table below within new assets originated or purchased. In addition, Nationwide sub-group residential mortgage balances have increased by £15.9 billion during the period.
- Write-offs increased to £183 million, comprising £166 million relating to consumer lending, £12 million to residential mortgages and £5 million to business and commercial lending.
- Impairment provisions increased by £507 million in the period to £1,288 million, of which £580 million represents provisions relating to the Virgin Money sub-group. Further detail on impairment provisions by portfolio is shown in note 8.

	Non-credit impaired				Credit impaired (note i)			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Stage 1		Stage 2		Stage 3 and POCI			
	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2024	174,860	54	37,303	381	1,666	346	213,829	781
Stage transfers:								
Transfers from stage 1 to stage 2	(12,976)	(6)	12,976	6	-	-	-	-
Transfers to stage 3	(158)	(1)	(495)	(35)	653	36	-	-
Transfers from stage 2 to stage 1	12,112	104	(12,112)	(104)	-	-	-	-
Transfers from stage 3	58	2	222	12	(280)	(14)	-	-
Net remeasurement of ECL arising from transfer of stage (note ii)		(87)		64		61		38
Net movement arising from transfer of stage	(964)	12	591	(57)	373	83	-	38
New assets originated or purchased (notes iii and iv)	105,242	160	7,223	371	1,432	209	113,897	740
Net impact of further lending and repayments (note v)	(7,268)	(14)	(546)	(17)	(11)	2	(7,825)	(29)
Changes in risk parameters in relation to credit quality (note vi)	-	(2)	-	(14)	-	20	-	4
Other items impacting income statement (including recoveries)	-	-	-	-	-	(58)	-	(58)
Redemptions (note vii)	(14,119)	(5)	(3,479)	(31)	(283)	(27)	(17,881)	(63)
Income statement charge for the period								632
Decrease due to write-offs	-	-	-	-	(205)	(183)	(205)	(183)
Other provision movements	-	-	-	-	-	58	-	58
At 31 March 2025	257,751	205	41,092	633	2,972	450	301,815	1,288
Net carrying amount		257,546		40,459		2,522		300,527

10. Loans and advances to customers (continued)

Reconciliation of net movements in balances and impairment provisions								
	Non-credit impaired				Credit impaired (note i)			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Stage 1		Stage 2		Stage 3 and POCI			
	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2023	172,058	50	37,457	410	1,502	305	211,017	765
Stage transfers:								
Transfers from stage 1 to stage 2	(16,072)	(3)	16,072	3	-	-	-	-
Transfers to stage 3	(162)	(1)	(612)	(40)	774	41	-	-
Transfers from stage 2 to stage 1	13,432	100	(13,432)	(100)	-	-	-	-
Transfers from stage 3	76	1	176	10	(252)	(11)	-	-
Net remeasurement of ECL arising from transfer of stage (note ii)		(82)		102		82		102
Net movement arising from transfer of stage	(2,726)	15	2,204	(25)	522	112	-	102
New assets originated or purchased (note iii)	25,526	12	1,681	39	12	7	27,219	58
Net impact of further lending and repayments (note v)	(7,785)	(15)	(769)	(26)	(5)	2	(8,559)	(39)
Changes in risk parameters in relation to credit quality (note vi)	-	(3)	-	3	-	37	-	37
Other items impacting income statement (including recoveries)	-	-	-	-	-	(10)	-	(10)
Redemptions (note vii)	(12,213)	(5)	(3,270)	(20)	(238)	(11)	(15,721)	(36)
Income statement charge for the year								112
Decrease due to write-offs	-	-	-	-	(127)	(106)	(127)	(106)
Other provision movements	-	-	-	-	-	10	-	10
At 4 April 2024	174,860	54	37,303	381	1,666	346	213,829	781
Net carrying amount		174,806		36,922		1,320		213,048

Notes:

i. Gross balances of credit impaired loans include £947 million (2024: £113 million) of purchased or originated credit impaired (POCI) loans which are presented net of lifetime ECL of £100 million (2024: £5 million). These loans were recognised on the balance sheet when Derbyshire Building Society was acquired in December 2008 and Virgin Money was acquired in October 2024.

ii. The remeasurement of provisions arising from a change in stage is reported within the stage to which the assets are transferred.

iii. If a new asset is originated in the period, the values included are the closing gross balance and provision for the period. The stage in which the addition is shown reflects the stage of the account at the end of the period.

iv. Virgin Money balances of £71.8 billion are included within the new assets originated or purchased line item.

v. This comprises further lending and capital repayments where the asset is not derecognised. The gross balances value is calculated as the closing gross balance for the period less the opening gross balance for the period. The provisions value is calculated as the change in exposure at default (EAD) multiplied by opening provision coverage for the period.

vi. This comprises changes in risk parameters, and changes to modelling inputs and methodology. The provision movement for the change in risk parameters is calculated for assets that do not move stage in the period.

vii. For any asset that is derecognised in the period, the value disclosed is the provision at the start of the period.

10. Loans and advances to customers (continued)

Asset backed funding

Certain mortgages have been pledged to the Group's asset backed funding programmes or utilised as whole mortgage loan pools for TFSME and other short-term liquidity facilities. The programmes have enabled the Group to obtain secured funding. Mortgages pledged and the carrying values of the notes in issue are as follows:

Mortgages pledged to asset backed funding programmes	2025					2024				
		Notes in issue					Notes in issue			
			Held by the Group					Held by the Group		
	Mortgages pledged (note i)	Held by third parties (note ii)	Drawn (note iii)	Undrawn	Total notes in issue	Mortgages pledged (note i)	Held by third parties (note ii)	Drawn (note iii)	Undrawn	Total notes in issue
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Covered bond programmes	32,739	20,829	-	-	20,829	23,581	14,955	-	-	14,955
Securitisation programmes	19,353	5,015	-	6,128	11,143	7,321	1,984	-	3,651	5,635
Whole mortgage loan pools	1,219	-	910	-	910	12,000	-	9,254	-	9,254
Total	53,311	25,844	910	6,128	32,882	42,902	16,939	9,254	3,651	29,844

Notes:
i. Mortgages pledged include £15.2 billion (2024: £6.3 billion) in the covered bond and securitisation programmes that are in excess of the amount contractually required to support notes in issue.
ii. Notes in issue which are held by third parties are included within debt securities in issue.
iii. Notes in issue, held by the Group and drawn are whole mortgage loan pools securing amounts drawn with the Bank of England under the TFSME.

Mortgages pledged under the covered bond programmes provide security for covered bonds issued by the Group.

The securitisation notes are issued by the programmes and the issuing entities are fully consolidated into the accounts of the Group. The issuance proceeds are used to purchase, for the benefit of note holders, a share of the beneficial interest in the pledged mortgages. The remaining beneficial interest in the pledged mortgages stays with the originator of the mortgages and includes its required minimum seller share in accordance with the rules of the programme. The entitlement of note holders is restricted to payment of principal and interest to the extent that the resources of the programme are sufficient to support such payment and the holders of the notes have agreed not to seek recourse in any other form. The Group is under no obligation to support losses incurred by the programmes or holders of the notes and does not intend to provide such further support.

11. Other deposits

	2025 £m	2024 £m
Non-member retail deposits	**53,312**	-
Business banking deposits	**21,087**	4,215
Other	**268**	315
Total	**74,667**	4,530

Non-member retail deposits represent Virgin Money customer deposits.

12. Subordinated liabilities and subscribed capital

	2025 £m	2024 £m
Subordinated liabilities (note i)		
Tier 2 eligible subordinated notes	**2,469**	2,155
Fair value hedge accounting adjustments	**(25)**	(80)
Total	**2,444**	2,075
Subscribed capital		
Permanent interest-bearing shares	**127**	173
Fair value hedge accounting adjustments	**2**	-
Total	**129**	173

Note:

i. Comparatives have been restated as detailed in note 2, with senior non-preferred notes totalling £5,357 million at 4 April 2024 reclassified from subordinated liabilities to debt securities in issue. Fair value hedge accounting adjustments of £(207) million at 4 April 2024 relating to these instruments are also now presented within debt securities in issue, rather than subordinated liabilities.

The Tier 2 eligible subordinated notes rank at least pari passu with other such notes of the relevant issuer, behind claims of all senior creditors and ahead of claims against the Group of holders of permanent interest-bearing shares (PIBS), Additional Tier 1 (AT1) instruments and core capital deferred shares (CCDS). These notes are dated subordinated securities on which there is an obligation to pay coupons and are included within the Group's regulatory capital base as Tier 2 capital.

PIBS rank equally with each other. They are deferred shares of the Society and rank behind the claims against the Society of all noteholders, depositors, creditors and investing members of the Society, other than the holders of AT1 and CCDS instruments.

13. Provisions for liabilities and charges

	Customer redress £m	Legal and regulatory £m	Other provisions £m	Total £m
At 5 April 2024	24	97	28	149
Acquisition of Virgin Money PLC	**6**	**-**	**32**	**38**
Charge for the period	**8**	**8**	**38**	**54**
Release for the period	**(3)**	**-**	**(13)**	**(16)**
Net income statement charge (note i)	**5**	**8**	**25**	**38**
Provisions utilised	**(14)**	**(105)**	**(36)**	**(155)**
At 31 March 2025	**21**	**-**	**49**	**70**

Note:
i. The net income statement charge is included within administrative expenses.

Customer redress

During the course of its business, the Group receives complaints from customers in relation to past sales or ongoing administration and is subject to enquiries from regulators or other public bodies, including the Financial Ombudsman Service, on a range of customer-related matters. In addition, the Group may identify through its own investigations matters which require customer redress.

Consideration of these matters may result in a provision, a contingent liability or both, depending upon relevant facts and circumstances. No provision is made where it is concluded that it is not probable that a quantifiable payment will be made; this will include circumstances where the facts are unclear or further time is required to reasonably quantify the expected payment.

At 31 March 2025, the Group held provisions of £21 million (2024: £24 million) in respect of the potential costs of remediation and redress in relation to issues with historical quality control procedures, past sales and administration of customer accounts, and other matters requiring customer redress. Whilst there is uncertainty as to the timing of the utilisation of customer redress provisions, the Group expects the majority to have been utilised within the next year.

Legal and regulatory provisions

The Group is also subject to enquiries from, and discussions with, its regulators and other government bodies, including tax authorities, on a range of matters, and may be engaged in legal proceedings in the course of its business.

The prior year provision of £97 million has been utilised in the period. This provision related to a matter which remains the subject of ongoing litigation commenced by the Group against Allen & Overy and Bank of New York Mellon, and the Group expects to recover significant amounts through the litigation. No such amounts have been recognised as at the balance sheet date on the basis that these are not yet considered to be virtually certain of receipt.

The Group does not disclose further information in the case of matters subject to active legal proceedings where such disclosure could be seriously prejudicial to the conduct of the claims.

Other provisions

Other provisions include amounts for property-related provisions, severance costs and expected credit losses on irrevocable lending commitments. Whilst there is uncertainty as to the timing of the utilisation of provisions, the Group expects the majority to have been utilised within the next two years.

14. Contingent liabilities

During the ordinary course of business, the Group may be subject to complaints, disputes and threatened or actual legal proceedings brought by or on behalf of current or former employees, customers, investors or other third parties. The Group may also be subject to legal and regulatory reviews, challenges, investigations and enforcement actions which may result in, among other things, actions being taken by governmental, tax and regulatory authorities, increased costs being incurred in relation to remediation of systems and controls, or fines. Any such material cases are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of incurring a liability and any ability to recover any losses in future periods.

The FCA is undertaking an investigation of the Society's compliance with UK money laundering regulations and the FCA's rules and Principles for Businesses in an enquiry focused on aspects of the Society's anti-money laundering control framework. The Society is co-operating with the investigation, which remains ongoing. The Group has not disclosed an estimate of any potential financial impact arising from this matter as it is not currently practicable to do so.

There are no other current complaints, disputes, threatened or actual legal proceedings, regulatory or other matters, the resolution of which are expected to have a material adverse impact on its financial position. However, in light of the uncertainties involved in such matters there can be no assurance that the outcome of a particular matter or matters may not ultimately be material to the Group's results.

15. Retirement benefit obligations

The Group operates three defined contribution pension schemes in the UK – the Nationwide Group Personal Pension Plan (GPP), Virgin Money's 'My Retirement' scheme and the Nationwide Temporary Workers Pension Scheme. New employees are automatically enrolled into one of these schemes. Outside of the UK, there is a defined contribution pension scheme for a small number of employees in the Isle of Man.

The Group also has funding obligations to several defined benefit pension schemes, which are administered by boards of trustees. Pension trustees are required by law to act in the interests of all relevant beneficiaries and are responsible for the investment policy of fund assets, as well as the day-to-day administration.

The Society's pension scheme is the Nationwide Pension Fund (NPF). This is a defined benefit pension scheme, with both final salary and career average revalued earnings (CARE) sections. The NPF was closed to new entrants in 2007 and since that date employees have been able to join the GPP. The NPF was closed to future accrual on 31 March 2021. Following the acquisition of Virgin Money on 1 October 2024, the Group has funding obligations to the Yorkshire and Clydesdale Bank Pension Scheme (YCBPS). This scheme, with both final salary and CARE sections, was closed to new entrants in 2004 and to future accrual for almost all current employees on 1 August 2017.

In line with UK pensions legislation, a formal actuarial valuation ('Triennial Valuation') of the assets and liabilities of each of the defined benefit pension schemes is carried out at least every three years by independent actuaries. The main differences between the assumptions used for assessing defined benefit liabilities for purposes of the actuarial funding valuation and those used for accounting under IAS 19 'Employee Benefits' are that the financial and demographic assumptions used for the funding valuation are generally more prudent than those used for the IAS 19 valuation. As the 31 March 2022 Triennial Valuation indicated a funding surplus for the NPF, a recovery plan requiring employer deficit contributions was not needed. The 30 September 2022 Triennial Valuation of the YCBPS also indicated a funding surplus, and therefore a recovery plan requiring employer deficit contributions was not needed.

In November 2020, Nationwide and the Trustee of the NPF entered into an arrangement whereby Nationwide agreed to provide a contingent asset in the form of self-issued residential mortgage-backed securities to provide additional security to the NPF. The NPF would have access to these securities in the case of certain events such as insolvency of the Society.

15. Retirement benefit obligations (continued)

Further information on the Group's obligations to defined benefit pension schemes is set out below.

Defined benefit pension schemes

Retirement benefit obligations on the balance sheet		
	2025	2024
	£m	£m
Fair value of fund assets	**6,767**	4,679
Present value of funded obligations	**(5,875)**	(4,069)
Surplus at 31 March (2024: 4 April)	**892**	610
Other liabilities (note i)	**(4)**	(3)

Note:
i. As detailed in note 2, unfunded retirement benefit obligations have been reclassified to other liabilities. In previous years, this balance was included within the retirement benefits asset line item. Tables for the remainder of this note have been updated accordingly.

Retirement benefit obligations for the Society relate to the NPF, which has a surplus of £534 million as at 31 March 2025 (2024: £610 million). Approximately 55% (2024: 56%) of the NPF's pension obligations relate to deferred members (current and former employees not yet drawing their pension) and 45% (2024: 44%) to current pensioners and dependants. The weighted average duration of the NPF's pension obligation is approximately 14 years (2024: 16 years), reflecting an average duration of 17 years for deferred members and 11 years for current pensioners.

The YCBPS has a surplus of £357 million as at 31 March 2025, which is recognised in Clydesdale Bank PLC, a subsidiary of Virgin Money UK PLC. Less than 1% of the YCBPS obligations are attributable to current employees still accruing benefits, 45% relate to deferred members and 55% to current pensioners and dependants.

The Group's retirement benefit obligations also include a surplus of £1 million (2024: deficit £1 million) relating to Nationwide (Isle of Man) Limited, which has a defined benefit scheme providing benefits based on both final salary and CARE, which was closed to new entrants in 2009.

The Group's retirement benefit obligations also include £4 million (2024: £3 million) in respect of unfunded legacy defined benefit arrangements. This obligation is included within other liabilities.

The results of the YCBPS have been included in the Group disclosures from the date of acquisition.

Changes in the present value of the net defined benefit asset are as follows:

Movements in net defined benefit asset		
	Group	
	2025	2024
	£m	£m
At 5 April	**610**	950
Interest on net defined benefit asset	**45**	44
Return on assets less than discount rate (note i)	**(800)**	(684)
Contributions by employer	**7**	1
Acquisition of Virgin Money	**429**	-
Administrative expenses	**(7)**	(4)
Actuarial gains on defined benefit obligations (note i)	**608**	303
At 31 March (2024: 4 April)	**892**	610

Note:
i. The net impact before tax on the surplus of return on assets and actuarial gains is a decrease of £192 million (2024: £381 million) in other comprehensive income.

15. Retirement benefit obligations (continued)

The £800 million (2024: £684 million) loss relating to the return on assets being less than the discount rate is driven by decreases in value of the liability matching assets due to increases in long-term government bond yields in the period.

As the NPF is closed to future accrual, there have been no current service costs, past service costs or employer contributions made in respect of future benefit accrual during the current or prior year. The YCBPS has a very small number of active members in the scheme which gives rise to employer contributions and service costs made in respect of future benefit accrual.

There have been no employer deficit contributions required into the NPF or the YCBPS and there are no such contributions scheduled in the period ending 31 March 2026 or future years under the current Schedules of Contributions, other than the ongoing funding of the YCBPS administrative expenses. Employer deficit contributions of less than £1 million (2024: £1 million) were made in respect of the Group's defined benefit scheme in its Nationwide (Isle of Man) Limited subsidiary.

The £608 million (2024: £303 million) actuarial gain on defined benefit obligations is due to:

- A £639 million (2024: £214 million) gain from changes in financial assumptions, driven by a 0.80% increase in the discount rate (which decreases the value of liabilities) and a 0.10% decrease in assumed Retail Price Index (RPI) inflation (which also decreases the value of the liabilities).
- A £1 million (2024: £75 million) gain arising from the impacts of updates to demographic assumptions and applying the latest industry views for future longevity improvements.
- An experience loss of £32 million (2024: £14 million gain) primarily reflecting the difference between estimates of long-term inflation compared to actual inflation.

The principal actuarial assumptions used are as follows:

Financial assumptions		
	2025	2024
	%	%
Discount rate	**5.75**	4.95
Future pension increases (maximum 5%)	**2.90**	3.00
Retail Price Index (RPI) inflation	**3.00**	3.10
Consumer price index (CPI) inflation	**2.40**	2.50

Life expectancy assumptions		
	2025	2024
	years	years
Age 60 at 31 March 2025 (4 April 2024):		
Males	**27.0**	27.0
Females	**28.9**	28.5
Age 60 at 31 March 2045 (4 April 2044):		
Males	**28.3**	28.0
Females	**30.3**	29.8

The assumptions for mortality rates are based on standard mortality tables which allow for future improvements in life expectancy and are adjusted to represent the membership profiles of the Group's pension schemes. The assumptions made are illustrated in the table above, showing how long the Group would expect the average member to live for after the age of 60, based on reaching that age at 31 March 2025 or in 20 years' time at 31 March 2045.

15. Retirement benefit obligations (continued)

Critical accounting estimates and judgements

The key assumptions used to calculate the defined benefit obligation which represent significant sources of estimation uncertainty are the discount rate, inflation assumptions and mortality assumptions. If different assumptions were used, this could have a material effect on the reported surplus. The sensitivity of the Group results to these assumptions is shown below:

Change in key assumptions at 31 March 2025	Increase in defined benefit obligation
	£m
1.0% decrease in discount rate	**836**
0.1% increase in inflation assumption	**61**
1 year increase in life expectancy at age 60 in respect of all members	**124**

The above sensitivities apply to individual assumptions in isolation. In practice, changes to individual assumptions in isolation are unlikely to occur, and changes in some of the assumptions may be correlated. The inflation assumption sensitivity includes the impact on the rate of increases to pensions, both before and after retirement.

16. Core capital deferred shares

	Number of shares	CCDS	Share premium	Treasury share reserve	Total
		£m	£m	£m	£m
At 31 March 2025 (note i)	**9,122,345**	**11**	**1,323**	**(177)**	**1,157**
At 4 April 2024 (note i)	9,122,345	11	1,323	(177)	1,157

Note:
i. The total number of shares outstanding at 31 March 2025 and 4 April 2024 is 10,555,500, which includes 1,433,155 shares repurchased and retained by the Society.

Core capital deferred shares (CCDS) are a form of Common Equity Tier 1 (CET1) capital which has been developed to enable the Group to raise capital from the capital markets. CCDS are perpetual instruments. They rank equally to each other and are junior to claims against the Society of all depositors, creditors and investing members. Each holder of CCDS has one vote, regardless of the number of CCDS held.

In the event of a winding up or dissolution of the Society, if a surplus was available, the amount that the investor would receive for each CCDS held is limited to the average principal amount in issue, which is currently £126.39 per share.

There is a cap on the distributions that can be paid to holders of CCDS in any financial year. The cap is currently set at £20.87 per share and is adjusted annually in line with CPI. A final distribution of £47 million (£5.125 per share) for the financial year ended 4 April 2024 was paid on 20 June 2024 and an interim distribution of £47 million (£5.125 per share) in respect of the period to 30 September 2024 was paid on 20 December 2024. These distributions have been recognised in the statement of movements in members' interests and equity.

Since the balance sheet date, the directors have declared a distribution of £5.125 per share in respect of the period to 31 March 2025, amounting in aggregate to £47 million. This has not been reflected in these financial statements as it will be recognised in the year ending 31 March 2026, by reference to the date at which it was declared.

17. Other equity instruments

	Issuance date	Call period commencement date	Next reset date	Reset rate	2025 £m	2024 £m
Nationwide 7.5% Additional Tier 1	16 September 2024	20 December 2030	20 June 2031	Benchmark gilts + 7.5%	**750**	-
Nationwide 5.75% Additional Tier 1	10 June 2020	20 June 2027	20 December 2027	Benchmark gilts + 5.625%	**750**	750
Nationwide 5.875% Additional Tier 1 (note i)	17 September 2019	20 December 2024	20 June 2025	Benchmark gilts + 5.39%	**-**	600
					1,500	1,350
Issuance costs					**(15)**	(14)
Total					**1,485**	1,336

Note:
i. The Society exercised its option to call these notes during the period ended 31 March 2025.

Other equity instruments are Nationwide's Additional Tier 1 (AT1) capital instruments. The AT1 instruments rank equally to each other and are junior to claims against the Society of all depositors, creditors and investing members, other than the holders of CCDS.

The AT1 instruments pay a fully discretionary, non-cumulative fixed rate of interest. Coupons are paid semi-annually in June and December. AT1 instruments have no maturity date but are repayable at the option of the Society from the first day of the call period to the first reset date, and on every reset date thereafter. If they are not repaid the interest rate resets at the rates shown in the table above.

If the CET1 ratio for the Society on either a consolidated or unconsolidated basis, falls below 7% the AT1 instruments convert to CCDS instruments at the rate of one CCDS share for every £100 of AT1 holding.

Interest payments totalling £93 million were made in the period ended 31 March 2025 (2024: £78 million), representing the maximum non-cumulative fixed coupon amounts. These payments have been recognised in the statement of movements in member's interest and equity. A coupon payment of £50 million is expected to be paid on 20 June 2025 and will be recognised in the statement of movements in members' interests and equity in the year ending 31 March 2026.

18. Segmental reporting

As detailed in note 19, the Group acquired Virgin Money on 1 October 2024. Following the acquisition, the business is being operated as two separate segments which reflect the Group's current regulatory structure. These segments are:

- **Nationwide sub-group**: This represents the Society and its subsidiaries, excluding Virgin Money UK PLC and its subsidiaries.
- **Virgin Money sub-group**: This represents Virgin Money UK PLC and its subsidiaries, including adjustments arising on consolidation within the Group financial statements.

Both sub-groups are UK regulated financial services business, and have a UK customer base. All transactions between segments are conducted at arm's length.

The sub-group results reflect underlying performance. Underlying results exclude certain items, detailed in the notes to the table below, which management do not consider to be representative of underlying business performance. Further information on underlying profit before tax is provided on page 10.

Prior to the acquisition of Virgin Money on 1 October 2024, the Group had one reportable segment. Comparative segmental disclosure for the year ended 4 April 2024 represents underlying performance for the Group as a whole.

The Group's reportable segments will be kept under review as integration of the businesses progresses.

18. Segmental reporting (continued)

Segmental results for the period ended 31 March 2025	Underlying basis		Total - underlying basis	Acquisition & other adjustments	Total – statutory basis
	Nationwide sub-group	Virgin Money sub-group			
	£m	£m	£m	£m	£m
Net interest income:					
External net interest income (note i)	4,183	848	5,031	(39)	4,992
Internal interest income/(expense)	6	(6)	-	-	-
Total net interest income	4,189	842	5,031	(39)	4,992
Net other income (note ii)	116	64	180	12	192
Gain on the acquisition of Virgin Money (note iii)	-	-	-	2,300	2,300
Total income	4,305	906	5,211	2,273	7,484
Administrative expenses (note iv)	(2,485)	(698)	(3,183)	(367)	(3,550)
Impairment charge on loans and advances to customers (note v)	(12)	(164)	(176)	(456)	(632)
Profit before member reward payments and tax	1,808	44	1,852	1,450	3,302
Member reward payments (note vi)	-	-	-	(1,000)	(1,000)
Profit before tax	1,808	44	1,852	450	2,302
Taxation					36
Profit after tax					2,338
Other items reflected in the income statement above:					
Depreciation and amortisation	(482)	(37)	(519)	(56)	(575)

Notes:
- i. Underlying net interest income excludes amortisation of fair value adjustments which were recognised on the acquisition of Virgin Money.
- ii. Gains or losses from derivatives and hedge accounting are excluded from underlying net other income.
- iii. The gain recognised on acquisition of Virgin Money, as detailed in note 19, has been excluded from underlying results.
- iv. Underlying administrative expenses exclude certain costs relating to the acquisition of Virgin Money. These comprise £36 million of transaction-related costs incurred by the Society, £56 million of amortisation relating to acquired intangible assets, and £275 million of one-off costs (and related VAT) associated with the amended Trade Mark License Agreement between Virgin Money UK PLC and Virgin Enterprises Limited.
- v. Excluded from the underlying impairment charge are the one-off impacts of recognising IFRS 9 provisions on acquisition of Virgin Money. This includes the initial recognition of the 12-month expected loss for all acquired loans; the impact of the first application of staging criteria; and the alignment of key elements of impairment provisions methodology.
- vi. Member reward payments represent discretionary payments to members of the Society which may be determined by the Board from time to time, depending on the financial strength of the Society.

19. Acquisition of Virgin Money UK PLC

On 1 October 2024 the Society acquired 100 per cent of the ordinary share capital of Virgin Money UK PLC by means of a court-sanctioned scheme of arrangement under Part 26 of the UK Companies Act 2006. Together with its subsidiaries, Virgin Money UK PLC undertakes banking and other financial services related activities in the UK. The combination of the two complementary businesses has created the second largest provider of mortgages and retail deposits in the UK. The table below sets out the fair values of the identifiable net assets and liabilities acquired.

	Book value as at 1 October 2024 £m	Fair value adjustments £m	Fair value as at 1 October 2024 £m
Assets			
Cash and balances at central banks	10,695	-	10,695
Loans and advances to banks and similar institutions	519	-	519
Investment securities	6,089	-	6,089
Derivative financial instruments	44	-	44
Loans and advances to customers	71,278	59	71,337
Intangible assets	151	617	768
Property, plant and equipment	192	(8)	184
Accrued income and prepaid expenses	94	-	94
Deferred tax	219	(125)	94
Other assets	73	-	73
Retirement benefit asset	429	-	429
Total assets	**89,783**	**543**	**90,326**
Liabilities			
Deposits from banks and similar institutions	3,035	-	3,035
Other deposits	69,816	(5)	69,811
Debt securities in issue	8,414	113	8,527
Derivative financial instruments	191	-	191
Other liabilities	1,822	-	1,822
Provisions for liabilities and charges	38	-	38
Accruals and deferred income	133	-	133
Subordinated liabilities	741	25	766
Deferred tax	107	-	107
Current tax liabilities	5	-	5
Total liabilities	**84,302**	**133**	**84,435**
Net assets	**5,481**	**410**	**5,891**
Fair value of net assets before non-controlling interests			5,891
Fair value of non-controlling interests (note i)			(759)
Fair value of net assets acquired			**5,132**
Cash paid for ordinary shares (note ii)			2,819
Deferred consideration for employee share plans (note iii)			13
Total consideration			**2,832**
Gain on acquisition			**2,300**

19. Acquisition of Virgin Money UK PLC (continued)

Notes:
i. At the acquisition date, Virgin Money Group PLC had in issue Fixed Rate resettable AT1 securities issued on the London Stock Exchange ('LSE'). In accordance with IAS 32, these were classified as equity instruments. The Society did not acquire the AT1 securities which remained in issue to third parties, and as such these represent non-controlling interests which have been recognised at fair value by reference to the traded market prices on the LSE.
ii. 1,296,472,686 ordinary shares in Virgin Money UK PLC were acquired on 1 October 2024 at a price of 218 pence per share, resulting in £2,826 million of consideration settled in cash. This included £7 million for shares held by an Employee Benefit Trust ('EBT') consolidated into the Virgin Money UK PLC group, and which were held within the Nationwide group on acquisition. This amount is deducted from the total, to show the consideration paid external to the Group of £2,819 million.
iii. Included within total consideration are shares to be issued in the future relating to the settlement of outstanding Virgin Money UK PLC employee share awards which became fully vested upon the court sanction date of the scheme of arrangement. The Society will be required to redeem the shares from the employees in cash at a fixed price of 218 pence per share at the end of the award deferral periods (subject to customary malus and clawback provisions).

Intangibles recognised on acquisition included a core deposit intangible of £360 million which relates to the value derived from access to a stable source of low cost on-demand deposit funding when compared to the marginal cost of alternative funding. This asset has been valued using the income approach, specifically the 'cost of savings method' which compares the cost of the existing on-demand deposits (including the cost of servicing them) to the marginal cost of alternative funds from a mix of diversified funding sources available to market participants. The intangible asset represents the present value of the cost savings expected to be realised over the remaining useful life of the deposits.

An intangible asset of £288 million has been recognised relating to purchased credit card relationships, reflecting the value that is expected to be generated from existing credit card customers who will continue to borrow using their credit cards into the future. This has been valued using a discounted cash flow approach to determine the present value of cash flows attributable to future spending.

The fair value adjustment for intangible assets also includes a reduction of £31 million relating to the elimination of legacy goodwill recognised by Virgin Money UK PLC.

For assets and liabilities held at amortised cost, suitable valuation techniques were used to assess fair value.

The fair value of loans and advances to customers of £71,337 million was calculated using a discounted cash flow methodology, at an individual loan level or segmented according to vintage and product groupings where appropriate. The gross contractual amount of the loans and advances receivable from customers was £71,630 million. The best estimate of the amounts not expected to be collected was £437 million.

On demand customer deposits were valued based on book value, with a core deposit intangible separately recognised as detailed above. Interest-bearing term deposits were valued using a discounted cash flow approach. For debt instruments in issue, the fair value was taken directly from quoted market prices.

The fair value measurement of identifiable assets acquired and liabilities assumed may be adjusted following management's finalisation of its acquisition date fair value estimates if new information about facts and circumstances existing on the date of the acquisition is obtained. In accordance with IFRS 3 'Business combinations', any such adjustment can be made for up to a maximum of one year from the acquisition date. No such adjustments have been made in the period to 31 March 2025. Fair value adjustments will be amortised or depreciated over the remaining life of the underlying items, where appropriate. The adjustment on the deferred tax asset will reduce as it is utilised.

Since the acquisition date, total income of £842 million and loss after tax of £579 million from Virgin Money have been included in the consolidated income statement for the period ended 31 March 2025. This includes the one-off costs associated with the amended Trade Mark License Agreement and the one-off impacts of recognising IFRS 9 provisions on acquisition of Virgin Money, as detailed in note 18. Had Virgin Money been acquired on 5 April 2024, management has estimated that consolidated income for the Group would have been £8,355 million and profit after tax £2,331 million for the period ended 31 March 2025. In determining these amounts, management has assumed that the fair value adjustments that arose on acquisition as part of the purchase price allocation would have been the same if the acquisition had occurred on 5 April 2024. The pro forma income and profit after tax figures do not purport to represent what the Group's actual results would have been had the acquisition occurred on 5 April 2024, nor are they indicative of future results.

Gain on acquisition

As the fair value of the identifiable net assets acquired was greater than the total consideration paid, negative goodwill arises as a result of the acquisition. This represents a gain on acquisition of £2.3 billion, which has been presented separately in the consolidated income statement for the period ended 31 March 2025.

19. Acquisition of Virgin Money UK PLC (continued)

The price paid by the Society to acquire the outstanding shares of Virgin Money UK PLC of 218 pence per share, plus the 2 pence per share dividend paid to shareholders as part of Virgin Money UK PLC's ordinary dividend calendar, represented a 38 per cent premium to the closing share price on 6 March 2024, the day immediately prior to the offer period. Although representing a premium on the traded share price, the total consideration of £2.8 billion was significantly lower than the fair value of net assets acquired of £5.1 billion. The fair value of net assets acquired was determined in accordance with the principles of IFRS 13 'Fair value measurement', based on a market-participant view of the fair value of assets acquired and liabilities assumed.

Acquisition costs

Acquisition costs of £39 million have been incurred by the Society in relation to the acquisition. Of this, £36 million was recognised within administrative expenses in the consolidated income statement in the period ended 31 March 2025, with £3 million having previously been recognised in the year ended 4 April 2024.

Transactions recognised separately from the business combination

On 1 October 2024, Virgin Money UK PLC and Virgin Enterprises Limited ('VEL') executed a Deed of Amendment and Restatement to the Trade Mark License Deed of Agreement originally dated 1 October 2014, as amended, restated and novated on 25 July 2016 and 18 June 2018. Pursuant to this Deed of Amendment and Restatement, the agreement will terminate after a four-year period, followed by a two-year cessation period, and Virgin Money UK PLC has agreed to make payments to VEL totalling £250 million in addition to annual royalties during the remaining four-year term. These costs will be recognised within administrative expenses in the consolidated income statement, with the £250 million payment recognised in the period ended 31 March 2025 and the annual royalties recognised over the periods to which they relate.

20. Events after the balance sheet date

On 28 May 2025, the Board approved a Nationwide Fairer Share Payment to be made to certain eligible members in June 2025, amounting to approximately £410 million in total. This has not been reflected in these financial statements as it will be recognised in the year ending 31 March 2026, by reference to the date at which it was announced.

Responsibility statement

The directors confirm that the consolidated financial statements, prepared in accordance with international accounting standards which have been adopted for use within the UK, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the Disclosure Guidance and Transparency Rules (DTR 4.1.12). The Group Chief Executive Officer review and the Financial review together include a fair review of the development and performance of the business of the Group, and taken together with the primary financial statements, supporting notes and the Risk report provide a description of the principal risks and uncertainties faced.

A full list of the board of directors will be disclosed in the Annual Report and Accounts 2025.

Signed on behalf of the Board by

Muir Mathieson
Group Chief Financial Officer

28 May 2025

Other information

The financial information set out in this announcement which was approved by the Board on 28 May 2025 does not constitute statutory accounts within the meaning of the Building Societies Act 1986.

The Annual Report and Accounts 2024 have been filed with the Financial Conduct Authority and the Prudential Regulation Authority. The Annual Report and Accounts 2025 will be published on the website of Nationwide Building Society, **nationwide.co.uk** The report of the auditor on those accounts is unqualified and did not draw attention to any matters by way of emphasis. The Annual Report and Accounts 2025 will be lodged with the Financial Conduct Authority and the Prudential Regulation Authority following publication.

A copy of this Preliminary report is placed on the website of Nationwide Building Society, **nationwide.co.uk** from 29 May 2025. The directors are responsible for the maintenance and integrity of information on the Society's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Contacts

Media queries:

Sara Batchelor
Mobile: +44 (0)7785 344 137
Sara.Batchelor@nationwide.co.uk

Eden Black
Mobile: +44 (0)7793 596 317
Eden.Black@nationwide.co.uk

Investor queries:

Sarah Abercrombie
Mobile: +44 (0)7587 886 500
Sarah.Abercrombie@nationwide.co.uk

Vikas Sidhu
Mobile: +44 (0)7738 273 287
Vikas.Sidhu@nationwide.co.uk