Glossary

for the Annual Report and Accounts 2025

Glossary

Item	Description
Additional Tier 1 (AT1) capital	Capital that meets certain criteria set out in Capital Requirements Directive V (CRD V). In particular, the criteria require that upon the occurrence of a trigger event, the AT1 capital instrument converts to Common Equity Tier 1 capital or the principal is written down on a permanent or temporary basis.
Additional Tier 1 (AT1) securities	AT1 securities rank behind the claims of all permanent interest-bearing share (PIBS) holders, subordinated debt holders, creditors and investing members of the Society, but ahead of core capital deferred shares (CCDS) investors.
Advanced internal ratings based approach (IRB)	A method of calculating credit risk capital requirements using internal probability of default (PD), loss given default (LGD) and exposure at default (EAD) models.
Arrears	Amounts that are unpaid at their contractual date. A customer is in arrears when they are behind in fulfilling their obligations such that an outstanding loan payment is overdue.
Asset backed securities (ABS)	A type of securitisation (see 'Securitisation' definition). ABS are typically backed by consumer finance assets (other than mortgage loans) such as auto loans and credit card receivables.
Average gross balance	In the calculation of 'Impairment charge as a % of average gross balance', average gross balance is calculated as the average of balances at each month end date.
Average total assets	A weighted average of assets for the period calculated using monthly averages weighted by the number of days in each month.
Bank levy	A levy that applies to certain UK financial institutions (including Nationwide) and the UK operations of foreign banks since 1 January 2011. The levy is based on a percentage of the chargeable equity and liabilities of the institution at the balance sheet date.
Bank of England (BoE) levy	A levy that applies to certain UK financial institutions (including Nationwide) and the UK operations of foreign banks since 1 March 2024. The levy is used by the Bank to recover the costs of its policy functions.
Bank rate	The rate of interest paid on reserves held at the Bank of England (BoE).
Banking book	The banking book contains all assets and liabilities held as part of the Group's core banking activities. These assets and liabilities are held with no intention to trade.
Basel III	The Basel Committee on Banking Supervision (BCBS) rules text, issued in December 2010, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity. This has been implemented via the UK Capital Requirements Directive legislation.
Basel 3.1	UK reforms to the existing Basel III framework originally developed by the Basel Committee on Banking Supervision (BCBS). The proposals would, among other things, revise the calculation of RWAs by improving both the measurement of risk in internal models (IMs) and standardised approaches (SAs), and the comparability of risk measurement across firms.
Basis point (bp)	One hundredth of a percent (0.01 percent). 100 basis points is one percent. Used, for example, in quoting movements in interest rates.
Business and commercial lending	Lending to non-retail customers, including registered social landlords.
Business deposits	Amounts deposited by corporate entities that are not credit institutions.
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 or other external events) or internal factors (including the development and execution of the strategy).

Glossary (continued)

Item	Description
Buy to let mortgages	Mortgages offered to customers purchasing residential property as a rental investment.
Capital ratios	Key financial ratios measuring the Group's capital adequacy or financial strength. These include the Common Equity Tier 1 ratio, Tier 1 ratio, total capital ratio and leverage ratio.
Capital requirements	The amount of capital that the Group is required to hold based upon the risks to which the business is exposed.
Capital resources	Capital held, allowable under regulatory rules, less certain regulatory adjustments and deductions that are required to be made.
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.
Career average revalued earnings (CARE)	A defined benefit pension arrangement where the pension accrued is based on pensionable pay across an employee's career. The pension earned each year is based on pensionable pay in that year and is increased by a set revaluation rate, linked to inflation, for each year up to retirement (or, if earlier, the date the employee leaves the scheme).
Certificate of deposit	A fixed term wholesale deposit which pays a specified interest rate.
Charge off	The point at which the customer relationship is transferred to being one of recovery only, due to significant levels of arrears or through placement with a debt collection agency or litigation.
Collateral	Security pledged for repayment of a loan.
Commercial paper (CP)	An unsecured promissory note issued to finance short-term credit needs, which specifies the amount to be paid to investors on the maturity date.
Commercial real estate (CRE)	Includes office buildings, industrial properties, medical centres, hotels, retail stores, shopping centres, multifamily housing buildings, warehouses and garages.
Common Equity Tier 1 capital	The highest quality form of capital as defined in Capital Requirements Directive V (CRD V), comprising accumulated reserves and qualifying instruments after regulatory deductions.
Common Equity Tier 1 (CET1) ratio	Common Equity Tier 1 capital expressed as a percentage of risk weighted assets.
Consumer lending	Unsecured lending comprising current account overdrafts, personal loans and credit cards.
Consumer Duty	FCA rules and guidance which set higher and clearer standards of consumer protection across financial services.
Contractual maturity	The final payment date of a loan or other financial instrument, at which point the entire remaining outstanding principal and interest is due to be repaid.
Core capital deferred shares (CCDS)	A form of Common Equity Tier 1 (CET1) capital which has been developed to enable the Society to raise capital from the capital markets. Holders of CCDS receive periodic distributions from the Society. Distributions are discretionary and capped in any financial year. In the event of insolvency, CCDS holders rank behind the claims of all other depositors, creditors and investing members of the Society.

Glossary (continued)

Item	Description
Countercyclical capital buffer (CCyB)	Designed to counter procyclicality in the financial system. When cyclical systemic risk is judged to be increasing, institutions should accumulate capital to create buffers that strengthen the resilience of the banking sector during periods of stress when losses materialise. This will help maintain the supply of credit to the economy and dampen the downswing of the financial cycle. The CCyB can also help dampen excessive credit growth during the upswing of the financial cycle.
Covered bonds	Debt securities backed by an asset pool (usually mortgage loans) segregated from the issuer's other assets. The asset pool provides security for bondholders should the issuer default.
Credit impaired loan	A loan where one or more events have occurred, which negatively affect its estimated future cash flows. Such events may include significant financial difficulty of the borrower or breach of contract terms (for instance, a past-due event or default).
Credit risk	The risk of loss as a result of a customer or counterparty failing to meet their financial obligations.
Credit spread	The premium over the benchmark or risk-free rate required by the market to accept a lower credit quality.
Credit valuation adjustment (CVA)	The difference between the risk-free value of a portfolio of trades and the market value which takes into account the counterparty's risk of default. The CVA therefore represents an estimate of the change to fair value that a market participant would make to incorporate inherent credit risk.
Cross currency basis	A price premium added to the interest rate on a cross currency swap, to reflect a higher demand in global markets for one currency over another.
Cross currency interest rate swap	An arrangement in which two parties exchange specific principal amounts of different currencies at inception and subsequent interest payments on the principal amounts. Often one party will pay a fixed rate of interest, while the other will pay a floating rate (though there are also fixed-fixed and floating-floating arrangements). At the maturity of the swap, the principal amounts are usually re-exchanged.
Customer deposits	Includes shares (see separate definition below) and other deposits. Other deposits are amounts deposited by individuals or corporate entities that are not credit institutions. Other deposits are recognised as liabilities in the balance sheet.
Customer redress	Compensation for loss as a result of past sales or other consequence (including technical breaches) associated with financial products.
Debit valuation adjustment (DVA)	The difference between the risk-free value of a portfolio of trades and the market value which takes into account the Group's risk of default. The DVA therefore represents an estimate of the adjustment to fair value that a market participant would make to incorporate the credit risk of the Group.
Debt securities	Assets representing certificates of indebtedness of credit institutions, public bodies or other undertakings.
Debt securities in issue	Transferable certificates of indebtedness of the Group held by external investors. These are liabilities of the Group.
Default	Default occurs when a borrower reaches a predefined arrears status, or where a borrower is considered unlikely to repay the credit obligation in full without the lender taking action such as realising security. Indicators of unlikeliness to pay include (but are not limited to) bankruptcy, financial restructuring or certain types of forbearance.
Deferred tax asset	Corporate income taxes recoverable in future periods as a result of deductible temporary differences (being differences between the accounting and tax bases of an asset or liability that will result in tax deductible amounts in future periods) and the carry forward of unused tax credits.

Glossary (continued)

Item	Description
Deferred tax liability	Corporate income taxes payable in future periods as a result of taxable temporary differences (being differences between the accounting and tax bases of an asset or liability that will result in taxable amounts in future periods).
Defined benefit obligation	The present value of expected future benefit payments resulting from past service of employees in the defined benefit pension plan.
Defined benefit pension plan	A pension or other post-retirement benefit plan under which the Group has an obligation to provide agreed benefits to current and former employees. The Group bears the risk that its obligation may increase or that the value of the assets in the pension fund may fall.
Defined contribution pension plan	A pension plan under which the Group pays fixed contributions as they fall due into a separate entity (a fund) and has no further legal or constructive obligations.
Derivative	A contract or agreement whose value changes with movements in an underlying index such as interest rates, foreign exchange rates, share prices or indices, and which requires no initial investment or an initial investment that is smaller than would be required for other types of contracts with a similar response to market factors. The principal types of derivatives are swaps, forwards, futures and options.
Effective interest rate method (EIR)	The method used to measure the carrying value of a financial asset or liability. EIR allocates associated income or expense to produce a level yield over the expected life of the financial asset or liability, or a shorter period when appropriate.
Effective tax rate	The tax charge in the income statement as a percentage of profit before tax.
Encumbered assets	Assets on the balance sheet which are pledged in order to secure, collateralise or credit-enhance a financial transaction from which they cannot be freely withdrawn.
End point	Full implementation of Capital Requirements Directive V (CRD V) with no transitional provisions.
Enterprise Risk Management Framework (ERMF)	A framework that provides context and guidance for cohesive risk management activity. The framework is based on principal risk categories, establishing risk appetite and implementing risk management through the three lines of defence model.
European Banking Authority (EBA)	The independent EU authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector.
Expected credit loss (ECL)	The difference between all contractual cash flows due in relation to a financial asset, and all the cash flows that are expected to be received (i.e. all cash shortfalls), discounted at the effective interest rate. The term relates to accounting for impairment provisions under IFRS 9.
ECL – 12 Month	Cash shortfalls resulting from default events that are possible in the next 12 months weighted by the probability of the default occurring.
ECL – lifetime	Cash shortfalls resulting from default events that are possible over the remaining expected life of the loan, weighted by the probability of that default occurring.
Expected loss (EL)	A regulatory capital calculation to estimate the potential losses on current exposures due to potential defaults.
Exposure	The maximum loss that the Group might suffer if a borrower or counterparty fails to meet their obligations or if assets and off-balance sheet positions have to be realised.

Glossary (continued)

Item	Description
Exposure at default (EAD)	An estimation of the amount of exposure that will be outstanding at the time of default.
Fair value through other comprehensive income (FVOCI)	Financial assets held at fair value on the balance sheet with changes in fair value recognised through other comprehensive income.
Fair value through profit or loss (FVTPL)	Financial assets held at fair value on the balance sheet with changes in fair value being recognised through the income statement.
Final salary pension arrangements	A defined benefit pension arrangement where the pension payable is based on the employee's final pensionable salary.
Financial Conduct Authority (FCA)	The statutory body responsible for conduct of business regulation and supervision of UK authorised firms. The FCA also has responsibility for the prudential regulation of firms that do not fall within the Prudential Regulation Authority's (PRA's) scope.
Financial Ombudsman Service (FOS)	An independent service in the UK for settling disputes between businesses providing financial services and their customers.
Financial Policy Committee (FPC)	A Bank of England committee charged with identifying, monitoring and taking action to reduce or remove systemic risks with a view to protecting and enhancing the resilience of the UK financial system. It is also responsible for supporting the economic policy of the UK Government.
Financial Services Compensation Scheme (FSCS)	The FSCS is the UK's statutory compensation scheme for customers of authorised UK financial services firms that are unable, or likely to be unable, to satisfy claims against them and is funded by recoveries on the firm and levies on the financial services industry.
First time buyer	A first time buyer is an individual who has not owned a property in the last three years. For a joint mortgage, if both applicants meet this definition, each is recognised as a first time buyer, otherwise, if one applicant does not meet the definition, neither is counted as a first time buyer.
Forbearance	Forbearance takes place when a concession is made on the contractual terms of a loan to a customer that is experiencing or about to experience financial difficulties.
Foundation internal ratings based (IRB) approach	A method of calculating credit risk capital requirements using internal probability of default (PD) models but with regulators' supervisory estimates of loss given default (LGD) and conversion factors for the calculation of exposure at default (EAD).
Funding risk	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.
Gross mortgage lending	New lending advanced to customers during the period.
House price index (HPI)	An index monitoring changes in house prices both monthly and annually, providing a comprehensive view of the property market.
Impairment charge/release	The charge or release recognised in the income statement to reflect actual and expected credit losses over the reporting period.
Impairment provisions	The impairment provisions recognised on the balance sheet in relation to financial assets measured at either amortised cost or FVOCI, representing management's best estimate of expected credit losses on those loans at the balance sheet date.
Individual consolidation	A method of consolidation under Capital Requirements Regulation (CRR) Article 9, allowing parent institutions to incorporate subsidiaries which meet specified conditions in the calculation of their requirement under CRR Article 6(1).
Interest rate swap	A contract under which two counterparties agree to exchange periodic interest payments on a predetermined notional amount.

Glossary (continued)

Item	Description
Internal capital adequacy assessment process (ICAAP)	The Group's own assessment of the levels of capital that it needs to hold in respect of its regulatory capital requirements for credit, market and operational risks as well as for other risks including stress events.
Internal liquidity adequacy assessment process (ILAAP)	The process and document that defines the Group's liquidity and funding risk management framework, including risk appetite and measurement of these risks.
Internal ratings based approach (IRB)	An approach for measuring exposure to credit risks. IRB approaches are more sophisticated and risk sensitive than the Standardised approach and may be Foundation or Advanced. IRB approaches may only be used with Prudential Regulation Authority (PRA) permission.
International Accounting Standards Board (IASB)	The independent standard setting body of the IFRS Foundation. Its members are responsible for the development and publication of International Financial Reporting Standards (IFRSs) and for approving interpretations of IFRS as developed by the IFRS Interpretations Committee (IFRIC).
International Swaps and Derivatives Association (ISDA) master agreement	A standardised contract developed by ISDA and used to enter into bilateral derivative transactions. The contracts grant legal rights of set off for derivative transaction with the same counterparty. This reduces the credit risk of the derivatives to the extent that negative values offset positive values.
Investment grade	The highest range of credit ratings, from AAA to BBB-, as measured by external credit rating agencies.
Legacy mortgages	Self-certified, near prime and sub-prime lending, all of which were discontinued in 2009.
Level 1 fair values	Fair values derived from unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, such as for high quality government securities.
Level 2 fair values	Fair values derived from models whose inputs are observable in an active market, such as for most investment grade and liquid bonds, asset backed securities, collateralised loan obligations (CLOs) and over the counter (OTC) derivatives.
Level 3 fair values	Fair values derived from inputs that are not based on observable market data (unobservable inputs), such as for private equity investments, derivatives including an equity element, deposits including an equity element, and certain asset backed securities and bonds.
Leverage ratio	A ratio which measures Tier 1 capital as a proportion of exposures on a non-risk weighted basis.
Liquid asset buffer (LAB)	A portfolio of high quality, unencumbered liquid assets that are held to meet internal and regulatory stressed liquidity requirements.
Liquidity Contingency Plan (LCP)	A document that can be used to identify an emerging liquidity and funding stress, and which details the procedures to be followed and the actions which can be taken to withstand such a stress.
Liquidity coverage ratio (LCR)	A regulatory liquidity metric which aims to ensure that a firm maintains an adequate level of liquidity to meet a severe but plausible stress lasting for 30 calendar days. The LCR framework uses a tiered system to classify liquid resources. Level 1 assets are the most liquid and are not subject to haircuts, while Level 2 assets are subject to restrictions and haircuts.
Liquidity risk	The risk that the Group is unable to meet its liabilities as they fall due and maintain member and other stakeholder confidence.
Loan to value ratio (LTV)	A ratio which expresses the amount of exposure as a percentage of the value of the property on which it is secured. The Group calculates LTV on an indexed basis, such that the value of the property is updated on a regular basis to reflect changes in the market using either house price or commercial real estate indices.

Glossary (continued)

Item	Description
Longevity swap	A contract under which two counterparties agree to exchange periodic payments based on the difference between actual and expected pension mortality experience.
Loss given default (LGD)	An estimate of the difference between exposure at default (EAD) and the net amount of the expected recovery, expressed as a percentage of EAD.
Main current account	The primary or sole current account used by the customer.
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. Nationwide does not have a trading book; therefore market risk only arises in the banking book.
Material risk taker	An employee whose professional activities have a material impact on the risk profile of a regulated firm.
Medium-term notes	Corporate notes offered by a company to investors, across a range of maturity periods.
Member	Subject to certain eligibility criteria set out in the Memorandum and Rules, an individual who saves, banks or has a mortgage account with the Society.
Model risk	The risk of adverse consequences from model errors or the inappropriate use of modelled outputs. Model risk can arise from a number of factors, including the quality of data inputs, choice and suitability of methodology and the integrity of implementation
Moody's	Rating agency, Moody's Investors Service Limited.
Minimum requirement for own funds and eligible liabilities (MREL)	A requirement under the Bank Recovery and Resolution Directive for resolution authorities to set a minimum requirement for own funds and eligible liabilities for banks and building societies, implementing the Financial Stability Board's Total Loss Absorbing Capacity (TLAC) standard. The purpose of MREL is to help ensure that when banks, building societies and investment firms fail, that failure can be managed in an orderly way while minimising risks to financial stability, disruption to critical economic functions, and risks to public funds.
Negative equity	The difference between the outstanding balance on a loan and the current value of any security held where the security value is lower than the outstanding balance.
Net assets	The difference between total assets and total liabilities.
Net interest income	The difference between interest receivable on assets and similar income and interest payable on liabilities and similar charges.
Net interest margin	Net interest income as a percentage of weighted average total assets. Net interest margin is a common measure of performance within the banking industry.
Net mortgage lending	The net amount of new lending advanced to customers during the period, offset by customer balances repaid during the period.
Net stable funding ratio (NSFR)	A regulatory funding metric which is used to promote a stable funding profile by assessing the proportion of long-term assets that are funded by stable long-term funding sources such as customer deposits and long-term wholesale funding.
Non-member funding	Funding from sources other than member deposits.
Non-member funding ratio	An internal measure of non-member funding as a proportion of total funding liabilities.

Glossary (continued)

Item	Description
Operational and conduct risk	The risk of impacts resulting from inadequate or failed internal processes, conduct or compliance management, people and systems, or from external events.
Over the counter (OTC)	Contracts that are traded (and privately negotiated) directly between two parties, without going through an exchange or other intermediary. They offer flexibility because, unlike standardised exchange-traded products, they can be tailored to fit specific needs.
Overpayment reserve	Customer overpayments on certain residential mortgages where the borrower is able to draw down the amount overpaid.
Owner-occupied residential mortgages	Mainstream residential loans lent on the basis that the mortgage holder(s) will occupy the property.
Past due loans	Loans where a member, customer or counterparty has failed to make a payment when contractually due.
Pension risk	The risk that the value of the pension schemes' assets will be insufficient to meet the estimated liabilities, creating a pension deficit.
Permanent interest bearing shares (PIBS)	Unsecured, deferred shares of the Society that, in the event of insolvency, rank behind the claims of all subordinated debt holders, depositors, creditors and investing members of the Group, and ahead of the claims of Additional Tier 1 (AT1) holders and core capital deferred shares (CCDS) investors. PIBS are legacy instruments which no longer qualify as Tier 1 capital.
Pillar 1/2/2A/3	Components of the Basel capital framework. Pillar 1 covers the minimum capital requirements, largely in relation to credit and operational risks. Pillar 2/2A covers additional firm-specific capital requirements for risks not covered in full by Pillar 1 requirements. Pillar 3 covers disclosures about the firm's capital and risk position.
Prepositioned assets	Assets which have been confirmed by the Bank of England as eligible for use in their Sterling Monetary Framework liquidity operations.
Private equity investments	Equity investments in companies that are not quoted on a public exchange.
Probability of default (PD)	An estimate of the probability that a borrower will default on their credit obligations over a fixed time period. A 12-month ECL uses a 12-month PD, whilst a lifetime ECL uses the estimated PD over the remaining contractual life of the loan.
Provision coverage ratio	The provision coverage ratio is calculated by dividing the impairment provision by the gross balance.
Prudential Regulation Authority (PRA)	The statutory body responsible for the prudential supervision of banks, building societies, insurers and a small number of significant investment firms in the UK from 1 April 2013. The PRA is a subsidiary of the Bank of England.
Purchased or originated credit impaired assets (POCI)	Loans which are credit impaired when initially recognised on the balance sheet, either if purchased when impaired from a third party, or if recognised as a new loan (e.g. through restructuring of an existing credit impaired loan).
Registered social landlord (RSL)	A not-for-profit organisation that provides social housing.
Regulatory capital	Capital allowable under regulatory rules, less certain required regulatory adjustments and deductions.
Repurchase agreement (repo)/reverse repurchase agreement (reverse repo)	An agreement that allows a borrower to use a financial security as collateral for a cash loan. In a repo, the borrower agrees to sell a security to the lender subject to a commitment to repurchase it on a given date. For the party selling the security (and agreeing to repurchase it in the future) it is a repurchase agreement or repo; for the counterparty to the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.

Glossary (continued)

Item	Description
Residential mortgage backed securities (RMBS)	Asset backed securities which give investors the right to receive cash from future mortgage payments. RMBS can be backed by either owner-occupied or buy to let residential mortgage loans (see separate definition of 'Securitisation').
Residual maturity	The remaining period to the contractual maturity date of a financial asset or financial liability.
Retail funding	Funding obtained from individuals and smaller businesses rather than institutions.
Retail loans	Loans within the residential mortgage lending and consumer banking portfolios.
Return on Assets (ROA)	Profit after tax as a percentage of total average assets. This measure is reported in accordance with the Buildings Society Regulations.
Risk appetite	The level and type of risk that the Group is willing to assume in pursuit of its objectives.
Risk weighted assets (RWA)	The value of assets, after adjustment under the capital rules to reflect the degree of risk they represent.
Securitisation	A process where a group of assets, usually loans, is aggregated and transferred to a special purpose entity (see definition below) which issues securities backed by the assets. The cash flows from the assets are used to pay interest and repay principal on the debt securities.
Senior preferred debt	A form of wholesale funding that ranks before the claims of holders of senior non-preferred notes and regulatory capital instruments (instruments qualifying as CET1, AT1 or Tier 2 capital).
Senior non-preferred debt	A form of wholesale funding that is unsecured and ranks behind the claims of holders of senior preferred notes, all depositors, creditors and other investing members, but before the claims of holders of regulatory capital instruments (instruments qualifying as CET1, AT1 or Tier 2 capital).
Shares	Funds deposited by a person in a retail savings or current account with the Society. Such funds are recorded as liabilities for the Society.
Shares and borrowings	The total of shares, deposits from banks and similar institutions, other deposits, amounts due to customers and debt securities in issue.
Significant increase in credit risk	A significant increase in credit risk on a financial asset is judged to have occurred when an assessment, using quantitative and qualitative factors, identifies at a reporting date that the credit risk has moved significantly since the asset was originally recognised.
Sofr (Secured Overnight Financing Rate)	A benchmark interest rate derived from overnight unsecured dollar wholesale funding where credit, liquidity and other risks are minimal.
Sonia (Sterling Overnight Index Average)	A benchmark interest rate derived from overnight unsecured sterling wholesale funding where credit, liquidity and other risks are minimal.
Sovereign exposures	Exposures to central governments.
Special purpose entity (SPE)	An entity created to accomplish a narrow and well-defined objective. There are often specific restrictions or limits around their ongoing activities. The Group uses a number of SPEs, including those set up under securitisation programmes. This term is used interchangeably with SPV (special purpose vehicle).
SPPI test	An assessment of whether the contractual terms of a financial asset give rise to cash flows that are in substance solely payments of principal and interest.

Glossary (continued)

Item	Description
Stage 1	Assets which have not experienced a significant increase in credit risk since the asset was originally recognised on the balance sheet. A 12-month ECL is recognised as an impairment provision for Stage 1 assets.
Stage 2	Assets which have experienced a significant increase in credit risk since initial recognition. A lifetime ECL is recognised as an impairment provision for Stage 2 assets.
Stage 3	Assets which are credit impaired. A lifetime ECL is recognised as an impairment provision for Stage 3 assets.
Standard & Poor's (S&P)	Rating agency, S&P Global Ratings UK Limited.
Standard mortgage rate (SMR)	The revert rate for existing mortgage customers at the end of a deal reserved on or after 30 April 2009.
Standardised approach	The basic method used to calculate credit risk capital requirements. In this approach the risk weights used in the capital calculation are determined by regulators' supervisory parameters. The standardised approach is less risk-sensitive than the internal ratings based (IRB) approach.
Statutory cost to income ratio	A ratio that represents the proportion of total administrative expenses to total income.
Stress testing	A process which involves identifying possible future adverse events or changes in economic conditions that could have unfavourable effects on the Group (either financial or non-financial), assessing the Group's ability to withstand such changes, and identifying management actions to mitigate the impact.
Structured entity	An entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are consolidated when the substance of the relationship indicates control.
Sub-prime	Loans to borrowers that typically have weakened credit histories such as payment delinquencies and may also display higher risk characteristics as measured by credit scores, or other criteria indicating heightened risk of default.
Subordinated debt	A form of subordinated liability that qualifies as Tier 2 capital and ranks behind the claims of all depositors, creditors and other investing members, but before the claims of holders of Additional Tier 1 (AT1) securities, permanent interest bearing shares (PIBS) and core capital deferred shares (CCDS).
Subordinated liabilities	Unsecured debt instruments issued by the Society which qualify as Tier 2 capital.
Subscribed capital	See 'Permanent interest bearing shares (PIBS)'.
Swap rate	The fixed interest rate in a fixed to floating interest rate swap.
Term Funding Scheme with additional incentives for SMEs (TFSME)	A Bank of England scheme designed to support households and businesses during the period of economic disruption caused by the Covid-19 pandemic. TFSME allowed eligible banks and building societies to access four-year funding at rates very close to Bank rate.
Tier 1 capital	A measure of the Group's financial strength. Tier 1 capital comprises Common Equity Tier 1 capital and additional Tier 1 capital instruments.
Tier 1 capital ratio	Tier 1 capital as a percentage of risk weighted assets.
Tier 2 capital	A further measure of the Group's financial capital that meets the Tier 2 requirements set out in the Capital Requirements Regulation (CRR), comprising qualifying subordinated debt and other securities and eligible impairment allowances after regulatory deductions.

Glossary (continued)

Item	Description
Trading book	A regulatory classification consisting of positions in financial instruments or commodities held by a bank with the intention of profiting from short-term fluctuations in price.
UK Capital Requirements Directive V (CRD V)	The supervisory framework which covers prudential rules for banks, building societies and investment firms in the UK.
UK Capital Requirements Regulation (CRR)	Regulation defining prudential requirements for capital, liquidity and credit risk for credit institutions and investment firms in the UK.
Underlying administrative expenses	A measure of costs which allows for like-for-like comparison across years without the distortion of one-off volatility and items which are not reflective of the Group's ongoing business activities. Underlying cost is not designed to measure sustainable levels of costs 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.
Underlying cost to income ratio	A ratio that represents the proportion of underlying cost to underlying income.
Underlying impairment charge/release	A measure of impairment charge/release which allows for like-for-like comparison across years without the distortion of one-off volatility and items which are not reflective of the Group's ongoing business activities.
Underlying income	A measure of income which allows for like-for-like comparison across years without the distortion of one-off volatility and items which are not reflective of the Group's ongoing business activities. Underlying income is not designed to measure sustainable levels of income 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.
Underlying net interest income	A measure of net interest income which allows for like-for-like comparison across years without the distortion of one-off volatility and items which are not reflective of the Group's ongoing business activities.
Underlying net other income	A measure of net other income which allows for like-for-like comparison across years without the distortion of one-off volatility and items which are not reflective of the Group's ongoing business activities.
Underlying profit before tax	A measure of profit before tax which allows for like-for-like comparisons of performance across years without the distortion of one-off volatility and items which are not reflective of the Group's ongoing business activities. 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.
Value at risk (VaR)	A technique that estimates the potential loss that could occur on risk positions as a result of future movements in market rates and prices over a specified time horizon and to a given level of statistical confidence. In its day-to-day monitoring, the Group uses a 10 day horizon and a 99% confidence level.
Wholesale funding	Funding received from external investors including larger businesses, financial institutions and sovereign entities.
Write-off	The point where it is determined that an asset is irrecoverable, or it is no longer considered economically viable to try and recover the asset or final settlement is reached and the shortfall written off. In the event of write-off, the customer balance and any related impairment provision are removed from the balance sheet.

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