IMPORTANT NOTICE

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THE COVERED BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM (THE **UK**). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO 2017/565 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (**EUWA**); (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FSMA AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT DIRECTIVE (EU) 2016/97, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA (THE **UK PRIIPS REGULATION**) FOR OFFERING OR SELLING THE COVERED BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UK HAS BEEN PREPARED AND THEREFORE

OFFERING OR SELLING THE COVERED BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UK MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

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SUPPLEMENT DATED 14 DECEMBER 2022 TO THE BASE PROSPECTUS REFERRED TO BELOW

NATIONWIDE BUILDING SOCIETY

(*incorporated in England and Wales under the Building Societies Act 1986, as amended*)

Issuer Legal Entity Identifier (LEI): 549300XFX12G42QIKN82

€45 billion
Global Covered Bond Programme
unconditionally and irrevocably guaranteed as to payments by
Nationwide Covered Bonds LLP
(*a limited liability partnership incorporated in England and Wales*)

This supplement (the **Supplement**) to the base prospectus dated 2 September 2022, as supplemented by the supplementary prospectus dated 18 November 2022 (the **Base Prospectus**) constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 and is prepared in connection with the €45 billion covered bond programme (the **Programme**) established by Nationwide Building Society (the **Issuer** or **Nationwide**) unconditionally and irrevocably guaranteed as to payments by Nationwide Covered Bonds LLP (the **LLP**). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements to the Base Prospectus issued by the Issuer.

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the US Securities Act of 1933, as amended (the **Securities Act**), or under the applicable securities laws or the regulations of any state of the United States, and may not be offered, sold or delivered in the United States or to, or for the benefit of, US persons (as defined in Regulation S (**Regulation S**) under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Covered Bonds are being offered (a) outside the United States to non-US persons in reliance on Regulation S and (b) in the case of Registered Covered Bonds only, within the United States only to "qualified institutional buyers" (**QIBs**) (as defined in Rule 144A under the Securities Act (**Rule 144A**)) in compliance with Rule 144A or in other transactions exempt from registration under the Securities Act. Registered Covered Bonds are subject to certain restrictions on transfer.

Each purchaser of a Covered Bond will be deemed, by its acceptance or purchase thereof, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of such Covered Bond, as described in the Base Prospectus, and, in connection therewith, may be required to provide confirmation of its compliance with such resale and other transfer restrictions in certain cases (see "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus).

This Supplement has been approved as a supplement by the Financial Conduct Authority (the **FCA**, known before 1 April 2013 as the Financial Services Authority (the **FSA**), as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**) (the **UK Prospectus Regulation**). The FCA only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer or the quality of the Covered Bonds that are subject of this Supplement and investors should make their own assessment as to the suitability of investing in the Covered Bonds.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Purpose of this Supplement

The purpose of this Supplement is to:

(a) update the "Risk Factors" section;

(b) update the "Capitalisation and Indebtedness" section;

(c) update the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section;

(d) update the "Business of the Society" section;

(e) update the "Selected Statistical Information" section;

(f) update the "Management" section; and

(g) update the "Supervision and Regulation" section.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

If documents which are incorporated by reference to this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the Prospectus Regulation except where such information or other documents are specifically incorporated by reference to the Supplement.

Copies of this Supplement, the Base Prospectus and all documents which are incorporated by reference in the Base Prospectus are available at https://www.nationwide.co.uk/investor-relations/.

Save as disclosed in this Supplement and the supplementary prospectus dated 18 November 2022, there has been no other significant new factor, material mistake or material inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

This section should be read together with the sections titled "Risk Factors" in the Base Prospectus.

RISK FACTORS

The following supplements "Risk Factors – Economic and Financial Risks – The UK economy" in the Base Prospectus.

The UK economy

The Issuer's business and prospects are largely driven by the UK mortgage, savings and personal current account markets and the level of interest rates, which in turn are driven by the UK economy, the outlook for which is inherently uncertain. Consequently, the Issuer is subject to inherent risks arising from general economic conditions in the UK but also indirect risks arising from volatility in global financial markets in the Eurozone and elsewhere.

The Issuer offers a range of banking and financial products and services to UK retail customers with its business activities concentrated in the UK retail deposit and residential mortgage markets. Under current building society legislation, the Issuer's ability to diversify its business is limited. Accordingly, a decline in the UK economy or the predominantly retail markets in which the Issuer operates could have a material adverse impact on its financial performance and business operations. The Issuer is also directly and indirectly subject to inherent risks arising from general economic conditions in the UK, global macro-economic conditions and geopolitical conditions in the Issuer's economies, particularly the Eurozone.

Domestic and international conditions are subject to fluctuations which can adversely affect the Issuer's operating performance, financial conditions and/or prospects, through a wide range of potential channels, including but not limited to; changes in unemployment levels, rates of inflation, level of interest rates, consumer confidence, the state of the UK housing market (including house prices), counterparty risk and the availability and cost of credit in wholesale and retail markets.

Such fluctuations can occur as a result of different types of shocks, which in recent years have included global financial crises, the Covid-19 pandemic and increased geopolitical tensions and conflict. Furthermore, potential sources of future shocks are many and varied and often difficult to foresee in advance.

Economic conditions may also be affected by long-term structural changes such as demographic shifts and/or climate change, as well as by changes to government or regulatory policies domestically or globally. The latter may include significant changes to monetary, fiscal or macro-prudential policies which could have a negative impact on the Issuer's markets or wider economic conditions. Political uncertainty and/or significant changes to government policy could also affect the Issuer's markets and/or wider economic prospects. For example, the UK's exit from the European Union is likely to have implications for the UK's trading relationships and wider economic performance for many years to come. These fluctuations, future shocks and long-term structural changes may have an adverse impact on the Issuer's operating performance, financial conditions and/or prospects.

In addition, there has been significant market turbulence following the Government "mini-Budget" announcement in late September 2022. Sterling fell to all-time lows against the dollar while swap rates surged. The market volatility was triggered by investor unease at the prospect of large unfunded tax cuts that weaken the public finances and entail a significant increase in gilt supply at a time when the Bank of England is raising its Bank Rate in response to high inflation and is due to start reducing the size of its balance sheet by selling government bonds. The volatility was exacerbated by the emergence of financial strains at some UK pension funds, which was triggered by the sharp increase in gilt yields, and prompted the Bank of England to intervene in the long dated gilt market for a period due to financial stability concerns. The economic outlook remains highly uncertain, with increases in the cost of living and higher interest rates for borrowers putting further pressure on household finances and reducing consumer confidence. While the Issuer's borrowers are relatively well-placed to withstand these challenges given their significant proportion of borrowing on fixed rate and the relatively low number of borrowers who spend a high proportion of their income on debt repayments, further worsening of market conditions and consumer confidence could lead to lower mortgage market activity in the near and medium term, with a potentially negative impact on the Issuer's business operations and financial results.

Market conditions appeared to improve in mid-October 2022, as the fiscal stimulus was pared back. However, market turbulence could re-emerge as the scope for policy errors is large and the political backdrop remains uncertain. The UK has a large current account deficit which is funded by attracting capital inflows, leaving the UK vulnerable to shifts in public sentiment. Investors may continue to attach risk premia to UK assets as a result of recent events and ongoing uncertainty. Market volatility, driven by the macro-economic environment, also has the potential to affect the cost and availability of wholesale funding for UK-based institutions. While a prudent approach continues to be taken in managing the Issuer's liquidity and funding position, continued volatility may have an adverse impact on the Issuer's financial performance and business operations.

There is also an increased risk that the UK sovereign may be downgraded by rating agencies, which could increase funding costs for lenders. If market interest rates remain elevated, economic activity is likely to be adversely impacted. As well as restraining demand, higher interest rates could damage the supply side of the economy. If demand and supply sides of the economy both deteriorate, inflation may not decline very much or very quickly, which may also mean that interest rates stay higher for longer and could have an adverse impact on the Issuer's financial performance and business operations.

The following supplements and replaces the subsection "Risk Factors – Economic and Financial Risks – Credit Risk" in the Base Prospectus.

Credit Risk

The prevailing level of interest rates and the provision or withdrawal of other accommodative monetary and fiscal policies, which are impacted by factors outside of the Issuer's control, including the fiscal and monetary policies of governments and central banks, as well as UK and international political and economic conditions, affect its results of operations, financial condition and return on capital. The Bank of England has started to tighten monetary policy in response to high inflation and a buoyant labour market. While the Bank of England's Bank Rate of interest remains quite low by historic standards at 3.0% as of November 2022, inflation remains considerably above the Bank of England's 2% target and there is a high degree of risk about how sharply rates might need to increase.

The relatively long period of stimulus measures in the UK and elsewhere has increased uncertainty over the impact of its reduction, which could lead to generally weaker than expected growth, or even contracting gross domestic product, reduced business confidence, higher levels of unemployment or under-employment, adverse changes to levels of inflation, potentially higher interest rates and falling property prices in the markets in which the Issuer operates, and consequently to an increase in delinquency rates and default rates among the Issuer's customers. Moreover, higher prevailing interest rates would affect the Issuer's cost of funding with depositors and creditors, which could adversely affect its profitability, to the extent its margins decline.

The personal financial services sector in the UK remains vulnerable to increases in unemployment, rising interest rates and/or falling house prices. Since 2009, both variable and fixed interest rates have been at relatively low levels. Changes in the Bank of England's Bank Rate affect interest rates payable on a significant portion of the Issuer's outstanding mortgage loan products over time. Rising interest rates would put pressure on borrowers whose loans are subject to a variable rate of interest, or who following a fixed rate period can only re-mortgage at a higher rate of interest. Such borrowers may experience financial stress in repaying at increased rates in the future, which ultimately may result in higher delinquency rates and losses in the future. Increased unemployment or underemployment could also lead to impacted borrowers being unable to service their loan repayments in a timely fashion, which would result in higher levels of arrears, thus increasing the Issuer's impairment charges in respect of these portfolios. These events, alone or in combination, may contribute to higher delinquency rates and losses.

The value of the properties in the Issuer's mortgage portfolio is also influenced by UK house prices, and a significant portion of the Issuer's revenue is derived from interest and fees paid on its mortgage portfolio. A decline in house prices in the UK could lead to a reduction in the recovery value of real estate assets held as collateral in the event of a customer default, and could lead to higher impairment provisions, which could reduce the Issuer's capital and its ability to engage in lending and other income-generating activities. A significant increase in house prices over a short period of time could also have a negative impact on the Issuer's business by reducing the affordability of homes for buyers, which could lead to a reduction in demand for new mortgages. Sustained volatility in house prices could also discourage potential homebuyers from committing to a purchase, thereby limiting the Issuer's ability to grow the residential mortgage portfolio.

In addition, the Issuer also has a significant portfolio of buy to let (**BTL**) and legacy mortgages. The BTL market in the UK is predominantly dependent upon yields from rental income to support mortgage interest payments and capital gains from capital appreciation. Falling or flat rental rates and decreasing capital values, whether coupled with higher mortgage interest rates or not, could reduce the potential returns from BTL properties. Furthermore, if the UK government (the **Government**) passes legislation that increases tax burdens or requires costly upgrades to BTL properties, such as proposed legislation that would increase Minimum Energy Efficiency Standards for BTL properties from E to C by 2028, it could reduce potential returns on certain BTL property investments. The Bank of England has also stated that it is considering increasing the regulatory capital requirements of banks holding BTL mortgages on their balance sheets, although no specific proposals have been made. Higher rates of stamp duty land taxes have gradually been implemented across the UK on the purchase of additional properties, with higher rates applying to persons not resident in the UK in certain circumstances. These factors, and any future changes resulting in higher rates, could make the purchase of BTL properties and/or second homes a less viable investment proposition and reduce the demand for related mortgages, which may also affect the resale value of relevant or similar properties. On 16 June 2022, the Government published a White Paper "A Fairer Private Rented Sector" which proposes certain changes in relation to the standard of rented housing, the ability of tenants to challenge rent increases and fetters on the ability of a landlord to terminate a rental agreement where the tenant is not in breach of the contractual terms. It remains to be seen whether the proposals change as they go through the legislative process and what impact that will have, if any, on the performance of the Issuer's BTL portfolio and, consequently, on the Issuer's business, financial condition or results of operations.

The Government's intervention into the housing market through buyer assistance schemes, changes to stamp duty thresholds, enforced or recommended payment holidays or other concessions or allowances on mortgage payments, or indirectly through measures that provide liquidity to the banking sector (as was the case with FLS, TFS and TFSME), may also contribute to volatility in house prices. This could occur, for example, as a result of the extension of funding scheme to the banking sector, which would maintain excess funding liquidity in the mortgage market which has supported a low mortgage interest rate environment, and which could lead to inflation in house prices.

A reduction in UK house prices, or other deterioration in economic conditions, may also have an adverse impact on the Issuer's Common Equity Tier 1 (**CET1**) ratio. The results of the concurrent stress testing undertaken by the Bank of England, available on the Bank of England's website, illustrate the impact that certain economic scenarios are projected to have on the Issuer's capital position. However, existing published results do not include the impact of redeveloped 'internal ratings based' (**IRB**) models following the PRA's updates to SS11/13 "IRB approaches" which came into effect from 1 January 2022. These included changes which aim to increase the consistency of IRB model approaches across different firms and, whilst leading to an increase in mortgage risk weights, will act to reduce the volatility of capital requirements across differing economic conditions.

In addition, the UK Financial Policy Committee (FPC) took the decision on 20 June 2022 to withdraw its affordability test recommendation with effect from 1 August 2022. Although lenders are not required to make changes as a result of the withdrawal, this decision has changed the Issuer's assessment of affordability in the medium term. The Issuer has maintained a robust process, taking account of the future view of interest rates across any fixed rate deal period, and have moved to revising this monthly. The Issuer has also included a future view of inflation into its assumptions around household expenditure.

The future impact of these initiatives on the UK housing market and other regulatory changes or Government programs is difficult to predict. Volatility in the UK housing market occurring as a result of these changes, or for any other reason, could have a material adverse effect on the Issuer's business, financial condition or results of operations.

The following supplements and replaces the subsection "Risk Factors – Economic and Financial Risks – Pension Risk" in the Base Prospectus.

The Issuer has funding obligations to several defined benefit pension schemes. Pension risk is defined as the risk that the value of the pension schemes' assets will be insufficient to meet the estimated liabilities, creating a pension deficit. Pension risk can negatively impact the Issuer's capital position and may result in increased cash funding obligations to the pension schemes.

In November 2020, the Issuer and the Trustee of the Nationwide Pension Fund (the **Fund**) entered into an arrangement whereby the Issuer has agreed to provide collateral in the form of retained Silverstone notes to provide additional security to the Fund. The Fund would have access to these notes in the case of certain events such as insolvency of Nationwide.

Following the closure of the Fund to future accrual on 31 March 2021, there were no employer contributions made in respect of future benefit accrual during the year. There were also no employer deficit contributions into the Fund for the year ended 4 April 2022 and none are scheduled for the year ending 4 April 2023. On 14 October 2022, the Issuer provided two uncollateralised loans totalling £400 million to the Fund. This temporary support allows the Fund to manage its ongoing liquidity requirements during a period of high market loans are repayable on demand and accrue interest at market rates.

The effective commencement date of the Fund's next Triennial Valuation began on 31 March 2022 and is expected to be completed in June 2023. Employer deficit contributions of less than £1 million were made in the six months ending 30 September 2022 (£1 million for the six months ended 30 September 2021) in respect of the Group's defined benefit scheme in its Nationwide (Isle of Man) Limited subsidiary

In January 2022, the Trustee completed a pensioner buy-in (the purchase of an insurance policy that covers all risks, i.e. market risk and longevity risk) for the smaller Cheshire & Derbyshire section of the Fund.

Any change in the contributions which the Issuer is required to pay in respect of its defined benefit pension schemes, including as a result of a future Triennial Valuation of the Fund, could have a negative impact on the Issuer's results of operations. In addition, any IAS19 accounting deficit in the Issuer's defined benefit pension scheme would be reflected in its CET1 capital. Accordingly, an increase in deficit can result in a reduction in the Issuer's capital ratios.

Furthermore, the Fund's position can also be impacted by volatility in investment returns from its assets and the value of its liabilities. The Fund holds a significant proportion of return-seeking assets, including equities and credit investments. Return seeking assets are expected to outperform liabilities in the long-term, but they are riskier and volatile in the short to medium-term. There is also a risk that the Fund's liabilities increase to a level which is not supported by asset performance, whether through discount rate changes, increases in long-term inflation expectations, or increases in the life expectancy (longevity) of Fund members.

The following supplements and replaces the subsection "*Risk Factors – Regulatory Risks – The Society is subject to extensive legislation and regulation*" in the Base Prospectus.

The Society is subject to extensive legislation and regulation

The Issuer conducts its business subject to ongoing regulation by the PRA and the FCA, which oversee the Issuer's prudential arrangements and the sale of financial products, including, for example, residential mortgages, commercial lending, savings, investment, consumer credit and general insurance products. The regulatory regime requires the Issuer to be in compliance across many aspects of activity, including the training, authorisation and supervision of personnel, systems, processes and documentation. The financial sector has seen an unprecedented volume and pace of regulatory change in the years following the global financial crisis, compounded by the UK's exit from the European Union, and significant resources have been required to assess and implement necessary changes. If the Issuer fails to comply with any relevant regulations, there is a risk of an adverse impact on its business due to sanctions, fines or other action imposed by the regulatory authorities.

This is particularly the case in the current market environment, which continues to witness significant levels of Government intervention in the banking, personal finance and real estate sectors. For example, on 27 July 2022, the FCA confirmed its plans to bring in a new Consumer Duty which will set higher and clearer standards of consumer protection across financial services and require firms to put their customers' needs first. The Consumer Duty is constituted of four high-level outcomes:

- a new Principle for Businesses and a new individual conduct rule, applicable to us, to "deliver good outcomes for retail customers",

- three cross-cutting rules to (i) act in good faith, (ii) avoid foreseeable harm to retail customers, and (iii) support those customers to pursue their financial objectives.

These four outcomes focus on products and services, price and value, consumer support and consumer understanding. Firms must implement the Consumer Duty for all new and existing products and services that are currently on sale by 31 July 2023. The rules will be extended to closed book products (i.e. those which are no longer on sale) by 31 July 2024.

The Consumer Duty also includes requirements for firms to end unfair charges and fees, make it as easy to switch or cancel products as it was to take them out in the first place, provide helpful and accessible customer support, act quickly to respond to customer queries, provide timely, clear and easily understandable information to customers regarding products and services, provide products and services that are appropriate for their customers, and focus on the real and diverse needs of their customers, including those in vulnerable circumstances, at every stage and in each interaction. Firms will also need to monitor, evidence and report against many of the requirements. There may be added costs associated with making necessary changes in order to ensure that the Issuer is compliant with these new rules. If the Issuer fails to comply with these new rules, there is a risk of an adverse impact on its business due to penalties imposed by the FCA, costs and payments associated with any investigations and/or required remediation and potential reputational damage. Future changes in regulation, fiscal or other policies are unpredictable and beyond the Issuer's control and could materially adversely affect its business or operations.

A range of other legislative and regulatory changes have been made or proposed which could impose operational restrictions on the Issuer, causing the Issuer to raise further capital, increase its expenses and/or otherwise adversely affect the Issuer's business results, financial condition or prospects.

As at the date of this Supplement it is difficult to predict the full effect that any of these changes and proposals will have on the Issuer's operations, business and prospects. Following the UK's departure from the EU and the end of the Brexit transition period at the end of 2020, the extent to which the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time, remains to be seen. However, it appears likely that the UK regulatory position will diverge to a material extent from that of the EU in the medium term. Depending on the specific nature of the requirements and how they are enforced, the changes could have a significant impact on the Issuer's operations, structure, costs and/or capital requirements. Accordingly, the Issuer cannot assure investors that the implementation of any of the foregoing matters will not have a material adverse effect on its operations, business, results, financial condition or prospects.

Furthermore, the Issuer cannot assure investors that any other regulatory or legislative changes or any other Governmental interventions that may have been proposed or which may materialise in the future will not have a material adverse effect on the Issuer's operations, business, results, financial condition or prospects. While the scope and nature of any such changes are unpredictable, any interventions or regulations designed to increase the protections for UK retail and other customers of banks and building societies, for example through stricter regulation on repossessions and forbearance by mortgage lenders, could materially adversely affect the Issuer's business or operations.

The Issuer is also subject to a number of proposals and measures targeted at preventing financial crime (including anti-money laundering and terrorist financing). While the Issuer is committed to operating a business that prevents, deters and detects money laundering and terrorist financing in accordance with such requirements, if there are breaches of these measures or existing law and regulation relating to financial crime, the Issuer could face significant administrative, regulatory and criminal sanctions as well as reputational damage which may have a material adverse effect on its operations, financial condition or prospects.

The Issuer is investing significantly to ensure that it will be able to comply with developing regulatory requirements. If the Issuer is unsuccessful in efficiently adopting any requisite new compliance practices, this may adversely impact its ability to operate in the financial services markets and to deliver an appropriate level of operational and financial performance.

In recent years, the FCA has undertaken several studies on the mortgage market and has published advice according to its findings. It is possible that further changes may be made to the FCA's Mortgages and Home Finance: Conduct of Business sourcebook as a result of current and future reviews, studies and regulatory reforms which could have a material adverse effect on the Issuer's business, finances or operations. Any failure to comply with these rules may entitle a borrower to claim damages for loss suffered or set-off the amount of the claim against monies owing under a regulated mortgage contract and the new rules may also negatively affect mortgage supply and demand.

The following supplements and replaces the section "Capitalisation and Indebtedness" in the Base Prospectus.

CAPITALISATION AND INDEBTEDNESS

The following is a summary of the Issuer's consolidated capitalisation and indebtedness extracted from the Issuer's unaudited consolidated financial statements as at 30 September 2022:

	30 September 2022
	(£ million)
Consolidated Indebtedness[1]	
Deposits from banks and similar institutions	33,643
Other deposits	6,685
Debt securities in issue	30,691
Total Senior Debt	**71,019**
Subordinated liabilities[1][2][6]	**7,420**
Total Subordinated Debt	**7,420**
Permanent Interest Bearing Shares[1][3][4]	**165**
Total Permanent Interest Bearing Shares	**165**
Members' Funds	
CCDS[1]	1,334
Other equity instruments[1]	1,336
General reserve	13,391
Revaluation reserve	42
Cash flow hedge reserve	267
Fair value through other comprehensive income reserve	(30)
Other hedging reserve	(52)
UK retail member deposits[1][5]	181,177
Total members' funds	**197,465**
Total capitalisation	**276,069**

Notes:

(1) If the Issuer was to go into liquidation, the claims in respect of senior preferred notes and other unsubordinated creditors would rank junior to obligations required to be preferred by law (which includes certain member share accounts which are given preferential status by law), but would rank before those of senior non-preferred and subordinated debt holders. The claims of holders of permanent interest bearing shares (**PIBS**) rank behind those of all other creditors, including subordinated debt holders. The claims of the holders in respect of the Issuer's AT1 instruments would rank behind those in respect of the Issuer's PIBS, and the claims in respect of the Issuer's CCDS would rank behind claims in respect of the Issuer's AT1 instruments.

(2) For consistency with other indebtedness, accrued interest of £49 million is included.

(3) For consistency with other indebtedness, accrued interest of £2 million is included.

(4) The fixed rate PIBS are repayable, at the option of the Issuer, in whole on the initial call date or every fifth anniversary thereafter. If not repaid on a call date then the interest rate is reset at a margin to the yield on the then prevailing five year benchmark gilt rate. Initial call dates are in October 2024, February 2026 and March 2030, respectively. The floating rate PIBS payable at 4.2% above SONIA is callable on September 2030.

(5) The Issuer's rules provide that members may withdraw all or any of the Issuer's investments by giving appropriate notice specifying the amount to be withdrawn. Members may also make an immediate withdrawal of their investments subject to a possible loss of interest. The Issuer's board of directors (the **Board**) has the power to suspend or limit the payment of withdrawals when, in its discretion, it considers it necessary.

(6) Subordinated debt comprises of three issues maturing 2024, four issues maturing 2026, four issues maturing 2028, three issues maturing 2029, two issues maturing 2030, and one issue maturing in 2032, a number of which are callable ahead of maturity.

Except as otherwise disclosed in this Base Prospectus, there has been no material change in the Issuer's consolidated capitalisation, indebtedness, guarantees or contingent liabilities since 4 April 2022.

The remainder of the section should be read together with and form part of the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Base Prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following section should be inserted before "Financial Performance" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Base Prospectus.

Financial Performance for the six months ended 30 September 2022 compared with the six months ended 30 September 2021

Underlying profit before tax for the six months has increased to £980 million (30 September 2021: £850 million) and statutory profit before tax for the six months increased to £969 million (30 September 2021: £853 million), reflecting income growth, partially offset by higher costs and charges for credit impairments following provision releases in the six months ended 30 September 2021.

Total underlying income increased by £296 million, as the Issuer's net interest margin (**NIM**) improved to 1.48% (30 September 2021: 1.24%). Member financial benefit has increased by £175 million to £320 million (30 September 2021: £145 million), supported by the strength of the Issuer's savings products. As a consequence, the Issuer expects to exceed its member financial benefit target of £400 million for this financial year.

The Issuer's capital position remains strong. The CET1 ratio reduced to 25.5% (30 September 2021: 37.7%) due to an increase in RWAs of £17.8 billion, partially offset by an increase in CET1 capital of £0.5 billion. The increase in RWAs was primarily driven by IRB model changes linked to the updated IRB model regulations. The leverage ratio increased to 5.8% (30 September 2021: 5.5%), with Tier 1 capital increasing by £0.5 billion in line with the CET1 capital movements, alongside a reduced leverage exposure predominantly due to a reduction in the fair value accounting adjustment for portfolio hedged risk, driven by recent changes in the interest rate outlook. The Issuer has continued to support its members' borrowing and lending needs during the year, and as a result have delivered robust growth in its deposit and mortgage balances. Total residential mortgage lending was £19.7 billion (30 September 2021: £18.2 billion). The Issuer's market share of mortgage balances was 11.8% in the six months ended 30 September 2022 (30 September 2021: 11.4%). Net deposit growth of £3.2 billion (30 September 2021: £7.1 billion) was primarily driven by growth in retail savings balances of £1.3 billion (30 September 2021: £4.2 billion) and current account credit balances of £1.9 billion (30 September 2021: £2.9 billion). The Issuer's market share of all deposit balances decreased slightly to 9.3% (30 September 2021: 9.6%).

Total costs have increased by £58 million to £1,083 million (30 September 2021: £1,025 million) reflecting high inflation and the cost of providing support to members and colleagues.

The credit impairment charge of £108 million for the half year to 30 September 2022 (30 September 2021: release of £34 million) reflects a deterioration in the economic outlook during the period. The credit quality of the Issuer's lending portfolios remains very strong with low levels of arrears; however, some future increases are expected due to affordability pressures.

The following section replaces the sections titled "Impact of Economic Conditions in the UK Generally and Outlook", "Net Interest Income" and "Interest Rate Management" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Base Prospectus.

Impact of Economic Conditions in the UK Generally and Outlook

During the period, the UK has experienced continued economic uncertainty, with rising energy prices driving an increase in the cost of living and contributing to a high inflationary environment. This has increased pressure on household affordability.

In addition to this, increases in the Bank of England's Bank Rate have led to higher institutional borrowing costs and in turn higher interest rates for consumers. A £16 million adjustment to modelled provisions has been introduced as of 30 September 2022 for the affordability risk associated with prime mortgage borrowers whose mortgage payments are expected to increase as their current fixed rate mortgage deal expires.

The housing market has held up reasonably well, with the latest Nationwide House Price Index showing year on year growth of 7.2% in October 2022. However, with the continued squeeze on household finances falling levels of consumer confidence and higher mortgage rates, there is an increased sentiment that the challenges around affordability may begin to be reflected in the UK housing market as it begins to show signs of demand starting to cool. Most forecasters now expect house prices to decline by a modest amount over the next year, with a median forecast of -5.3% in 2023 (source: HMT poll of Independent Forecasts, November[1]).

Observed credit quality and performance remained broadly stable during the period, with arrears and forbearance for both residential and consumer banking remaining low and below pre-pandemic levels. However, arrears levels are expected to increase as cost of living pressures take effect.

Net Interest Income

Net interest income (**NII**) increased by £349 million, or 20.5% in the six months ended 30 September 2022 to £2,055 million from £1,706 million in the six months ended 30 September 2021. Increases in the Bank of England's Bank Rate during the period have led to an increase in net interest income, reflecting the timing and the level of pass through of interest rate changes to savings, partially offset by a decline in mortgage net interest income. Member financial benefit has increased in the period, reflecting the fact that the Issuer has passed a greater proportion of interest rate rises to savings products than the market average rate increase.

The table below shows the calculation of net interest margin for the six months ended 30 September 2022 and 2021 and the years ended 4 April 2022, 2021 and 2020.

	For the six months ended 30 September		**For the year ended 4 April**		
	2022	**2021**	**2022**	**2021**	**2020**
	(*£ million, except percentages*)				
Net interest income......................	2,055	1,706	3,562	3,146	2,810
Weighted average total assets.......	282,823	280,651	281,872	260,500	248,569
Net interest margin....................	1.48%	1.24%	1.26%	1.21%	1.13%

(1) Net interest margin is calculated using annualised Net interest income earned on weighted average total assets

Globally, economies recovered more swiftly than expected, with original concerns about weak growth replaced by concerns about high inflation and labour supply shortages. All major central banks have started to tighten monetary policy as a response, to ensure that high inflation does not become embedded in expectations and wage settlements. Due to high inflation squeezing households' real incomes and monetary tightening, growth prospects have cooled, especially in the UK and the Eurozone, which have been affected by the war in Ukraine. Continued uncertainty is expected within the UK economy, with interest rates continuing to rise in an effort to curb rising inflation. These factors, coupled with the

[1] forecomp_Nov_6.pdf (publishing.service.gov.uk)

temporary nature of the energy price cap, signal that there is likely to be more pressure on household budgets, causing a deterioration in credit performance.

The competitive environment remains intense as ring-fenced banks with cheaper funding and excess liquidity have continued to focus on the Issuer's core markets and new market entrants, seeking to exploit new technologies, look to grow market share. The Issuer's strategic response is to diversify its product range in response to specific customer needs, including initiatives such as later life lending.

Interest Rate Management

Because the majority of the Issuer's assets and liabilities are either floating rate instruments or synthetically converted to floating rate instruments using derivatives, variations in market interest rates have a direct impact on the Issuer's interest income and interest expense. Fluctuations in market interest rates, however, give the Issuer the opportunity to manage its interest rate margins and, for most of its assets and liabilities, the Issuer can re-price the interest rate that it offers, subject to market and competitive pressures.

The table below shows the daily average SONIA rates and average Bank of England's Bank Rates for the six months ended 30 September 2022 and 2021 and the years ended 4 April 2022, 2021 and 2020.

	For the six months ended 30 September		For the year ended 4 April		
	2022	2021	2022	2021	2020
			(%)		
Daily average SONIA	1.23	0.05	0.15	0.06	0.67
Average Bank of England's Bank Rate	1.29	0.10	0.20	0.10	0.71

Interest rates started to rise in December 2021 to combat higher inflation embedding within the economy. As at 4 April 2022, the rate was 0.75%. The Bank of England Monetary Policy Committee voted to raise its Bank Rate on five consecutive occasions since April 2022 to a rate of 3.00% at 3 November 2022, with the aim of returning inflation to the 2% target in the medium term.

The BMR is guaranteed to be no more than 2% above the Bank of England's Bank Rate. This rate is significantly lower than the equivalent standard variable rate charged by the Issuer's peers and the SMR onto which its mortgages advanced since April 2009 revert. This has the effect of compressing the Issuer's mortgage margins and reducing the flexibility with which these margins can be managed. However, the BMR portfolio is well seasoned, has low arrears rates and low possession rates, which partly compensates for the low margin it yields.

The following section shall be inserted prior to the section titled "Results of Operations for the Year Ended 4 April 2022 Compared with the Year Ended 4 April 2021" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Base Prospectus.

Results of Operations for the Six Months Ended 30 September 2022 Compared with the Six Months Ended 30 September 2021

Introduction

The decisions the Issuer made early in the pandemic, alongside better-than-expected macroeconomic and trading performance in the past year, have contributed to the strength of Nationwide's financial results. However, the macroeconomic outlook remains highly uncertain with many of the Issuer's members facing a cost of living increase due to inflation (including the significant rise in energy prices) and increases in national insurance.

Underlying profit before tax for the six months ended 30 September 2022 was £980 million (30 September 2021: £850 million), with statutory profit before tax for the six months increasing to £969 million (30 September 2021: £853 million). This profitability has supported the Issuer in maintaining a capital position materially above regulatory requirements, with the Issuer's CET1 and leverage ratios at 25.5% and 5.8%, respectively (30 September 2021: 37.7% and 5.5%, respectively).

The Issuer's NIM has increased to 1.48% (30 September 2021: 1.24%) largely due to increases in Bank of England's Bank Rate, partially offset by a decline in mortgage net interest income.

The Issuer's net credit impairment charge has increased to £108 million for the six months (30 September 2021: release of £34 million). Although the Issuer has not yet seen a significant increase in arrears rates, higher interest rates, rising inflation and the uncertain economic outlook remain key risks. Administrative expenses increased by £58 million to £1,083 million (30 September 2021: £1,025 million). The increase is driven by inflation and the cost of providing support to members and colleagues.

The Issuer has seen net deposit growth of £3.2 billion during the period (30 September 2021: £7.1 billion), due to growth in retail savings balances of £1.3 billion (30 September 2021: £4.2 billion) and current account credit balances of £1.9 billion (30 September 2021: £2.9 billion). The Issuer's market share of all deposit balances has decreased to 9.3% (30 September 2021: 9.6%). The Issuer's total residential mortgage lending grew to £19.7 billion (30 September 2021: £18.2 billion). The Issuer's market share of mortgage balances was 12.4% (30 September 2021: 12.5%).

The Issuer maintains a strong liquidity position, with a Liquidity Coverage Ratio (**LCR**) of 179% (30 September 2021: 173%). The Issuer continues to manage its liquidity against internal risk appetite which is more prudent than regulatory requirements.

Profit before tax on a reported basis and underlying basis are set out below. Certain aspects of the Issuer's results are presented to reflect management's view of the underlying results and to provide a clearer representation of the Issuer's performance.

	For the six months ended 30 September 2022			
	Underlying profit	**FSCS and bank levy**	**Gain from derivatives and hedge accounting**	**Statutory profit**
		(£ million)		
Net interest income	2,055	-	-	2,055
Other income	135	-	-	135
Movements on derivatives and hedge accounting[1]	-	-	(11)	(11)
Total income	**2,190**	-	**(11)**	**2,179**
Administrative expenses	(1,083)	-	-	(1,083)
Pre-provision underlying profit	**1,107**	-	**(11)**	**1,096**
Impairment charge	(108)	-	-	(108)
Provisions for liabilities and charges	(19)	-	-	(19)
Profit before tax[2]	**980**	-	**(11)**	**969**

Notes:

(1) Although derivatives are only used to hedge market risks, income statement volatility can still arise due to hedge accounting ineffectiveness or because hedge accounting volatility is largely attributable accounting rules which do not fully reflect the economic reality of the hedging strategy.

(2) Underlying profit represents management's view of underlying performance. The following items are excluded from statutory profit to arrive at underlying profit:

- Although the Issuer only uses derivatives to manage risks, their impact can be volatile. This volatility is largely due to accounting rules that do not fully reflect the economic reality of the Issuer's approach to hedging financial risks.

- FSCS credits, which are excluded from statutory profit, are from FSCS recoveries related to failures provided for in previous years. Ongoing FSCS management expenses are included within underlying profit.

	For the six months ended 30 September 2021			
	Underlying profit	**FSCS and bank levy**	**Gain from derivatives and hedge accounting**	**Statutory profit**
		(£ million)		
Net interest income	1,706	-	-	1,706
Other income	188	-	-	188
Movements on derivatives and hedge accounting	-	-	3	3
Total income	**1,894**	**-**	**3**	**1,897**
Administrative expenses	(1,025)	-	-	(1,025)
Pre-provision underlying profit	**869**	**-**	**3**	**872**
Impairment release	34	-	-	34
Provisions for liabilities and charges	(53)	-	-	(53)
Profit before tax	**850**	**-**	**3**	**853**

The following discussion considers the Issuer's results for the six months ended 30 September 2022 compared to the Issuer's results for the six months ended 30 September 2021:

Total income

The Issuer's total income increased to £2,179 million in the six months ended 30 September 2022 compared to £1,897 million in the six months ended 30 September 2021. The following table sets forth the components of income for the six months ended 30 September 2022 and 2021, respectively:

	For the six months ended 30 September	
	2022	**2021**
	(£ million)	
Net interest income	2,055	1,706
Net fees and commissions	84	119
Other operating income	51	69
(Losses) /gains from derivatives and hedge accounting	(11)	3
Total	**2,179**	**1,897**

Net interest income

NII increased by 20.5% to £2,055 million for the six months ended 30 September 2022 compared with £1,706 million for the six months ended 30 September 2021. This was primarily driven by increases in the Bank of England's Bank Rate during the period, which have led to an increase in net interest income, reflecting the timing and the level of pass through of interest rate changes to savings, partially offset by a decline in mortgage net interest income. Member Financial Benefit has increased in the period, reflecting the fact that the Issuer has passed a greater proportion of interest rate rises to savings products than the market average rate increase.

The following table sets forth the components of net interest income for the six months ended 30 September 2022 and 2021, respectively:

	For the six months ended 30 September	
	2022	**2021**
	(£ million)	
Interest receivable and similar income:		
On residential mortgages	2,230	2,100
On other loans	278	260
On investment securities	1	5
On investment securities measured at FVOCI	114	62
On other liquid assets	253	29
Net income/(expense) on financial instruments hedging assets in a qualifying hedge accounting relationship	357	(342)
Interest on net defined benefit pension asset	13	2
Other interest and similar expense	5	4
Total interest and similar income	**3,251**	**2,120**
Interest expense and similar charges:		
On UK retail member deposits	469	218
On subscribed capital	5	7
On deposits and other borrowings:		
Subordinated liabilities	129	124
Other	273	29
Debt securities in issue	294	221
Net expense (income) on financial instruments hedging liabilities	26	(185)
Total interest expense and similar charges	**1,196**	**414**
Net interest income	**2,055**	**1,706**

On investment securities

Interest and other income from investment securities comprises interest income earned on the corporate and government investment securities that the Issuer purchases for its own account to manage its liquidity portfolios and net realised gains and losses on its sales of these instruments.

Interest and other income from investment securities increased by 71.6% to £115 million for the six months ended 30 September 2022, compared with £67 million for the six months ended 30 September 2021.

Net expense on financial instruments hedging assets in a qualifying hedge accounting relationship

Derivative instruments are used to synthetically convert fixed rate assets to floating rate assets. If derivatives are subject to hedge accounting, the floating rate income and fixed rate expense on these derivatives are included as "net expense on financial instruments hedging assets in a qualifying hedge accounting relationship." In the six months ended 30 September 2022, the Issuer generated a net income of £357 million on these instruments, compared with a net expense of £342 million in the six months ended 30 September 2021.

Interest expense and similar charges

The average interest rate that the Issuer paid to UK retail member depositors increased to 0.26% for the six months ended 30 September 2022 compared with 0.12% for the six months ended 30 September 2021. There was also an increase of 2.0% in the average balance of UK retail member deposits held to £179,222 million in the six months ended 30 September 2022 from £175,654 million in the six months ended 30 September 2021. The Issuer maintained its market share of current accounts at 10.3%.

On deposits and other borrowings

Interest expense on deposits and other borrowings includes interest that the Issuer pays on subordinated debt instruments and other deposits and borrowings. In the six months ended 30 September 2022, interest on subordinated liabilities increased to £129 million from £124 million in the six months ended 30 September 2021. Average balances decreased by £238 million to £7,383 million in the six months ended 30 September 2022 from £7,621 million in the six months ended 30 September 2021.

Other interest expense on deposits and other borrowings includes the interest that the Issuer pays on retail deposits by non-members, deposits from other banks and other money market deposits. In the six months ended 30 September 2022, other interest expense on deposits and other borrowings increased by 841.4% to £273 million from £29 million in the six months ended 30 September 2021. The increase was due to rising interest rates and increased balance.

Debt securities in issue

Debt securities in issue include interest that the Issuer pays on certificates of deposit, time deposits, commercial paper, covered bonds, medium-term notes and securitisations. In the six months ended 30 September 2022, interest expense on debt securities in issue increased by 33.0% to £294 million from £221 million in the six months ended 30 September 2021. The increase was due to a number of factors, including higher rates on new issuances and increases in book size.

Net income on financial instruments hedging liabilities

The Issuer uses derivative instruments to synthetically convert fixed rate liabilities to floating rate liabilities. The floating rate expense and fixed rate income on these derivatives are included as "Net income on financial instruments hedging liabilities." In the six months ended 30 September 2022, net expense on financial instruments used to hedge the Issuer's fixed rate liabilities was £26 million, compared with a net income of £185 million in the six months ended 30 September 2021.

Net fees and commissions

Income from net fees and commissions consists of income that the Issuer earns from lending, banking and savings fees and insurance sales commissions, less lending fees and commission expense.

In the six months ended 30 September 2022, net fees and commissions decreased by 67% to £84 million compared with £257 million in the year ended 4 April 2022.

Other operating income/(expense)

In the six months ended 30 September 2022, other operating income decreased by £18 million to a £51 million gain (30 September 2021: £69 million gain). Other operating income/(expense) in the six months ended 30 September 2022 includes write down of inventory, fair value movements on balances relating to previous investment disposals, the net amounts of rental income, profits or losses on the sale of property, plant and equipment and increases or decreases in the valuations of branches and non-specialised buildings which are not recognised in other comprehensive income.

(Losses)/gains from derivatives and hedge accounting

All derivatives the Issuer enters into are recorded on the balance sheet at fair value with any fair value movements accounted for in the income statement. Derivatives, the Issuer's use of which is regulated by the UK Building Societies Act, are only used to limit the extent to which the Issuer could be affected by changes in interest rates, exchange rates or other factors specified in building society legislation.

These derivatives are therefore used exclusively to hedge risk exposures and are not used for speculative purposes.

Where effective hedge accounting relationships can be established, the movement in the fair value of the derivative instrument is offset in full or in part by opposite movements in the fair value of the underlying asset or liability being hedged. Any ineffectiveness arising from different movements in fair value will likely trend to nil over time.

In addition, the Issuer enters into certain derivative contracts which, although efficient economically, cannot be included in effective hedge accounting relationships. Consequently, although the implicit interest cost of the underlying instrument and associated derivatives are included in "Net interest income" in the income statement, fair value movements on such derivatives are included in "Gains from derivatives and hedge accounting."

Losses from derivatives and hedge accounting were £11 million in the six months ended 30 September 2022 compared to gains of £3 million in the six months ended 30 September 2021. Income statement volatility arises due to accounting ineffectiveness of designated hedges, or because hedge accounting has not been adopted or is not achievable.

Operating expenses and similar charges

Operating expenses and similar charges decreased in the six months ended 30 September 2022 to £1,210 million compared to £1,044 million in the six months ended 30 September 2021. The following table sets forth the components of operating expenses and similar charges for the six months ended 30 September 2022 and 2021, respectively:

	For the six months ended 30 September	
	2022	**2021**
	(£ million)	
Administrative expenses	829	773
Depreciation and amortisation	254	252
Total Administrative expenses	**1,083**	**1,025**
Impairment (reversals)/losses on loans and advances to customers	108	(34)
Provisions for liabilities and charges	19	53
Total	**1,210**	**1,044**

Administrative expenses

Administrative expenses have increased by £58 million to £1,083 million (30 September 2021: £1,025 million). Business-as-usual costs increased by £48 million, predominantly due to inflation, including cost of living support to colleagues earning less than £35,000, totalling £15 million. Investment in financial crime controls and the future resilience of payment systems increased expenses by £24 million and impairment charges relating to property estate restructure were £16 million (30 September 2021: £nil). These increases were partly offset by a £14 million reduction in depreciation charges.

The following table sets forth the components of administrative expenses for the six months ended 30 September 2022 and 2021, respectively:

	For the six months ended 30 September	
	2022	2021
	(£ million)	
Employee costs:		
Salaries, bonuses and social security costs	340	325
Pension costs	76	70
Other administrative expenses	413	378
Total	**829**	**773**

Employee costs are made up of salaries, bonuses social security costs (which consist entirely of mandatory UK national insurance contributions) and pension costs.

In the six months ended 30 September 2022, salaries, bonuses and social security costs increased to £340 million from £325 million in the six months ended 30 September 2021.

The Group operates two defined contribution pension schemes in the UK – the Nationwide Group Personal Pension Plan (**GPP**) and the Nationwide Temporary Workers Pension Scheme. New employees are automatically enrolled into one of these schemes, with both schemes being administered by Aviva. Outside of the UK, there are defined contribution pension schemes 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 Group's largest pension scheme is the Nationwide Pension Fund (the **Fund**). This is a contributory defined benefit pension scheme, with both final salary and career average revalued earnings (**CARE**) sections. The Fund was closed to new entrants in 2007 and since that date employees have been able to join the GPP. In line with UK pensions legislation, a formal actuarial valuation (**Triennial Valuation**) of the assets and liabilities of the Fund is carried out at least every three years by independent actuaries.

The Fund was closed to future accrual on 31 March 2021. In line with UK pensions legislation, a formal actuarial valuation (**Triennial Valuation**) of the assets and liabilities of the Fund is carried out at least every three years by independent actuaries.

In November 2020, the Issuer and the Trustee of the Fund entered into an arrangement whereby the Issuer has agreed to provide £1.7 billion of collateral (a contingent asset) in the form of self-issued Silverstone notes to provide additional security to the Fund. The Fund would have access to these notes in the case of certain events such as insolvency of the Issuer. This was subsequently increased by £0.1 billion in January 2022 and £0.2 billion in July 2022.

Other administrative costs increased by 9.3% to £413 million for the six months ended 30 September 2022 from £378 million for the six months ended 30 September 2021.

The cost income ratio has improved on an underlying basis to 49.5% (30 September 2021: 54.1%) as a result of items above.

Depreciation and amortisation

For the six months ended 30 September 2022 depreciation and amortisation expenses increased by 0.8% to £254 million from £252 million for the six months ended 30 September 2021.

Impairment losses on loans and advances to customers

The Issuer assesses at each balance sheet date whether, as a result of one or more events that occurred after initial recognition, there is objective evidence that a financial asset or group of assets is impaired. Evidence of impairment may include indications that a borrower or group of borrowers is experiencing significant financial difficulty or default or delinquency in interest or principal payments.

Impairment charges on loans and advances to customers for the six months ended 30 September 2022 were £108 million (30 September 2021: impairment release of £34 million).

Impairment charges for the six months include the impact of both reduced disposable monthly income and the relationship it has with default rates.

The following table analyses the impairment losses on loans and advances to customers for the six months ended 30 September 2022 and 2021, respectively:

	For the six months ended 30 September	
	2022	**2021**
	(£ million)	
Residential lending	69	(44)
Consumer banking	41	18
Retail lending	**110**	**(26)**
Commercial and other lending	(2)	(8)
Impairment losses on loans and advances	**108**	**(34)**

Closing residential mortgage provisions have reduced to £256 million (30 September 2021: £273 million). The prior period impairment losses reflected an increase in provisions during a period of significant economic uncertainty.

Provisions for liabilities and charges

	For the six months ended 30 September	
	2022	**2021**
	(£ million)	
FSCS	-	-
Customer redress provisions	(19)	(53)
Total	**(19)**	**(53)**

The underlying income statement charge for provisions for liabilities and charges for the six months ended 30 September 2022 decreased by 64.2% to £19 million (30 September 2021: £53 million).

The Issuer holds provisions for customer redress to cover the costs of remediation and redress in relation to past sales of financial products and ongoing administration, including non-compliance with consumer credit legislation and other regulatory requirements. The customer redress charge of £19 million (30 September 2021: £53 million charge) is primarily as a result of a £16 million charge relating to historical quality control procedures.

Taxes

The tax charge for the period of £241 million (30 September 2021: £168 million) represents an effective tax rate of 24.9% (30 September 2021: 19.7%) which is higher than the statutory UK corporation tax rate of 19% (30 September 2021: 19%). The effective tax rate is higher due to the 8% banking surcharge of £54 million (30 September 2021: £38 million).

	For the six months ended 30 September	
	2022	**2021**
	(£ million)	
Current tax:		
Profit before tax	969	853
Tax calculated at a tax rate of 19%	184	162
Adjustments in respect of prior years	-	(22)
Tax credit on distribution to the holders of Additional Tier 1 capital	(6)	(8)
Banking surcharge	54	38
Expenses not deductible for tax purposes	3	1
Effect of deferred tax provided at different tax rates	6	2
Temporary differences not previously recognised	-	(5)
Statutory tax charge	**241**	**168**

Balance Sheet Review

Total assets grew by 2.8% from £272.4 billion as of 4 April 2022 to £279.9 billion as of 30 September 2022, predominantly due to mortgage growth and higher holdings of cash and liquid assets.

Loans and advances to customers

Lending remains predominantly concentrated on high quality secured products, with residential mortgages accounting for 95.3% of the Issuer's total loans and advances to customers at 30 September 2022 (4 April 2022: 95.1%).

	As at 30 September	**As at 4 April**			
	2022	**2022**		**2021**	
	(£ million, except percentages)				
Prime residential mortgages	159,133	154,354	74.4%	149,681	74.5%
BTL and legacy residential mortgages	44,244	43,579	21.0%	41,025	20.4%
Total residential mortgages	**203,377**	**197,933**	**95.4%**	**190,706**	**94.9%**
Commercial and other lending	5,397	5,475	2.6%	6,286	3.2%
Consumer banking	4,110	4,109	2.0%	3,902	1.9%
Sub-total	**212,884**	**207,517**	**100%**	**200,894**	**100%**
Fair value adjustments for micro hedged risk	515	549		653	
Total	**213,399**	**208,066**		**201,547**	

Residential mortgage portfolio

Gross mortgage lending in the period increased to £19.7 billion (30 September 2021: £18.2 billion), representing a market share of 11.8% (30 September 2021: 11.4%). The growth is supported by the Issuer's focus on first time buyers.

Total mortgage balances increased to £203.6 billion as at 30 September 2022 (30 September 2021: £194 billion). Strong mortgage lending resulted in the Issuer's BTL and legacy residential mortgage balances growing to £44.4 billion (30 September 2021: £42.7 billion) and the Issuer's prime mortgage balances increasing to £159.2 billion (30 September 2021: £151.6 billion).

The average LTV of new lending in the six months ended 30 September 2022, weighted by value was 69% (30 September 2021: 70%). The average LTV of prime new business completed in the period remained stable at 70% (30 September 2021: 71%). In the BTL portfolio, the average LTV of new business has remained stable at 67% (30 September 2021: 67%). The proportion of new lending at 80% LTV and above has remained stable at 27% (30 September 2021: 27%). The average has remained stable at 69% (30 September 2021: 70%). The Nationwide House Price Index has increased by 9.5% over the past 12 months. This has caused the Group average stock LTV to reduce to 51% (4 April 2022: 52%).

Arrears remain low and have decreased during the year, with cases more than three months in arrears at 0.32% (30 September 2021: 0.37%) of the total portfolio. Arrears levels are expected to increase as a result of the rising cost of living including higher mortgage payments. Impairment provision balances have increased to £256 million (4 April 2022: £187 million) due to deterioration in the economic scenarios used to model expected credit losses, including an increase in provisions for the impact of increasing interest rates on mortgage affordability.

New business by borrower type remains diversified. During the period, as a result of market dislocation due to the pandemic, there has been a movement in the distribution of new business towards remortgages and BTL lending. Prime house purchase sectors have seen the greatest impact to date.

	As at 30 September	
	2022	**2021**
	(percentages)	
LTV distribution of residential mortgages:		
0% - 60%	27	26
60% - 75%	36	35
75% - 80%	10	12
80% - 85%	13	15
85% - 90%	11	11
90% - 95%	3	1
>95%	-	-
Total	**100**	**100**
Average loan to value of stock	51	53
Average loan to value of new business	69	70
New business profile:		
First-time buyers	28	29
Home movers	30	34
Remortgagers	24	15
BTL	17	21
Other	1	1
Total	**100**	**100**

The analysis of the new business profile and the average LTV for new business excludes further advances.

Total residential balance sheet provisions at 30 September 2022 were £256 million, compared with £187 million at 4 April 2022 due to deterioration in the economic scenarios used to model expected credit losses, including an increase in provisions for the impact of increasing interest rates on mortgage affordability.

	As at 30 September	**As at 4 April**
	2022	**2022**
Cases three months or more in arrears as (%) of total book of residential mortgages		*(percentages)*

Prime	0.28	0.30
BTL and legacy	0.43	0.50
Total Group residential mortgages	0.32	0.34
UK Finance (UKF) industry average [(1)]	0.74	0.77

Note:

(1) The methodology for calculating mortgage arrears is based on the UKF definition of arrears, where months in arrears is determined by dividing the arrears balance outstanding by the latest monthly contractual payment.

The proportion of cases more than 3 months in arrears has decreased during the period to 0.32% (4 April 2022: 0.34%). Arrears levels are expected to increase as a result of the rising cost of living including higher mortgage payments.

The table below shows possessions as a percentage of the Issuer's total residential mortgages as at 30 September 2022 and 4 April 2022:

	As at 30 September 2022	**As at 4 April 2022**
Possessions as (%) of total residential mortgages (number of properties)	*(percentages)*	
Prime	0.01	0.00
BTL and legacy	0.04	0.03
Total Group residential mortgages	**0.01**	**0.01**

The Issuer's approach to dealing with customers in financial difficulties combined with its historically cautious approach to lending, means that the Issuer only takes possession of properties as a last resort. This is illustrated by the number of properties taken into possession compared with the total for the industry. During the six months ended 30 September 2022, there has been an increase in possessions to £29 million (4 April 2022: £19 million) as activity which was put on hold early in the pandemic has since recommenced.

The table below provides further information on the residential mortgage portfolio by payment due status as at 30 September 2022 and 4 April 2022:

	As at 30 September 2022				**As at 4 April 2022**			
	Prime	**BTL and legacy**	**Total**	**(%)**	**Prime**	**BTL and legacy**	**Total**	**(%)**
	(£ billion, except percentages)							
Not impaired:								
Not past due	157.6	43.6	201.3	98.8	152.9	43.0	195.9	98.9
Past due 0 to 1 month	1.0	0.4	1.4	0.7	0.9	0.3	1.2	0.6
Past due 1 to 3 months	0.3	0.1	0.4	0.2	0.2	0.1	0.4	0.2
Past due 3 to 6 months	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.1
Past due 6 to 12 months	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.1
Past due 12 months	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1
Possession	0.0	0.0	0.0	—	0.0	0.0	0.0	—
Total	**159.2**	**44.4**	**203.6**	**100**	**154.4**	**43.7**	**198.1**	**100**

The balance of cases past due by more than three months has reduced to £574 million (4 April 2022: £596 million). There has been an increase in possessions to £29 million (4 April 2022: £19 million) as activity which was put on hold early in the pandemic has since recommenced

For residential mortgage loans

The Issuer 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. Residential mortgages subject to forbearance at 30 September 2022 were £1,298 million compared to £1,299 million at 4 April 2022. Loans where more than one concession event has occurred are reported under the latest event.

Balances subject to forbearance as at 30 September 2022	**Prime**	**BTL and legacy**	**Total**
		(*£ million*)	
Past term interest only	112	153	265
Interest only concessions	626	30	656
Capitalisation	86	25	111
Capitalisation – notification of death of borrower	78	107	185
Term extensions (within term)	36	16	52
Permanent interest only conversions	1	28	29
Total forbearance	**939**	**359**	**1,298**
Impairment provision on forborne loans	**11**	**21**	**32**

Balances subject to forbearance as at 4 April 2022	**Prime**	**BTL and legacy**	**Total**
		(*£ million*)	
Past term interest only concessions	113	141	254
Interest only concessions	639	32	671
Capitalisation	88	30	118
Capitalisation – notification of death of borrower	81	93	174
Term extensions (within term)	32	16	48
Permanent interest only conversions	2	32	34
Total forbearance	**955**	**344**	**1,299**
Impairment provision on forborne loans	**12**	**18**	**30**

The balances outlined above apply to the prime residential mortgage portfolio. The table below shows outstanding loans as at 30 September 2022 and 4 April 2022 that are subject to forbearance in alignment with the EBA's definitions.

	As at 30 September 2022		**As at 4 April 2022**	
	(*£ million*)	(*%*)	(*£ million*)	(*%*)
Past term interest only concessions	265	20.4%	254	19.6%
Interest only concessions	656	50.5%	671	51.7%
Capitalisation	296	22.8%	292	22.5%
Term extensions (within term)	52	4.0%	48	3.7%
Permanent interest only conversions	29	2.2%	34	2.6%
Total forbearance	**1,298**	**100%**	**1,299**	**100%**

The following table presents negative equity on residential mortgages:

	As at 30 September 2022	**As at 30 April 2022**
	(*£ million*)	
Stage 1 and 2	6	8
Stage 3	2	2
Total	**8**	**10**

For commercial loans

Forbearance in the commercial portfolios is recorded and reported at borrower level and applies to all commercial lending including impaired exposures and customers subject to enforcement and recovery action. Impairment provisions on forborne loans are calculated on an individual borrower basis.

The table below provides details of the commercial loans which are subject to forbearance as at 30 September 2022 and 4 April 2022. Loans where more than one concession event has occurred are reported under the latest event.

	As at 30 September	As at 4 April
	2022	2022
	(*£ million*)	
Refinance	-	7
Modifications:		
Payment concession	96	125
Security amendment	-	2
Extension at maturity	32	37
Breach of covenant	23	14
Total	**151**	**185**
Impairment provision on forborne loans	**27**	**27**

Consistent with the EBA's reporting definitions, loans that meet the forbearance exit criteria are not reported as forborne.

Total forbearance (excluding FVTPL) has reduced to £151 million, comprising Commercial Real Estate (**CRE**) of £81 million and project finance of £70 million (4 April 2022: £185 million; CRE £116 million and project finance £69 million), driven by loan repayments over the year. The principal modification remains payment concessions (where capital or interest is suspended or postponed due to borrowers experiencing payment difficulties) driven by loans transferring from other concession types such as covenant breach.

The total impairment provision on forborne loans has remained stable at £27 million (4 April 2022: £27 million). In addition, there are £36 million of FVTPL commercial lending balances which are forborne (4 April 2022: £36 million).

For consumer loans

The table below provides details of the consumer banking exposures which are subject to forbearance as at 30 September 2022 and 4 April 2022. Where more than one concession event has occurred, exposures are reported under the latest event.

	Overdrawn current accounts	Personal loans	Credit cards	Total
30 September 2022		(*£ million*)		
Payment concession	4	-	1	5
Interest suppressed payment concession	3	34	10	47
Balances re-aged/re-written	-	2	2	4
Total forbearance	**7**	**36**	**13**	**56**
Impairment provision on forborne loans	**6**	**29**	**8**	**43**
4 April 2022				
Payment concession	4	-	1	5

30 September 2022	Overdrawn current accounts	Personal loans	Credit cards	Total
		(£ million)		
Interest suppressed payment arrangement	4	36	11	51
Balances re-aged/re-written	-	2	2	4
Total forbearance	**8**	**38**	**14**	**60**
Impairment provision on forborne loans	**6**	**28**	**9**	**43**

Commercial loan portfolio

The commercial portfolio comprises loans which have been provided to meet the funding requirements of registered social landlords, commercial real estate investors and project finance initiatives. The commercial real estate and project finance portfolios are closed to new business.

Nationwide continues to support commercial borrowers where income has been disrupted through the impacts of Covid-19. Credit quality has been stable, although portfolio performance has benefited from the impact of government support schemes, payment deferrals and the low interest rate environment.

Commercial balances

	As at 30 September	As at 4 April
	2022	2022
	(£ million)	
Registered social landlords[(1)]	4,357	4,329
Commercial real estate (CRE)	435	513
Project finance[(2)]	580	611
Commercial balances at amortised cost	**5,372**	**5,453**
Fair value adjustment for micro hedged risk[(3)]	515	549
Commercial lending balances - FVTPL	53	52
Total	**5,940**	**6,054**

Notes:

(1) Loans to registered landlords are secured on residential property.

(2) Loans advanced in relation to project finance are secured on cash flows from government or local authority backed contracts under the Private Finance Initiative.

(3) Micro hedged risk relates to loans hedged on an individual basis.

During the six months, commercial balances have decreased to £5.9 billion (4 April 2022: £6.1 billion). Continuing the deleveraging activity in previous financial periods, the overall portfolio remains weighted towards public sector lending. This includes registered social landlords, with balances of £4.4 billion (4 April 2022: £4.3 billion), and project finance balances of £0.6 billion (4 April 2022: £0.6 billion). With a smaller book, and fewer active borrowers requiring further lending, commercial real estate balances have decreased to £0.5 billion (4 April 2022: £0.6 billion).

Impairment charge/(release) for the period for commercial

	For the six months ended 30 September	
	2022	2021
	(£ million)	*(£ million)*
Total	**(2)**	**(8)**

Note:

(1) Impairment losses represent the total amount charged through the profit and loss account, rather than amounts written off during the year.

The following table shows commercial balances carried at amortised cost on the balance sheet, with the stage allocation of the exposures, impairment provisions and resulting provision coverage ratio:

Commercial product and staging analysis

	30 September 2022				4 April 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	(£ million)							
Gross balances								
Registered social landlords	4,320	37	-	4,357	4,292	37	-	4,329
CRE	345	37	53	435	393	65	55	513
Project finance	521	54	5	580	552	54	5	611
Total	**5,186**	**128**	**58**	**5,372**	**5,237**	**156**	**60**	**5,453**
Provisions								
Registered social landlords	1	—	-	1	1	—	—	1
CRE	—	1	16	17	—	1	13	14
Project finance	—	8	2	10	—	13	2	15
Total	**1**	**9**	**18**	**28**	**1**	**14**	**15**	**30**
Provisions as a (%) of total balance	*(percentages)*							
Registered social landlords	0.01	0.16	-	0.01	0.01	0.16	—	0.01
CRE	0.15	1.70	29.88	3.91	0.15	1.22	23.41	2.80
Project finance	0.02	15.28	42.14	1.82	0.02	23.40	46.69	2.46
Total	**0.02**	**7.04**	**30.94**	**0.52**	**0.02**	**8.62**	**25.35**	**0.55**

Over the period, the performance of the commercial portfolio has remained stable, with 97% (4 April 2022: 96%) of balances remaining in stage 1. Of the £128 million stage 2 loans (4 April 2022: £156 million), which represent 2.4% (4 April 2022: 2.9%) of total balances, £7 million (4 April 2022: £7 million) were in arrears by 30 days or more.

Repayment of loans has resulted in the reduction in stage 2 loan balances. A reduction in asset values for impaired loans has resulted in an increase to CRE stage 3 provisions to £16 million (4 April 2022: £13 million).

Loans in the project finance portfolio benefit from long-term cash flows, which typically emanate from the provision of assets such as schools, hospitals, police stations, government buildings and roads, procured under the Private Finance Initiative. The stage 2 provisions relates to a distressed project.

Credit quality

The Issuer's goal is to adopt robust credit management policies and processes to recognise and manage the risks arising from the portfolio.

The following table shows the CRE portfolio by risk grade and the provision coverage for each category. The table includes balances held at amortised cost only.

CRE gross balances by risk grade and provision coverage

	30 September 2022					4 April 2022				
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Provision Coverage**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Provision Coverage**
	(£ million)				*(percentages)*	*(£ million)*				*(percentages)*

Strong	215	7	-	222	0.0	258	5	—	263	0.0
Good	115	3	-	118	0.2	107	18	—	125	0.2
Satisfactory	15	4	-	19	1.2	26	16	—	42	0.8
Weak	-	23	-	23	2.4	2	26	1	29	2.6
Impaired	-	-	53	53	29.9	—	—	54	54	23.7
Total	**345**	**37**	**53**	**435**	**3.9**	**393**	**65**	**55**	**513**	**2.8**

The risk grades in the table above are based upon the IRB supervisory slotting approach for specialised lending exposures. Exposures are classified into categories depending on the underlying credit risk, with the assessment based upon financial strength, asset characteristics, strength of sponsor and the security. The credit quality of the CRE portfolio has remained stable with 83% (4 April 2022: 84%) of the portfolio balances rated as strong, good, or satisfactory.

Risk grades for the project finance portfolio use the same slotting approach for specialised lending, with 90% (4 April 2022: 90%) of the exposure rated strong or good as of 30 September 2022.

The registered social landlord portfolio is risk rated using an internal PD rating model with the major drivers being financial strength, evaluations of the borrower's oversight and management, and their type and size. The distribution of exposures is weighted towards the stronger risk ratings and against a backdrop of zero defaults in the portfolio, the credit quality remains high, with an average 12-month PD as of 30 September 2022 of 0.03% (4 April 2022: 0.03%) across the portfolio.

In addition to the above, £53 million (4 April 2022: £52 million) of commercial lending balances are classified as FVTPL; CRE £51 million (4 April 2022: £50 million), registered social landlord £2 million (4 April 2022: £2 million), in each case, as of 30 September 2022.

CRE Balances by LTV

The LTV distribution of CRE balances has remained stable, with 90% (4 April 2022: 91%) of the portfolio now having an LTV of 75% or less, and 58% (4 April 2022: 61%) of the portfolio having an LTV of 50% or less.

Credit risk concentration by industry sector

Credit risk exposure continues to be spread across the retail, office, residential investment, industrial and leisure sectors. Where a CRE loan is secured on assets crossing different sectors, the sector allocation is based upon the value of the underlying assets in each sector. For CRE exposures, excluding FVTPL balances, the largest exposure is to the residential sector, which represents 46% (4 April 2022: 44%) of the total CRE portfolio balance. The exposure to retail assets has reduced to £89 million (4 April 2022: £99 million), with a weighted average LTV of 51% (4 April 2022: 51%).

CRE balances by payment due status

Of the £486 million (4 April 2022: £563 million) CRE exposure, including FVTPL balances, £63 million (4 April 2022: £44 million) relates to balances with arrears. Of these, £28 million (4 April 2022: £24 million) have arrears greater than 3 months. The increase in arrears balances is driven principally by a small number of loans that are being actively managed.

Gross balances subject to forbearance[(1)]

	As at 30 September 2022	As at 4 April 2022
	(£ million)	
Refinance	-	7
Modifications:		
Payment concession	96	125
Security amendment	-	2

Gross balances subject to forbearance[1]

	As at 30 September	As at 4 April
	2022	2022
	(£ million)	
Extension at maturity	32	37
Breach of covenant	23	14
Total	**151**	**185**
Total impairment provision on forborne loans	**27**	**27**

Note:

(1) Loans where more than one concession event has occurred are reported under the latest event.

Possession balances represent loans against which the Issuer has taken ownership of properties pending their sale. Assets over which possession has been taken are realised in an orderly manner via open market or auction sales to derive the maximum benefit for all interested parties, and any surplus proceeds are distributed in accordance with the relevant insolvency regulations. The Issuer does not normally occupy repossessed properties for its business use or use assets obtained in its operations.

Although collateral can be an important mitigant of credit risk, it is the Issuer's practice to lend on the basis of the customer's ability to meet their obligations out of cash flow resources rather than rely on the value of the security offered. In the event of default, the Issuer may use the collateral as a source of repayment.

Primary collateral is a fixed charge over freehold or long leasehold properties, but may be supported by other liens, floating charges over company assets and, occasionally, unsupported guarantees. The collateral will have a significant effect in mitigating the Issuer's exposure to credit risk.

The Issuer's valuation policy stipulates the maximum period between formal valuations, relative to the risk profile of the lending. Particular attention is paid to the status of the facilities, for instance whether it is, or is likely to require an impairment review where the Issuer's assessment of potential loss would benefit from updated valuations, or there are factors affecting the property that might alter the case assessment and the most appropriate action to take.

Collateral held in relation to secured loans that are either past due or impaired is capped at the amount outstanding on an individual loan basis.

Consumer banking

Credit risk in the consumer banking portfolios is primarily monitored and reported based on arrears status which is set out below:

Consumer banking gross balances by payment due status

	As at 30 September					As at 4 April				
	2022					2022				
(*Audited*)	**Overdrawn current accounts**	**Personal loans**	**Credit cards**	**Total**		**Overdrawn current account**	**Personal loans**	**Credit cards**	**Total**	
		(£ million)			(%)		*(£ million)*			(%)
Not past due	199	2,646	1,439	4,284	92.3	240	2,681	1,377	4,298	92.7
Past due 0 to 1 month	13	39	16	68	1.5	11	35	14	60	1.3
Past due 1 to 3 months	5	14	9	28	0.6	4	11	8	23	0.5
Past due 3 to 6 months	5	16	5	26	0.6	4	16	6	26	0.6
Past due 6 to 12 months	3	12	1	16	0.3	3	8	1	12	0.2
Past due over 12 months	3	12	-	15	0.3	3	9	—	12	0.2
Charged off [1]	22	104	77	203	4.4	21	104	82	207	4.5
Total	250	2,843	1,547	4,640	100.0	286	2,864	1,488	4,638	100

Note:

(1) Charged off balances related to accounts which are closed to future transactions and are held on the balance sheet for an extended period (up to 36 months, depending on the product) while recovery procedures take place.

Total balances subject to arrears, excluding charged off balances, have increased to £153 million (4 April 2022: £133 million), representing 3.4% (4 April 2022: 3.0%) of the total balance excluding charged off balances. The level of arrears remains below pre-pandemic levels; however, arrears levels are expected to increase due to the affordability pressures which borrowers may face, due to high inflation and increasing interest rates.

Consumer banking gross balances

	As at 30 September		As at 4 April	
	2022		2022	
(*Audited*)	(*£ million*)	(%)	(*£ million*)	(%)
Overdrawn current accounts	250	6	286	6
Personal loans	2,843	61	2,864	62
Credit cards	1,547	33	1,488	32
Total consumer banking	**4,640**	**100**	**4,638**	**100**

Following the transition to IFRS 9, all consumer banking loans continue to be classified and measured at amortised cost.

Impairment charge for the period

	As at 30 September	
	2022	2021
(*Audited*)	(*£ million*)	
Overdrawn current accounts	10	4
Personal loans	29	8
Credit cards	2	6
Total	**41**	**18**

Note: Impairment losses represent the net amount charged through the profit and loss account rather than amounts written off during the year.

The following table shows consumer banking balances by stage, with the corresponding impairment provisions and resulting provision coverage ratios:

Consumer banking product and staging analysis

	As at 30 September				As at 4 April			
	2022				2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
(Audited)								
Gross balances								
Overdrawn current accounts	99	116	35	250	121	131	34	286
Personal loans	1,543	1,158	142	2,843	1,735	989	140	2,864
Credit cards	867	588	92	1,547	790	600	98	1,488
Total	**2,509**	**1,862**	**269**	**4,640**	**2,646**	**1,720**	**272**	**4,638**
Provisions	**25**	**264**	**241**	**530**	**25**	**261**	**243**	**529**
Overdrawn current accounts	5	36	33	74	4	36	31	71
Personal loans	11	70	126	207	11	60	124	195
Credit cards	9	158	82	249	10	165	88	263
Total	**25**	**264**	**241**	**530**	**25**	**261**	**243**	**529**
Provisions as a (%) of total balance				*percentages*				

Consumer banking product and staging analysis

	As at 30 September				As at 4 April			
	2022				2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
(Audited)								
Overdrawn current accounts	5.21	31.04	91.75	29.36	3.34	27.33	90.86	24.63
Personal loans	0.69	6.04	89.36	7.29	0.62	6.09	88.50	6.80
Credit cards	1.03	26.84	89.72	16.12	1.33	27.51	89.78	17.69
Total	**0.99**	**14.16**	**89.80**	**11.43**	**0.95**	**15.18**	**89.25**	**11.40**

At 30 September 2022, 54% (4 April 2022: 57%) of the consumer banking portfolio is in stage 1. Whilst credit performance has continued to be strong, supported by government support and reduced discretionary spending, the proportion of balances in stage 2 has increased to 40% (4 April 2022: 37%) reflecting the affordability pressures that the Issuer's borrowers are likely to face in the near future. The proportion of total balances in stage 3 is unchanged at 6% (4 April 2022: 6%), reflecting broadly stable underlying credit performance. Consumer banking stage 3 gross balances and provisions include charged off balances. These are accounts which are closed to future transactions and are held on the balance sheet for an extended period (up to 36 months) whilst recovery activities take place. Excluding these charged off balances and related provisions, provisions amount to 7.5% (4 April 2022: 7.6%) of gross balances.

Provisions have remained broadly stable at £530 million (4 April 2022: £529 million). The additional provision recognised at 4 April 2022 to reflect the higher affordability risks that borrowers may experience has been maintained as at 30 September 2022.

The following section replaces the section titled "Funding and Liquidity – Funding Strategy" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Base Prospectus.

Funding strategy

The Issuer's funding strategy is to remain predominantly retail funded; retail customer loans and advances are therefore largely funded by customer deposits. Non-retail lending, including treasury assets and commercial customer loans, are largely funded by wholesale debt, as set out below.

	As at 30 September	**As at 4 April**		
	2022	**2022**	**2021**	**2020**
	(£ billion)			
Liabilities:				
Retail funding	181	178	170	160
Wholesale funding	71	67	60	62
Capital and reserves	24	24	22	23
Other	4	3	3	3
Total	**280**	**272**	**255**	**248**
Assets:				
Retail mortgages	203	198	191	189
Treasury (including liquidity portfolio)	62	59	46	37
Consumer lending	4	4	4	4
Commercial lending	6	6	7	8

	As at 30 September	As at 4 April		
	2022	**2022**	**2021**	**2020**
	(£ billion)			
Liabilities:				
Other assets....................................	5	6	7	10
Total..	**280**	**272**	**255**	**248**

The following section supplements and should be read together with the section titled "Funding and Liquidity – Managing liquidity and funding risk" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Base Prospectus.

The CET1 ratio increased to 25.5% (4 April 2022: 24.1%) as a result of an increase in CET1 capital of £0.5 billion, in conjunction with a reduction in RWAs of £1.0 billion. The CET1 capital resources increase was driven by £0.6 billion profit after tax, net of distributions, partially offset by a £0.1 billion reduction in the FVOCI reserve. RWAs reduced with an increase in retail lending being more than offset by a reduction in the fair value accounting adjustment for portfolio hedged risk, driven by recent changes in the interest rate outlook.

The following section supplements and should be read together with the section titled "Funding and Liquidity – Liquidity" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Base Prospectus.

The Issuer's LCR at 30 September 2022 was 179% (30 September 2021: 173%), which is above the regulatory minimum of 100%.

Based on current interpretations of expected regulatory requirements and guidance, the Issuer's NSFR at 30 September 2022 was 146% (30 September 2021: 143%) which exceeds the expected 100% minimum future requirement.

The following section supplements and should be read together with the section titled "Wholesale Funding" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Base Prospectus.

Wholesale funding

An analysis of the Issuer's wholesale funding is set out in the table below:

	As at 30 September 2022		As at 4 April 2022	
	(£ billion, except percentages)			
Repos	2.9	4%	11.1	16%
Deposits...	15.6	22%	8.9	13%
Certificates of deposit...	2.2	3%	—	—
Covered bonds..	14.9	21%	12.9	19%
Medium-term notes	12.9	18%	10.0	15%
Securitisations	2.4	3%	3.0	4%
Term Funding Scheme with additional incentives for SMEs (TFSME)..	21.8	31%	21.7	33%
Other..	(1.7)	(2)%	(0.3)	0%
Total..	**71.0**	**100%**	**67.3**	**100%**

The table below sets out the Issuer's wholesale funding by currency as at 30 September 2022:

	As at 30 September 2022				
	GBP	**EUR**	**USD**	**Other**	**Total**
			(£ billion)		
Repos	1.3	0.6	0.8	0.2	2.9
Deposits	15.4	0.2	-	-	15.6
Certificates of deposit	2.2	-	-	-	2.2
Covered bonds	5.9	7.3	0.9	0.8	14.9
Medium term notes	1.6	4.9	5.3	1.1	12.9
Securitisations	2.2	-	0.2	-	2.4
Term Funding Scheme with additional incentives for SMEs (TFSME)	21.8	-	-	-	21.8
Other	-	(1.3)	(0.3)	(0.1)	(1.7)
Total	**50.4**	**11.7**	**6.9**	**2.0**	**71.0**

The table below sets out the Issuer's wholesale funding by currency as at 4 April 2022:

	As at 4 April 2022				
	GBP	**EUR**	**USD**	**Other**	**Total**
			(£ billion)		
Repos	4.2	2.9	4.0	—	11.1
Deposits	8.8	0.1	—	—	8.9
Certificates of deposit	—	—	—	—	—
Commercial paper	—	—	—	—	—
Covered bonds	5.4	6.4	0.7	0.4	12.9
Medium term notes	1.8	3.8	3.8	0.6	10.0
Securitisations	2.6	—	0.4	—	3.0
Term Funding Scheme with additional incentives for SMEs (TFSME)	21.7	—	—	—	21.7
Other	—	(0.2)	(0.1)	—	(0.3)
Total	**44.5**	**13.0**	**8.8**	**1.0**	**67.3**

To mitigate cross-currency refinancing risk, the Issuer prudently manages the currency mix of its liquid assets to ensure there is no undue reliance on currencies not consistent with the profile of stressed outflows.

At 30 September 2022, cash, government bonds and supranational bonds included in the liquid asset buffer represented 181% (4 April 2022:153%) of wholesale funding maturing in less than one year, assuming no rollovers.

The tables below set out the residual maturity of the wholesale funding book as at 30 September 2022 and 4 April 2022 respectively:

	As at 30 September 2022		**As at 4 April 2022**	
	(£ billion, except percentages)			
Less than one year	27.2	38.3%	25.9	38.5%
One to two years	10.1	14.2%	5.5	8.2%
More than two years	33.7	47.5%	35.9	53.3%
Total	**71.0**	**100%**	**67.3**	**100%**

The table below sets out a more detailed breakdown of the residual maturity on the wholesale funding book:

	As at 30 September 2022							
	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**	**Sub-total less than one year**	**Over one year but not more than two years**	**Over two years**	**Total**
				(£ billion, except percentages)				
Repos	2.9	-	-	-	2.9	-	-	2.9
Deposits	12.6	1.3	1.7	-	15.6	-	-	15.6
Certificates of deposit	2.2	-	-	-	2.2	-	-	2.2
Covered bonds	0.9	-	1.0	0.8	2.7	2.1	10.1	14.9
Medium-term notes	-	-	1.5	0.7	2.2	1.5	9.2	12.9
Securitisations	0.2	-	0.2	1.1	1.5	0.4	0.5	2.4
TFSME	0.1	-	-	-	0.1	6.2	15.5	21.8
Other	-	-	-	-	-	(0.1)	(1.6)	(1.7)
Total	**18.9**	**1.3**	**4.4**	**2.6**	**27.2**	**10.1**	**33.7**	**71.0**
Of which secured	4.1	-	1.2	1.9	7.2	8.7	25.1	41.0
Of which unsecured	14.8	1.3	3.2	0.7	20.0	1.4	8.6	30.0
% of total	**26.6**	**1.8**	**6.2**	**3.7**	**38.3**	**14.2**	**47.5**	**100.0**

	As at 4 April 2022							
	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**	**Sub-total less than one year**	**Over one year but not more than two years**	**Over two years**	**Total**
				(£ billion, except percentages)				
Repos	11.1	—	—	—	11.1	—	—	11.1
Deposits	5.8	1.1	2.0	—	8.9	—	—	8.9
Certificates of deposit	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—
Covered bonds	—	—	1.0	1.7	2.7	2.3	7.9	12.9
Medium-term notes	0.2	0.6	—	1.3	2.1	1.9	6.0	10.0
Securitisations	0.4	—	0.2	0.5	1.1	1.3	0.6	3.0
TFSME	—	—	—	—	—	—	21.7	21.7
Other	—	—	—	—	—	—	(0.3)	(0.3)
Total	**17.5**	**1.7**	**3.2**	**3.5**	**25.9**	**5.5**	**35.9**	**67.3**
Of which secured	11.5	—	1.2	2.2	14.9	3.6	30.1	48.6
Of which unsecured	6.0	1.7	2.0	1.3	11.0	1.9	5.8	18.7
% of total	**26.0**	**2.5**	**4.8**	**5.2**	**38.5**	**8.2**	**53.3**	**100.0**

The following section amends the section titled "External Credit Ratings" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Base Prospectus.

The Issuer's long-term and short-term credit ratings from the major rating agencies as at the date of this Supplement are as set out below. The long-term rating for both Standard & Poor's (**S&P**) and Moody's is the senior preferred rating. The long-term rating for Fitch is the senior non-preferred rating:

	Senior Preferred	**Short-Term**	**Senior Non-Preferred**	**Tier 2**	**Date of last rating action /confirmation**	**Outlook**
S&P	A+	A-1	BBB+	BBB	August 2022	Stable
Moody's	A1	P-1	A3	Baa1	October 2022	Stable
Fitch	A+	F1	A	BBB+	September 2022	Stable

In August 2022, S&P affirmed all ratings, and in September 2022 Fitch affirmed all ratings.

In October 2022, Moody's affirmed the Group's long term and senior preferred rating and confirmed the stable outlook. At the same time the Group's senior non preferred, tier 2 and additional tier 1 ratings were all upgraded by one notch.

The following section amends and supplements and should be read together with the section titled "Treasury Assets" and "Fair value through other comprehensive income reserve" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Base Prospectus.

Treasury Assets

The Issuer's liquidity and investment portfolio held on the balance sheet at 30 September 2022 of £62.0 billion (30 September 2021: £73.7 billion) is held in two separate portfolios: liquid assets and other securities.

An analysis of the Issuer's on-balance sheet portfolios by credit rating and geographical location is set out below.

	As at 30 September 2022									
		Credit Rating				**Geography**				
Liquidity and investment portfolio by credit rating:	**£ million**	**AAA**	**AA**	**A**	**Other**	**UK**	**USA**	**Europe**	**Japan**	**Other**
	(£ million)					*(percentages)*				
Liquid assets:										
Cash and reserves at central banks....................................	32,890	-	100	-	-	100	-	-	-	-
Government bonds................	18,595	36	47	17	-	29	29	15	14	13
Supranational bonds.............	1,885	52	48	-	-	-	-	-	-	100
Covered bonds......................	2,721	100	-	-	-	48	-	17	-	35
Residential mortgage backed securities (RMBS)................	624	100	-	-	-	68	-	32	-	-
Asset-backed securities (other)..................................	248	100	-	-	-	91	-	9	-	-
Liquid assets total	56,963	20	74	6	-	71	9	6	5	9
Other securities:										
RMBS FVOCI......................	915	100	-	-	-	100	-	-	-	-
RMBS amortised cost...........	57	100	-	-	-	100	-	-	-	-
Other investments.................	62	-	20	-	80	80	-	20	-	-
Other securities total..........	**1,034**	**94**	**1**	**-**	**5**	**99**	**-**	**1**	**-**	**-**
Loans and advances to banks	4,029	-	72	24	4	87	5	7	-	1
Total....................................	**62,026**	**20**	**73**	**7**	**-**	**72**	**9**	**6**	**4**	**9**

Fair value through other comprehensive income reserve

Of the total £73,021 million (4 April 2022: £63,480 million) liquidity and investment portfolio at 30 September 2022, £25,050 million (4 April 2022: £25,366 million) was held as fair value. These assets are marked to market, with fair value movements recognised in reserves or through profit and loss.

Of these assets, £49 million (4 April 2022: £63 million) were classified as Level 3 (valuation not based on observable market data) for the purposes of IFRS 13. Further detail on the Level 3 portfolio is provided in note 13 in the Issuer's unaudited condensed consolidated financial statements for the six months ended 30 September 2022.

As at 30 September 2022, the balance on the FVOCI reserve was a £30 million loss, net of tax (4 April 2022: £89 million profit). The movements in the FVOCI reserve reflect general market movements and the realisation of gains through disposal of investment assets. The fair value movement of FVOCI assets that are not impaired has no effect on the Issuer's profit. As at 30 September 2022 investment securities classified as FVTPL totalled £17 million (4 April 2022: £17 million).

The following table provides an analysis of financial assets and liabilities held on the Issuer's balance sheet at fair value, grouped in levels 1 to 3 based on the degree to which the fair value is observable:

	As at 30 September 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
		(£ million)		
Financial Assets:				
Government, government guaranteed and supranational investments	20,480	-	-	20,480
Other debt investment securities	2,721	1,800	6	4,527
Investment in equity shares	-	-	43	43
Total investment securities[(i)]	**23,201**	**1,800**	**49**	**25,050**
Interest rate swaps	-	6,535	-	6,535
Cross currency interest rate swaps	-	3,542	-	3,542
Forward foreign exchange	-	11	-	11
Inflation swaps	-	483	319	802
Bond forwards and futures	-	105	-	105
Total derivative financial instruments	**-**	**10,676**	**319**	**10,995**
Loans and advances to customers	-	-	107	107
Total financial assets	**23,201**	**12,476**	**475**	**36,152**
Financial liabilities:				
Interest rate swaps	-	(932)	-	(932)
Cross currency interest rate swaps	-	(1,510)	-	(1,510)
Forward foreign exchange	-	(26)	-	(26)
Swaptions	-	-	(8)	(8)
Bond forwards	-	(1)	-	(1)
Inflation swaps		(102)	(4)	(106)
Total derivative financial instruments	**-**	**(2,571)**	**(12)**	**(2,583)**
Total financial liabilities	**-**	**(2,571)**	**(12)**	**(2,583)**

	As at 4 April 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
		(£ million)		
Financial Assets:				
Government, government guaranteed and supranational investments	20,897	—	—	20,897
Other debt investment securities	2,630	1,776	5	4,411
Investment in equity shares	—	—	58	58
Total investment securities[(i)]	**23,527**	**1,776**	**63**	**25,366**
Interest rate swaps	—	2,683	—	2,683
Cross currency interest rate swaps	—	1,695	—	1,695
Forward foreign exchange	—	15	—	15
Inflation swaps	—	—	260	260
Bond forwards and futures	—	70	—	70
Total derivative financial instruments	**—**	**4,463**	**260**	**4,723**
Loans and advances to customers	—	—	116	116
Total financial assets	**23,527**	**6,239**	**439**	**30,205**

	As at 4 April 2022			
	Level 1	Level 2	Level 3	Total
		(£ million)		
Financial liabilities:				
Interest rate swaps	—	(492)	—	(492)
Cross currency interest rate swaps	—	(743)	—	(743)
Forward foreign exchange	—	(12)	—	(12)
Swaptions	—	—	—	—
Bond forwards	—	(5)	—	(5)
Inflation swaps	—	—	(176)	(176)
Total derivative financial instruments	—	**(1,252)**	**(176)**	**(1,428)**
Total financial liabilities	—	**(1,252)**	**(176)**	**(1,428)**

Note:

(i) Investment securities exclude £57 million (4 April 2022: £118 million) of investment securities held at amortised cost.

The following section supplements and should be read together with the section titled "Financial Condition of Nationwide – Capital Resources" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Base Prospectus.

The table below reconciles the general reserves to total regulatory capital.

	As at 30 September	As at 4 April		
	2022	2022	2021	2020
		(£ million)		
General reserve	13,391	12,753	11,140	10,749
Core capital deferred shares (CCDS)	1,334	1,334	1,334	1,325
Revaluation reserve	42	46	44	48
FVOCI reserve	(30)	89	110	(17)
Cashflow hedge and other hedging reserves	215	142	(149)	(264)
Regulatory adjustments and deductions:				
FVOCI reserve temporary relief (i)	3	(21)	(41)	—
Cashflow hedge and other hedging reserves (ii)	(215)	(142)	(149)	(264)
Foreseeable distributions (iii)	(70)	(71)	(71)	(61)
Prudent valuation adjustment (iv)	(162)	(80)	(39)	(54)
Own credit and debit valuation adjustments (v)	(20)	(12)	(3)	(3)
Intangible assets (vi)	(872)	(884)	(525)	(1,200)
Defined benefit pension fund asset (vi)	(661)	(654)	(112)	(190)
Goodwill (vi)	(12)	(12)	(12)	(12)
Excess of regulatory expected losses over impairment provisions (vii)	(1)	(48)	(1)	—
IFRS 9 transitional arrangements (viii)	15	31	183	80
Total regulatory adjustments and deductions	(1,995)	(1,893)	(770)	(1,704)
CET1 capital	**12,957**	**12,471**	**12,007**	**10,665**
Additional Tier 1 capital securities (AT1)	1,336	1,336	1,336	593
Total Tier 1 capital	**14,293**	**13,807**	**13,343**	**11,258**
Dated subordinated debt (ix)	2,018	2,643	2,833	3,265
Excess of expected loss over impairment (vii)	48	37	144	113
IFRS 9 transitional arrangements (viii)	(10)	(21)	(144)	(58)
Tier 2 capital	**2,056**	**2,659**	**2,833**	**3,320**
Total regulatory capital	**16,349**	**16,466**	**16,176**	**14,578**

Notes:

i. Includes a temporary adjustment to mitigate the impact of volatility in central government debt on capital ratios, in line with the Covid-19 banking package.
ii. 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.
iii. Foreseeable distributions in respect of CCDS and AT1 securities are deducted from CET1 capital under UK CRD V.
iv. A prudent valuation adjustment (PVA) is applied in respect of fair valued instruments as required under regulatory capital rules.
v. 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.
vi. Intangible, goodwill and defined-benefit pension fund assets are deducted from capital resources after netting associated deferred tax liabilities.

vii. 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.

viii. The transitional adjustments to capital resources apply scaled relief due to the impact of the introduction of IFRS 9 and increases in expected credit losses due to the Covid-19 pandemic. Further detail regarding these adjustments is provided in the Group's interim Pillar 3 disclosure 2022-2023 at nationwide.co.uk

ix. Subordinated debt includes fair value adjustments related 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.

The Issuer's key capital measures are summarised in the table below:

	As at 30 September	As at 4 April		
	2022	2022	2021	2020
		(£ million, except percentages)		
Solvency ratios				
CET1 ratio	25.5%	24.1%	36.4%	31.9%
Total Tier 1 ratio	28.1%	26.6%	40.5%	33.7%
Total regulatory capital ratio	32.2%	31.8%	49.1%	44.3%
Leverage				
UK leverage Exposure(1)	£248,187	£255,360	£248,402	£240,707
Total Tier 1 capital	£14,293	£13,807	£13,343	£11,258
UK leverage ratio	5.8%	5.4%	5.4%	4.7%

Notes:

(1) The UK leverage ratio is calculated using the Capital Requirements Regulation (CRR) definition of Tier 1 for the capital amount and the Delegated Act definition of the exposure measure, excluding eligible central bank reserves.

Risk-based capital ratios has remained in excess of regulatory requirements with the CET1 ratio of 25.5% (4 April 2022:24.1%) above Nationwide's CET1 capital requirement of 11.1%. This includes a minimum CET1 capital requirement of 7.6% (Pillar 1 and Pillar 2A) and the UK CRD V combined buffer requirements of 3.5% of RWAs.

The CET1 ratio increased to 25.5% (4 April 2022: 24.1%) as a result of an increase in CET1 capital of £0.5 billion, in conjunction with a reduction in RWAs of £1.0 billion. The CET1 capital resources increase was driven by £0.6 billion profit after tax, net of distributions, partially offset by a £0.1 billion reduction in the FVOCI reserve. RWAs reduced, with an increase in retail lending being more than offset by a reduction in the fair value accounting adjustment for portfolio hedged risk, driven by recent changes in the interest rate outlook.

The leverage ratio was 5.8% (4 April 2022: 5.4%), with Tier 1 capital increasing by £0.5 billion as a result of the CET1 capital movements referenced above. In addition, there was a decrease in leverage exposure of £7.2 billion, driven by the same movements as described above for RWAs. Leverage requirements continue to be Nationwide's binding Tier 1 capital constraint, as they are in excess of minimum risk-based and regulatory buffer requirement.

The following sets forth a breakdown of total risk-weighted assets for the periods indicated.

	As at 30 September	As at 4 April		
	2022	2022	2021	2020
Credit risk (1)		*(£ million)*		
Retail mortgages	34,340	34,935	14,523	14,498
Retail unsecured lending	4,971	4,694	5,503	6,029
Commercial loans	1,935	2,272	2,671	3,183
Treasury	1,541	1,865	1,588	1,541
Counterparty credit risk(3)(4)	1,143	1,052	1,491	1,619
Other(5)	1,654	1,798	2,365	1,783
Total credit risk	45,584	46,616	28,141	28,653
Operational risk (2)	5,207	5,207	4,829	4,746
Total risk weighted assets (RWAs)	50,791	51,823	32,970	33,399

Notes:

(1) This column includes credit risk exposures, securitisations, counterparty credit risk exposures and exposures below the thresholds for deduction that are subject to a 250% risk weight.

(2) RWAs have been allocated according to the business lines within the standardised approach to operational risk, as per article 317 of CRR.

(3) Counterparty credit risk relates to derivative financial instruments, securities financing transactions and exposures to central counterparties.

(4) Other relates to equity, fixed and other assets.

BUSINESS OF THE SOCIETY

The following should be read together with and form part of the section entitled "Business of the Society" in the Base Prospectus, replacing the sub-section entitled "Recent Developments".

The changing economic and political landscape in the UK, and particularly the cost-of-living crisis and high inflation, has led to households being under financial pressure for some time. Since June 2022, there have been rising concerns in the UK about mortgage refinancing costs, and, for tenants, rising rents. The Issuer has, over the course of the current financial year, rolled out a number of measures to respond to these concerns. Some of the measures announced include:

- introducing cost-of-living support measures for members, with a dedicated freephone hotline, as well as in-branch experts and financial health checks, for members experiencing financial worries;
- extending the Issuer’s branch promise, meaning that the Issuer will not leave any town or city in which it is based without a branch until at least 2024 (previously 2023);
- resuming work on the Issuer’s sustainable housing project, Oakfield, in Swindon, comprising 239 homes built to high environmental standards, including the fitting of heat pumps, and expected to be rated EPC A (which the Issuer hopes will be used as a blueprint for future sustainable homes);
- launching a market leading £200 current account switching incentive, for customers who switch their account to one of the Issuer’s three main current account products; and
- committing to providing cost-of-living support to more than 11,000 colleagues, with a one-off payment of £1,200 for those earning £35,000 or less, on top of the annual pay review.

Savings and Current accounts

The following should be read together with and form part of the section entitled "Business of the Society" in the Base Prospectus, replacing the sub-section entitled "Savings and Current accounts".

Member deposit balance growth of £3.2 billion to £181.2 billion as at 20 September 2022 from £178.0 billion as at 4 April 2022 was a result of new current accounts opened and increases in balances on savings following the launch of competitive new products. This increase was due to growth in current account credit balances of £1.9 billion (30 September 2021: £2.9 billion) and retail savings balances of £1.3 billion (30 September 2021: £4.2 billion). Current account balance growth was driven by strong new account openings as a result of switching incentives and increasing the credit interest rate payable on the Flex Direct current account to 5% on balances up to £1,500. Operating in a dynamic savings market, balance growth has been supported by competitive fixed rate products and the Issuer’s Triple Access Online Saver. The Issuer’s market share of deposit balances reduced to 9.3% as of 30 September 2022, a 0.1% decrease from 9.4% as at 4 April 2022.

The Issuer provides a wide range of retail savings products that may be repayable on demand or on notice and which may pay a variable or fixed rate of interest. On most retail savings products, the Issuer determines variable interest rates at the Issuer’s discretion according to market conditions. Generally, the more restrictions on withdrawal of retail savings, the higher the rate of interest. Balances on all of the Issuer's notice deposit accounts are, by their terms, withdrawable on demand but, in some cases, subject to loss of interest.

The Issuer believes that the primary determinant for attracting retail savings is the interest rate offered to savers. As a mutual organisation, the Issuer typically sets higher interest rates on its retail savings products than those set by its main competitors. The Issuer gathers UK retail member deposits from a number of sources, chiefly from its branch network but also by mail and internet-based deposit accounts.

The UK retail savings market is highly competitive among building societies and banks, including those banks owned by insurance companies and retailers. This competition has increased the relative cost of retail funds, especially new retail funds.

The Issuer's retail business also manages a range of business savings accounts that are offered to UK-domiciled small- and medium-sized enterprises, including companies, housing associations, charities and educational organisations. The Issuer provides a wide range of savings products that may be repayable on demand or on notice and which may pay a variable or fixed rate of interest. On all business savings products, the Issuer determines variable interest rates at its discretion according to market conditions. Generally, the more restrictions on withdrawal of business savings, the higher the rate of interest.

The remainder of the section should be read together with and form part of the section entitled "Selected Statistical Information" in the Base Prospectus.

SELECTED STATISTICAL INFORMATION

Loan Loss Experience

The following tables show the allowances for loan losses as a percentage of total loans, analysed by category for the six months ended 30 September 2022 and the years ended 4 April 2022 2021 and 2020:

30 September 2022	**Total Balance**	**(%) of Total**	**Provision**	**Provision/Total Balance**
Prime residential mortgages	159,133	74.57%	91	0.06%
Buy to let and legacy residential mortgages	44,244	20.73%	165	0.37%
Consumer banking	4,110	1.93%	530	12.90%
Commercial and other lending	5,912	2.77%	28	0.47%
Total	**213,399**	**100%**	**814**	**0.38%**

4 April 2022	**Total Balance**	**(%) of Total**	**Provision**	**Provision/Total Balance**
Prime residential mortgages	154,354	74.19%	73	0.05%
Buy to let and legacy residential mortgages	43,579	20.94%	114	0.26%
Consumer banking	4,109	1.97%	529	12.87%
Commercial and other lending	6,024	2.90%	30	0.50%
Total	**208,066**	**100%**	**746**	**0.36%**

4 April 2021	**Total Balance**	**(%) of Total**	**Provision**	**Provision/Total Balance**
Prime residential mortgages	149,681	74.27%	93	0.06%
Buy to let and legacy	41,025	20.36%	224	0.55%
Consumer banking	3,902	1.94%	502	12.87%
Commercial and other lending	6,939	3.43%	33	0.48%
Total	**201,547**	**100%**	**852**	**0.42%**

4 April 2020	**Total Balance**	**(%) of Total**	**Provision**	**Provision/Total Balance**
Prime residential mortgages	151,084	75.17%	56	0.04%
Buy to let and legacy	37,503	18.66%	196	0.52%
Consumer banking	4,500	2.24%	494	10.98%
Commercial and other lending	7,891	3.93%	40	0.51%
Total	**200,978**	**100%**	**786**	**0.39%**

Investment Securities Portfolios

As at 30 September 2022, the Issuer's investment securities portfolios were carried at a book value of £25,050 million, representing 9% of its total assets. The Issuer only purchases investment-grade debt securities and do not operate a trading portfolio. The following table provides information on the breakdown of the Issuer's investment securities 30 September 2022 and as at 4 April 2022, 2021 and 2020, respectively:

	As at 30 September	As at 4 April		
	2022	2022	2021	2020
		(£ million)		
Government, government guaranteed and supranational investment securities	20,480	20,897	21,363	15,897
Other debt investment securities..	4,527	4,411	4,083	4,094
Investments in equity shares........	43	58	27	13
Total	**25,050**	**25,366**	**25,473**	**20,004**

Investment portfolio by credit rating & country/region

	As at 30 September 2022[(1)]									
		AAA	**AA**	**A**	**Other**	**UK**	**US**	**Europe**	**Japan**	**Other**
	(£ million)					*(percentages)*				
Liquid Assets:										
Cash and reserves at central banks	32,890	-	100	-	-	100	-	-	-	-
Government Bonds[(2)]....	18,595	36	47	17	-	29	29	15	14	13
Supranational bonds	1,885	52	48	-	-	-	-	-	-	100
Covered bonds.............	2,721	100	-	-	-	48	-	17	-	35
Residential mortgage backed securities (RMBS)	624	100	-	-	-	68	-	32	-	-
Asset backed Securities (other)..........................	248	100	-	-	-	91	-	9	-	-
Liquid Assets total	**56,963**	**20**	**74**	**6**	**-**	**71**	**9**	**6**	**5**	**9**
Other Securities[(3)]										
RMBS FVOCI.............	915	100	-	-	-	100	-	-	-	-
RMBS amortised cost...	57	100	-	-	-	100	-	-	-	-
Other Investments[(4)]	62	-	20	-	80	80	-	20	-	-
Other securities total .	**1,034**	**94**	**1**	**-**	**5**	**99**	**-**	**1**	**-**	**-**
Loans and advances to banks	4,029	-	72	24	4	87	5	7	-	1
Total............................	**62,026**	**20**	**73**	**7**	**-**	**72**	**9**	**6**	**4**	**9**

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Notes:

(1) Ratings used are obtained from Standard & Poor's (S&P), Moody's or Fitch. For loans and advances to banks and similar institutions, internal ratings are used.

(2) Balances classified as government bonds include government guaranteed, agency and government sponsored bonds

(3) Includes RMBS (UK buy to let and UK Non-conforming) not eligible for the Liquidity Coverage Ratio (LCR).

(4) Includes investment securities held at FVTPL of £17 million (4 April 2022: £17 million).

The following should be read together with and form part of the section entitled "Management" in the Base Prospectus, amending sub-sections entitled "Management and Director Changes" and "Directors".

MANAGEMENT

Management and Director Changes

Tim Tookey stepped down as a Non-Executive Director at the Issuer's Annual General Meeting held on 14 July 2022.

On 28 September 2022, the Issuer announced that Mai Fyfield will retire from Nationwide at the Annual General Meeting in July 2023. Tracey Graham was appointed as a Non-Executive Director on 28 September 2022. It is expected that Tracey Graham will assume the role of Remuneration Committee Chair from Mai Fyfield in January 2023, subject to regulatory approval.

Directors

Name	**Date of Birth**	**Position**	**Other Directorships**
Debbie Crosbie	30 March 1970	Chief Executive Officer	SSE plc
Chris Rhodes	17 March 1963	Chief Financial Officer	Arkose Funding Limited Derbyshire Home Loans Limited E-Mex Home Funding Limited Jubilee Mortgages Limited NBS Ventures Management Limited FN1 LBS Mortgages Limited Nationwide Housing Trust Limited Nationwide Syndications Limited Silverstone Securitisation Holdings Limited The Mortgage Works (UK) plc UCB Home Loans Corporation Limited
Mai Fyfield	3 May 1969	Non-Executive Director	ASOS plc BBC Commercial Limited Roku Inc The Football Association, Premier League Limited
Kevin Parry	29 January 1962	Chairman	Daily Mail and General Trust plc KAH Parry Limited The Royal London Mutual Insurance Society Limited
Gunn Waersted	16 March 1955	Senior Independent Director	Petoro AS Telenor ASA Lukris Invest AS Fidelity International (Bermuda) Obton AS
Albert Hitchcock	16 January 1965	Non-Executive Director	Pureprofile Limited
Phil Rivett	27 June 1955	Non-Executive Director	Standard Chartered Plc Standard Chartered Bank

Name	Date of Birth	Position	Other Directorships
Tamara Rajah	24 August 1982	Non-Executive Director	Live Better With Limited London & Partners Limited
Debbie Klein	10 August 1968	Non-executive Director	
Alan Keir	16 October 1958	Non-executive Director	Majid Al Futtaim Holdings LLC Majid Al Futtaim Capital LLC Sumitomo Mitsui Banking Corporation
Gillian Riley	6 December 1967	Non-executive Director	St Michael's Hospital Foundation Tangerine Bank Roynat Capital Inc.
Tracey Graham	20 July 1965	Non-executive Director	Ibstock plc Close Brothers Group plc DiscoverIE plc Link Scheme Ltd

The following should be read together with and form part of the section entitled "Supervision and Regulation" in the Base Prospectus, amending sub-sections entitled "Onshored European Union and UK Legislation – Stress Tests" and "UK Regulation – Operational Resilience".

SUPERVISION AND REGULATION

Onshored European Union and UK Legislation

Stress Tests

The 2022 stress test process was announced by the Bank of England in September 2022, with results expected to be published in summer 2023.

UK Regulation

Operational Resilience

The Issuer achieved compliance on 31 March 2022 by completing and submitting its first regulatory self-assessment to the FCA and PRA. Following this first milestone, the Issuer is now required to mature and develop its operational resilience by 31 March 2025. The Issuer recently refreshed its operational resilience strategy for the next 3 years in order to meet this second milestone, which has now been approved by its Board of Directors.

Post-Brexit changes to the UK prudential and resolution regimes

Following the UK's withdrawal from the EU, the UK authorities have elected to diverge from the EU prudential and resolution frameworks in certain respects. For example, the following provisions of BRRD do not apply in the UK:

- Article 1(6) of BRRD II, which inserted a new Article 16a in BRRD to provide the resolution authority with the power to prohibit an entity from distributing more than the 'maximum distributable amount' relating to the minimum requirement for own funds and eligible liabilities (**M-MDA**), where the entity fails to meet the combined buffer requirement, subject to certain conditions;

- Article 1(20) of BRRD II, which introduced a new Article 48(7) of BRRD, making changes to priority of debts in insolvency;

- Article 1(21) of BRRD II, which updated Article 55 of BRRD on the contractual recognition of bail-in; and

- Article 1(30) of BRRD II, which amended the existing in-resolution moratorium power under Article 69 of BRRD.

Furthermore, the PRA has confirmed it intends to make further changes to the prudential regime, including changes to payment restrictions based on maximum distributable amount (**MDA**) calculations in order to improve firms' ability to use their combined buffers as intended when subject to a severe but plausible stress. The proposed changes include (i) removing the restriction which precludes firms from making distributions that would cause their CET1 levels to fall into the combined buffer, and (ii) amending the definition of the MDA to include certain profits already recognised as CET1 over the preceding four calendar quarters, net of distributions.

In addition, the UK is proposing to transfer much of the EU prudential framework retained as law following the UK's withdrawal from the EU into the UK regulators' rulebooks, to improve flexibility. Following a consultation on the optimal structure for UK financial services post-Brexit, the Financial Services and Markets Bill (the **FSMB**) was introduced to Parliament in July 2022 and aims to implement the outcomes of the government's future regulatory framework review and to make changes to update the UK regulatory regime. The FSMB proposes that primary responsibility for regulation will be delegated to the UK regulatory authorities, subject to the oversight of Parliament. The FSMB will establish a framework to revoke EU law relating to financial services, and will enable HM Treasury, the FCA and PRA to replace it with legislation and regulatory rule sets to deliver a comprehensive FSMA model of regulation.

Accordingly, divergence between the EU and UK prudential regimes may widen over time.