REGISTRATION DOCUMENT DATED JUNE 21, 2024

NATIONWIDE BUILDING SOCIETY

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

This document (the "**Registration Document**", which expression shall include this document and all documents incorporated by reference herein) constitutes a registration document for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom ("**UK**") by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**EUWA**") (the "**UK Prospectus Regulation**"). It has been prepared in connection with debt or derivative securities ("**Securities**") of Nationwide Building Sfociety ("**Nationwide**", the "**Issuer**" or the "**Society**") which may be admitted to trading on the London Stock Exchange's main market. The London Stock Exchange's main market is a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**"). When combined with a securities note, which contains information on the Securities and has been approved by the UK Financial Conduct Authority (the "**FCA**"), the combination will form a prospectus in relation to the Securities for the purposes of the UK Prospectus Regulation.

This Registration Document has been prepared as a registration document issued in compliance with the UK Prospectus Regulation for the purpose of providing information with regard to the Issuer of debt or derivative securities during the period of twelve months after the date hereof. This Registration Document has been approved by the FCA, as competent authority under the UK Prospectus Regulation. The FCA only approves this Registration Document 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 that is the subject of this Registration Document.

This Registration Document is valid for a period of twelve months from the date of approval.

As at the date of this Registration Document: (i) long-term senior obligations of the Issuer are rated "A+" by S&P Global Ratings UK Ltd ("**S&P**"), "A1" by Moody's Investors Service Ltd. ("**Moody's**") and "A" by Fitch Ratings Limited ("**Fitch**"); and (ii) short-term senior obligations of the Issuer are rated "A-1" by S&P, "P-1" by Moody's and "F1" by Fitch. Each of S&P, Moody's and Fitch is established in the UK and registered under Regulation (EU) No. 1060/2009 as it forms part of the domestic law of the UK by virtue of the EUWA (the "**UK CRA Regulation**"). None of Moody's, S&P or Fitch is established in the European Economic Area (the "**EEA**") and they have not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). Accordingly, the ratings issued by Moody's, S&P and Fitch have been endorsed by Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited respectively in accordance with the CRA Regulation and have not been withdrawn. Each of Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited is established in the EEA and registered under the CRA Regulation. As such each of Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

Information on how to use this Registration Document is set out on page i.

Certain risk factors relating to the Issuer are set out in "*Risk Factors*" which commences on page 12.

HOW TO USE THIS REGISTRATION DOCUMENT

Unless stated otherwise, all references in this Registration Document to the "Issuer" or the "Society" refer to Nationwide Building Society, all references to "Group" refer to Nationwide Building Society and its subsidiary undertakings as a whole, all references to "**Nationwide**" refer to the Society or the Group, as applicable in the context, and references to "**we**", "**our**", "**us**" and analogous expressions refer to Nationwide.

This Registration Document provides information about Issuer and incorporates by reference (as per the section entitled "*Documents Incorporated by Reference*" below) certain sections from: (i) the audited consolidated financial statements as of and for the year ended April 4, 2024 and the auditors' report thereon in the Society's annual report for the year ended April 4, 2024, (ii) the audited consolidated financial statements as of and for the year ended April 4, 2023 and the auditors' report thereon in the Society's annual report for the year ended April 4, 2023, (iii) the audited consolidated financial statements as of and for the year ended April 4, 2022 and the auditors' report thereon in the Society's annual report for the year ended April 4, 2022. The sections of the 2024 annual report and financial statements include the latest publicly available financial information relating to the Issuer and its subsidiary undertakings and other information in relation to the Group, which is relevant to investors. This Registration Document (including such information incorporated by reference) contains information necessary for investors to make an informed assessment of the Issuer. Investors must read this Registration Document together with the sections of the documents incorporated by reference herein. Where further information is provided in the sections of the documents incorporated by reference herein on matters covered by this Registration Document, this is highlighted in this Registration Document.

This Registration Document is split up into a number of sections, each of which is briefly described below:

The **Risk Factors** provides details of the principal risks relating to Nationwide that may affect the Issuer's ability to fulfill its obligation under its Securities.

The **Documents Incorporated by Reference** provides details of the documents incorporated by reference which form part of this Registration Document and which are publicly available.

The **Important Notices** sets out important information about the Issuer's responsibility for this Registration Document and provides information about its authorized use.

The **Description of Business** provides information about Nationwide, including on its history and development, the legislation under which it operates, its principal activities and markets, its organizational structure, trends affecting the Issuer, its credit ratings and its management.

The **General Information** provides additional, general disclosure in relation to the Issuer.

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IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Registration Document. To the best of the knowledge of the Issuer, the information contained in this Registration Document is in accordance with the facts and this Registration Document does not omit anything likely to affect the import of such information.

This Registration Document is to be read and construed with any supplements hereto and all documents incorporated by reference into it.

This Registration Document may be combined with a securities note approved by the FCA to form a prospectus, or may be incorporated by reference into a base prospectus approved by the FCA, for the purposes of the UK Prospectus Regulation. The requirement to publish a prospectus under the Financial Services and Markets Act 2000 (the "**FSMA**") only applies to Securities which are to be admitted to trading on a UK regulated market as defined in UK MiFIR and/or offered to the public in the UK other than in circumstances where an exemption is available under section 86 of the FSMA. References in this Registration Document to "**Exempt Securities**" are to Securities for which no prospectus is required to be published under the UK Prospectus Regulation and the FSMA. If this Registration Document forms a constituent part of a base prospectus or is otherwise incorporated by reference in whole or in part into another offering circular or similar document (however called), which provides for the issue of Securities which are Exempt Securities, the FCA has neither approved nor reviewed information contained in this Registration Document in connection with any such Exempt Securities. Information contained in any such base prospectus or other offering circular or similar document regarding Exempt Securities will not form part of a prospectus or base prospectus for the purposes of the UK Prospectus Regulation and the FCA acting under Part VI of the FSMA has not approved, verified or reviewed information contained in this Registration Document in connection with the offering and sale of Exempt Securities.

No person has been authorized to give any information or to make any representation not contained in or not consistent with this Registration Document, including any documents incorporated by reference herein, and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, or any trustee or any dealer appointed in relation to any issue of Securities by the Issuer.

This Registration Document, including any documents incorporated by reference herein should not be considered as a recommendation by the Issuer, any trustee or any dealer appointed in relation to any issue of Securities by the Issuer that any recipient of this Registration Document, including any document incorporated by reference herein, should purchase any Securities issued by the Issuer. Each investor contemplating subscribing for or purchasing Securities issued by the Issuer should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. No part of this Registration Document, including any documents incorporated by reference herein, constitutes an offer or invitation by or on behalf of the Issuer, any trustee or any dealer appointed in relation to any issue of Securities by the Issuer or any of them to any person to subscribe for or to purchase any of the Securities issued by the Issuer.

None of the delivery of this Registration Document or any documents incorporated by reference herein or any prospectus or base prospectus prepared by the Issuer in relation to which this Registration Document is incorporated by reference and forms a constituent part (a "**Prospectus**") or any relevant Final Terms or Pricing Supplement or the offering, sale or delivery of any Securities shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof, or that the information contained in this Registration Document including any documents incorporated by reference herein is correct at any time subsequent to the date hereof or that any other written information delivered in connection herewith or therewith is correct as of any time subsequent to the date indicated in such document. Any dealer or trustee appointed in relation to any issue of Securities by the Issuer expressly does not undertake to review the financial condition or affairs of the Issuer or its subsidiary undertakings during the life of such Securities.

The distribution of this Registration Document, including any document incorporated by reference herein, and the offer or sale of Securities issued by the Issuer may be restricted by law in certain jurisdictions. Persons into whose possession this Registration Document or any document incorporated by reference herein or any Securities issued by the Issuer come must inform themselves about, and observe, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Securities issued by the Issuer and on the distribution of this Registration Document, including any document incorporated by reference herein, see the applicable description of arrangements relating to subscription and sale of the relevant Securities in the relevant Prospectus or the relevant Final Terms. In this Registration Document and in relation to any Securities issued by the Issuer, references to the "**relevant dealers**" are to whichever of the dealers enters into an agreement for the issue of such Securities issued by the Issuer as described in the applicable description of arrangements relating to subscription and sale of the relevant Securities in the relevant Prospectus and references to the "**relevant Final Terms**" are to the Final Terms or Pricing Supplement relating to such Securities.

PRESENTATION OF FINANCIAL INFORMATION

The financial information included in this Registration Document as of and for the years ended April 4, 2024, 2023 and 2022 has been extracted from our audited consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board, as adopted by the European Commission for use in the European Union (the "**EU**").

The consolidated financial statements as of and for the years ended April 4, 2024, April 4, 2023 and April 4, 2022 have been audited by Ernst & Young LLP, independent auditors, as stated in their reports incorporated by reference herein.

We have made rounding adjustments to reach some of the figures included in this Registration Document. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

Unless otherwise indicated, all references in this Registration Document to "**pounds sterling**," "**sterling**" and "**£**" are to the lawful currency of the United Kingdom, all references to "**U.S. dollars**," "**dollars**," "**USD**" and "**$**" are to the lawful currency of the United States, all references to "**Canadian dollars**" or "**C$**" are to the lawful currency of Canada and all references to "**euro**," "**EUR**" or "**€**" are to the single currency of the participating Member States of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

Alternative performance measures and other non-IFRS financial information

Alternative performance measures

This Registration Document includes certain financial information which has not been prepared in accordance with IFRS and which also constitutes Alternative Performance Measures ("**APMs**") as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures. Certain APMs are discussed below under "*—Underlying profit before tax*" and are also identified under "*—Selected ratios and other financial data*" in "*Selected Consolidated Financial and Operating Information*" and in "*Selected Statistical Information*". None of this financial information is subject to any audit or review by independent auditors.

APMs are not a measure of financial performance under IFRS and should not be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of our results of operations or liquidity computed in accordance with IFRS. Other companies, including those in the financial services industry, may calculate the APMs presented differently from Nationwide. As all companies do not calculate these APMs in the same manner, our presentation of the APMs may not be comparable to other similarly titled APMs presented by other companies.

Total underlying income

Certain sections of this Registration Document, including "*Selected Consolidated Financial and Operating Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", discuss total underlying income, which is not a measure of financial performance under IFRS and which is an APM. In determining total underlying income, we take the sum of net interest income and net other income. Accordingly, the purpose of disclosing total underlying income is to present our view of our underlying performance with like for like comparisons of performance across each financial year. However, total underlying income is not a measure of financial performance under IFRS and should not be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of our results of operations or liquidity computed in accordance with IFRS. Other companies, including those in our industry, may also calculate underlying financial performance measures differently from Nationwide. As all companies do not calculate these financial measures in the same manner, our presentation of such financial measures may not be comparable to other similarly titled measures of other companies.

Underlying profit before tax

Certain sections of this Registration Document, including "*Selected Consolidated Financial and Operating Information*" and in "*Selected Statistical Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", discuss underlying profit before tax, which is not a measure of financial performance under IFRS and which is an APM. In determining underlying profit before tax, we adjust reported profit before tax for certain items which we regard as subject to one-off volatility or as otherwise not being reflective of our ongoing business activities. These items are the costs of the Financial Services Compensation Scheme (the "**FSCS**"), bank levy charges and transformation costs (each of which is added back to reported underlying profit before tax) and losses or gains from derivatives and hedge accounting (which are respectively added to or deducted from reported underlying profit before tax). Accordingly, the purpose of disclosing underlying profit before tax is to present our view of our underlying performance with like for like comparisons of performance across each financial year. However, underlying profit before tax is not a measure of financial performance under IFRS and should not be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of our results of operations or liquidity computed in accordance with IFRS. Other companies, including those in our industry, may also calculate underlying financial performance measures differently from Nationwide. As all companies do not calculate these financial measures in the same manner, our presentation of such financial measures may not be comparable to other similarly titled measures of other companies.

The following table sets out a reconciliation of reported profit before tax to underlying profit before tax for the three years ended April 4, 2024, 2023 and 2022.

Underlying and statutory results	**For the year ended April 4,**		
	2024	**2023**	**2022**
		(*£ million*)	
Net interest income	4,450	4,498	3,562
Net other income	214	175	305
Total underlying income	4,664	**4,673**	**3,867**
Underlying administrative expenses	(2,422)	(2,323)	(2,234)
Impairment (charge)/ release on loans and advances to customers	(112)	(126)	27
Provisions for liabilities and charges	(127)	9	(56)
Underlying profit before tax	2,003	**2,233**	**1,604**
Gains/ (losses) from derivatives and hedge accounting[(2)]	117	(4)	(7)
Member reward payments[(3)]	(344)	-	-
Statutory profit before tax	**1,776**	**2,229**	**1,597**
Taxation	(476)	(565)	(345)
Profit after tax	**1,300**	**1,664**	**1,252**

Notes:

(1) Underlying profit represents management's view of underlying performance. Member reward payments, gains or losses from derivatives and hedge accounting (presented separately within total income in the income statement) and any FSCS costs and refunds from institutional failures (included within provisions for liabilities and charges) are excluded from statutory profit to arrive at underlying profit. There were no FSCS costs or refunds from institutional failures for the financial years ended April 4, 2024, April 4, 2023 and April 4, 2022.

(2) Although we only use derivatives to hedge market risks, income statement volatility can still arise.

(3) Member reward payments represent discretionary payments to members of the Society which may be determined by the Board from time to time, depending on the financial strength of the Society. Member reward payments were first recognized in the financial year ended April 4, 2024, and have been excluded from underlying profit on the basis that management does not consider such payments to be part of the Group's underlying business performance.

Net interest margin

Net interest margin is not a measure of financial performance under IFRS. In determining net interest margin, we divide our net interest income for each financial year (as shown in our consolidated annual financial statements) by our weighted average total assets. Weighted average total assets are calculated by taking the average of closing monthly total assets over the financial year. We believe that net interest margin is an important supplemental measure of our operating performance and believes that it may be used by securities analysts, investors and other interested parties in the evaluation of our performance in comparison with other building societies and financial institutions. However, net interest margin is not a measure of financial performance under IFRS and should not be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of our results of operations or liquidity computed in accordance with IFRS. Other financial institutions may calculate net interest margin differently from Nationwide and our presentation of net interest margin may not be comparable to other similarly titled measures of other financial institutions.

The following table sets out the calculation of our net interest margin for the three years ended April 4, 2024, 2023 and 2022.

	For the year ended April 4,		
	2024	**2023**	**2022**
	(*£ million, except percentages*)		
Net interest income..................	4,450	4,498	3,562
Weighted average total assets..	285,128	285,610	281,872
Net interest margin................	**1.56%**	**1.57%**	**1.26%**

Other APMs

The other APMs included in this Registration Document are certain ratios set out in "*Selected Consolidated Financial and Operating Information*" under the heading "*Selected ratios and other financial data*". Each ratio that constitutes an APM is identified as such in that section. These ratios have been included in this Registration Document because we consider them to be important supplemental measures of our operating performance and financial position and believe that they may be used by securities analysts, investors and other interested parties in the evaluation of our performance in comparison with other building societies and financial institutions.

Other non-IFRS financial information

Capital and leverage ratios

This Registration Document includes references to capital and leverage ratios applied under the UK prudential regulation regime (the "**UK Prudential Framework**") for banks and building societies, which derives in large part from the EU prudential framework set out under the Capital Requirements Directive (2013/36/EU) as amended ("**CRD**") and, the EU Capital Requirements Regulation (575/2013) as amended ("**CRR**", and together with the CRD, "**CRD IV**"), which implement the Basel III reforms developed in response to the global financial crisis in the European Union. The Society's prudential regulator is the Prudential Regulation Authority (the "**PRA**").

The CRD IV framework, as applicable in the EU as at the end of the transition period (December 31, 2020) relating to the UK's exit from the EU, has broadly been reflected in the United Kingdom, with CRR and related EU regulations (which had direct binding effect in the United Kingdom until expiration of the transition period) being retained and subsequently assimilated as domestic UK law, with certain exceptions and adjustments, primarily through the European Union (Withdrawal) Act 2018, as amended, and ancillary legislation (the CRR as so assimilated into domestic UK law and as amended, "**UK CRR**", and the CRD IV framework as it applies in the UK, "**UK CRD IV**").

These capital and leverage ratios measure our capital adequacy and financial strength, respectively. The capital ratios comprise:

- the Common Equity Tier 1 capital ratio ("**CET1 ratio**"), which expresses Common Equity Tier 1 ("**CET1**") capital as a percentage of risk weighted assets ("**RWA**s"). CET1 capital is considered the highest quality form of capital defined in the UK CRR and comprises accumulated reserves and qualifying instruments after regulatory deductions. RWAs represent the value of assets as adjusted in accordance with the UK CRR to reflect the degree of risk that they represent;
- the tier 1 capital ratio, which expresses total tier 1 capital as a percentage of RWAs. Tier 1 capital comprises CET1 capital and additional tier 1 ("**AT1**") capital instruments (which are instruments meeting defined criteria under the UK CRR, including that they convert to CET1 or their principal is written down on the occurrence of a trigger event); and
- the total capital ratio, which expresses total regulatory capital (which is capital defined under applicable regulations less required adjustments and deductions) as a percentage of RWAs.

Each of these capital ratios has been reported in this Registration Document on an end point basis under the UK Prudential Framework.

The leverage ratios measure tier 1 capital as a proportion of exposures on a non-risk weighted basis and comprise:

- the UK CRR leverage ratio (which measures exposures as the sum of (i) on-balance sheet exposures, adjusted for derivatives and securities financing exposures, and (ii) off-balance sheet items); and
- the UK leverage ratio (which is calculated in this Registration Document as at April 4, 2022, as at April 4, 2023 and as at April 4, 2024 on the basis of measurement announced by the PRA in October 2017, which is the same as that used in the UK CRR leverage ratio save that the exposure measure excludes eligible central bank reserves).

Although the capital and leverage ratios and measures included in this Registration Document are not IFRS measures, we believe that they are important to understanding the background of, and rationale for, the offer as well as our capital and leverage position.

None of the capital and leverage ratios and measures included in this Registration Document are APMs.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents have previously been published or are published simultaneously with this Registration Document and shall be deemed to be incorporated in, and form part of, this Registration Document:

(1) our audited consolidated financial statements as of and for the year ended April 4, 2024 and the auditors' report thereon (contained on pages 220 to 315 (inclusive) of our annual report for the year ended April 4, 2024);

(2) our audited consolidated financial statements as of and for the year ended April 4, 2023 and the auditors' report thereon (contained on pages 219 to 317 (inclusive) of our annual report for the year ended April 4, 2023);

(3) our audited consolidated financial statements as of and for the year ended April 4, 2022 and the auditors' report thereon (contained on pages 218 to 321 (inclusive) of our annual report for the year ended April 4, 2022); and

(4) the Issuer's announcement "*Recommended Cash Acquisition of Virgin Money UK PLC by Nationwide Building Society*" published on March 21, 2024 (the "**Acquisition Announcement**").

We will, at our registered office, make available for inspection during normal business hours and free of charge, upon oral or written request, a copy of this Registration Document including any document incorporated by reference in this Registration Document. Written or oral requests for inspection of such documents should be directed to our registered office. Additionally, this Registration Document will be available for viewing at https://www.nationwide.co.uk/investor-relations/usmtn-terms-of-access/usmtn-programme/, https://www.nationwide.co.uk/investor-relations/covered-bond-terms-of-access/covered-bond-programme/, https://www.nationwide.co.uk/investor-relations/emtn-terms-of-access/emtn-programme/ and all the documents incorporated by reference herein will be available for viewing at https://www.nationwide.co.uk/about/investor-relations.

For the avoidance of doubt, unless specifically incorporated by reference into this Registration Document, any websites referred to in this Registration Document or any information appearing on such websites and pages do not form part of this Registration Document. Any information incorporated by reference in the above documents does not form part of this Registration Document and, to the extent that only certain parts of the above documents are specified to be incorporated by reference hereunder, the non-incorporated parts of such documents are either not relevant for investors or are covered elsewhere in this Registration Document.

The table below sets out the relevant page references for our audited consolidated financial statements for the years ended April 4, 2024, 2023 and 2022 and the auditor's reports thereon.

Audited consolidated annual financial statements as of and for the year ended April 4, 2024	
Independent Auditors' Report	Pages 220 - 234
Income statement	Page 235
Statement of comprehensive income	Page 236
Balance sheet	Page 237
Statement of movements in members' interests and equity	Pages 238 – 239
Cash flow statement	Page 240
Notes to the consolidated annual financial statements	Pages 241 - 315

Audited consolidated annual financial statements as of and for the year ended April 4, 2023	
Independent Auditors' Report	Pages 220 - 233
Income statement	Page 234

Audited consolidated annual financial statements as of and for the year ended April 4, 2022

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Registration Document.

RISK FACTORS

We believe that the following factors may affect our ability to fulfill our obligations under any Securities.

In purchasing any Securities, investors will assume the risk that we may become insolvent or otherwise be unable to make all payments due in respect of the Securities. There is a wide range of factors which individually or together could result in us becoming unable to make all payments due in respect of the Securities. The following is a description of the principal risks associated with our business as of the date of this Registration Document; however, we do not represent that the risks set out in the statements below are exhaustive. A description of the principal risks associated with any Securities, and any market for Securities generally, will be set out in the securities note or base prospectus prepared in connection with the relevant Securities.

This section of this Registration Document is divided into four main sections—"Economic and Financial Risks", "Regulatory Risks", "Business and Operational Risks" and "Risks related to the Virgin Money Acquisition."

1) Economic and Financial Risks

a) The UK economy

Our 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, we are 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.

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

Domestic and international conditions are subject to fluctuations which can adversely affect our 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 our markets or wider economic conditions. Political uncertainty and/or significant changes to government policy could also affect our 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 our operating performance, financial conditions and/or prospects.

In addition, there has been significant market turbulence following the UK Government's (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 in part 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 (the "**Bank Rate**") in response to high inflation and was due to start reducing the size of its balance sheet by selling government bonds.

Market conditions have improved following the change of prime minister, as the fiscal stimulus was pared back. With both the incumbent Government led by the Conservative Party and the Labour Party proposing tight fiscal policies in their manifestos, we do not expect the general election, to be held on July 4, 2024, to result in large market volatility. However, market turbulence could re-emerge as the scope for policy change 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 our liquidity and funding position, continued volatility may have an adverse impact on our financial performance and business operations.

There is also an increased risk that the UK's sovereign credit rating 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 our financial performance and business operations.

b) 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 our control, including the fiscal and monetary policies of governments and central banks, as well as UK and international political and economic conditions, affect our results of operations, financial condition and return on capital. The Bank of England has had to tighten monetary policy in response to high inflation and a tight labor market. The Bank of England base rate of interest has been at 5.25% since August 2023, an increase of 515 basis points since December 2021. Policymakers have indicated that the restrictive monetary policy has helped to bring inflation back towards target, and that they expect to be able to reduce interest rates soon, as long as inflation continues to decline. However, there remains considerable uncertainty about the timing and extent of any such interest rate cuts, as well as with regard to any estimates of what the neutral rate of interest may be.

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 we operate, and consequently to an increase in delinquency rates and default rates among our customers. Moreover, higher prevailing interest rates would affect our cost of funding with depositors and creditors, which could adversely affect our profitability, to the extent our margins decline.

The personal financial services sector in the UK remains vulnerable to increases in unemployment, rising interest rates and/or falling house prices. Between 2009 and 2022, both variable and fixed interest rates have been at relatively low levels. Changes in the Bank Rate affect interest rates payable on a significant portion of our 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 our 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 our mortgage portfolio is also influenced by UK house prices, and a significant portion of our revenue is derived from interest and fees paid on our mortgage portfolio. A decline in house prices in the UK such as the recent fall in house prices 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 our capital and our 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 our 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 our ability to grow the residential mortgage portfolio.

In addition, we also have a significant portfolio of buy to let ("**BTL**") 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 Government passes legislation that increases tax burdens or requires costly upgrades to BTL properties, such as legislation that would increase Minimum Energy Efficiency Standards for BTL properties, it could reduce potential returns on certain BTL property investments.

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 our 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 our capital position.

c) Liquidity and Funding

Retail depositors are a significant source of funding for us and, under current legislation, a minimum of 50.0% of our aggregate shares and borrowings (calculated in accordance with the UK Building Societies Act 1986, as amended (the "**UK Building Societies Act**")) is required to be in the form of deposits which we accept from members of the public and which are classified as "shares" in our balance sheet as they confer member status on the depositors. Our retail deposits classified as shares totaled £193 billion as at April 4, 2024, £187 billion as at April 4, 2023 and £178 billion as at April 4, 2022, equal to 77.4%, 74.6% and 71.1%, respectively, of our total shares and borrowings (for the purposes of the UK Building Societies Act) at each such date.

The ongoing availability of retail deposit funding is dependent on a variety of factors outside our control, such as:

- general economic conditions and market volatility;
- the general level of retail deposits in the economy;
- the confidence of retail depositors in the economy in general and in us in particular;
- contagion impact due to concerns about the financial conditions of other UK banks;
- the impact of technology and 'Open Banking' as further discussed in "—*Competition*" below

- the risk that significant portions of the UK savings and private current accounts market move to digital currencies such as the Bank of England's proposed Central Bank Digital Currency, as further discussed in "—*Competition*";
- the financial services industry specifically; and
- the availability and extent of deposit guarantees, such as under the FSCS.

The maintenance and growth of our lending activities depends in large part on the availability of retail deposit funding on appropriate terms. Increases in the cost of such funding could have a negative impact on our margins and profit. These or other factors could lead to a reduction in our ability to access retail deposit funding on appropriate terms in the future.

Like all major financial institutions, we are also dependent on the short- and long-term wholesale funding markets for liquidity. Though our dependence on wholesale funding is less than other financial institutions, due to the requirements of current building society legislation, our business is subject to risks concerning liquidity, which are inherent in financial institutions' operations. If access to liquidity is constrained for a prolonged period of time, this could affect our profitability.

Under exceptional circumstances, our ability to fund our financial obligations could be negatively impacted if we are unable to access funding on commercially practicable terms, or at all. We expect to have sufficient liquidity to meet our funding requirements in a market-wide stress scenario. However, under extreme and unforeseen circumstances a prolonged and severe restriction on our access to liquidity (including as a result of the withdrawal of government and central bank funding and liquidity support, or a change in the structure, term or cost of any such funding or liquidity support) could increase our cost of funding, resulting in a material adverse effect on our profitability or results of operations. Further, such circumstances could affect our ability to meet our financial obligations as they fall due, meet our regulatory minimum liquidity requirements, or fulfill our commitments to lend.

These risks could be exacerbated by many enterprise-specific factors, including an over-reliance on a particular source of funding, changes in credit ratings, or market-wide phenomena such as market dislocation and major disasters. There is also a risk that the funding structure employed by us may prove to be inefficient, giving rise to a level of funding cost that is not sustainable in the long term for us to grow our business or even maintain it at current levels. Our ability to access retail and wholesale funding sources on satisfactory economic terms is subject to a variety of factors outside of our control, such as general market conditions, regulatory requirements and loss of confidence in the UK banking system.

The Government has in recent years provided significant support to UK financial institutions. The continuation and extension of Government schemes designed to support lending may increase or perpetuate competition in the retail lending market, resulting in sustained or intensifying downward pricing pressures and consequent reductions in net interest margins. We also expect to face continued competition in the retail lending market driven by certain ring-fenced banks as they deploy surplus liquidity in lending markets.

We expect to face continuing competition for funding, particularly retail funding on which we are reliant, in the future. Deposit market competition is being driven by smaller lenders with largely non-mortgage loan books whose high asset yields enable them to offer attractive deposit rates. These potential pressures could be exacerbated over time once the sector seeks to replace the funding it obtains from the Bank of England funding schemes. This competition could further increase, impacting our funding costs and adversely affecting our financial position.

In addition to the factors mentioned above, if sentiment towards banks, building societies and/or other financial institutions operating in the United Kingdom, including us, were to deteriorate, or if our ratings and/or the ratings of the sector were to be adversely affected, this may have a material adverse impact on the liquidity and funding of all UK financial services institutions, including us. Such a loss of sentiment could also potentially occur as a result of a downgrade to the UK's sovereign rating or loss of confidence in the creditworthiness of the Government more generally. Any declines in those aspects of our business identified by the rating agencies as significant could adversely affect the rating agencies' perception of our credit and cause them to take negative ratings actions. Any downgrade in our credit ratings could adversely affect our liquidity and competitive position, particularly through cash outflows to meet collateral requirements on existing contracts; undermine confidence in our business; increase our borrowing costs; limit our access to the capital markets; or lead to a loss of customers and counterparties willing to trade with us.

Any downgrades may also create new obligations or requirements for us under existing contracts with our counterparties. For example, as at April 4, 2024 we would have needed to provide additional collateral amounting to £0.7 billion in the event of a two notch downgrade (subject to management actions that could be taken to reduce the impact of the downgrades). For further information see the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations—External Credit Ratings.*"

d) Competition

We operate in an intensely competitive UK personal financial services market. We compete mainly with other providers of personal finance services, including banks, building societies and insurance companies. In addition, recent technological advances have allowed new competitors to emerge both from within the traditional financial services arena and from outside it, and continued advances in technology may lead to further new entrants from the fintech sector.

For example, both financial institutions and their non-banking competitors face the risk that payments processing and other banking services could be significantly disrupted by technologies, such as private sector 'stablecoins' and other digital currencies, that require no intermediation. New technologies could require us to spend more to adapt our products, propositions and infrastructure to ensure we remain competitive and can continue to attract and retain new and existing members respectively. Moreover, we will need to ensure our brand remains relevant and attractive to our customers in light of both existing and emerging competition.

Each of the main personal financial services markets in which we operate is mature and relatively slow growing, which intensifies pressure for firms to take market share from competitors if they are to expand. See *"Competition"* below. As a consequence, there is a risk that this will create downward pressure on prices, negatively impacting our ability to deliver our strategic income targets and our financial performance. Competition may also intensify in response to consumer demand, further technological changes, brand relevance and the impact of consolidation among our competitors.

As a member-owned business, we are able to provide a financial benefit to our members through the offer of competitive savings and mortgage products. Our member financial benefit is delivered in the form of differentiated pricing and incentives, which we quantify as the sum of our interest rate differential, member reduced fees and incentives. For the year ended April 4, 2024, we have provided our members with a financial benefit of £1,850 million (April 4, 2023: £1,055 million) supported by strategic pricing of our individual savings accounts ("**ISA**") products and the increases in Bank of England's Bank Rate during the year which have enabled us to provide more value to our savings members. A highly competitive mortgage market, however, limited the financial benefit we could provide for those members.

We are subject to regulation and possible enforcement action by the Competition and Markets Authority (the "**CMA**"). The CMA is central to the enforcement of competition law in the UK, including the Competition Act 1998 (the "**Competition Act**"). The CMA is responsible for the enforcement of infringement of both any prohibited activity under Chapter I or Chapter II of the Competition Act (where civil penalties are imposed on undertakings) and criminal offences committed by individuals under the Enterprise Act 2002 (the so called "cartel offenses"). When conducting an investigation the CMA has the power to require disclosure of information or documents and to carry out 'dawn raids' on company premises. The CMA may also require a company to comply with interim measures whilst the investigation is ongoing. Civil penalties available to the CMA at the conclusion of an investigation include settlement, commitments, infringement decisions, director's disqualification, and financial penalties. Most notably, the CMA has the power to impose penalties of up to 10% of turnover on an undertaking found to have infringed a prohibited activity under Chapter I or Chapter II of the Competition Act. We are not currently subject to any enforcement actions by the CMA.

Certain sectoral regulators have concurrent powers to those of the CMA for those undertakings operating within their respective sectors. The Financial Conduct Authority is the sectoral regulator for the financial markets industry and Payment Services Regulator is the sectoral regulator for the payment systems industry. They have the same enforcement powers as the CMA under the Competition Act.

The CMA launched a full market investigation into competition in the SME banking and personal current account ("**PCA**") markets in November 2014 and published its final report on August 9, 2016, followed by the Retail Banking Market Investigation Order 2017 on February 2, 2017. The key final remedies include: the introduction of "Open Banking", the publication of service quality information and customer information prompts. Recommendations were also made regarding improvements to current account switching, monthly maximum charges for PCA overdraft users, overdraft notifications and additional measures to assist small business in comparing the different products available. The FCA has also undertaken market reviews in each of the major retail product markets and introduced remedies to help customers compare products and switch between products and product providers. These and future recommendations could shift the competitive landscape in the sector and have an adverse impact on our results.

Additionally, the implementation of the Independent Commission on Banking's recommendation to separate retail banking activities from wholesale and investment banking activities was carried out by large banking groups operating in the UK in 2019 and has reduced the distinctiveness of the building society model, which we consider to be a competitive advantage. We are not currently subject to the ring-fencing requirements but this framework has altered the business models of ring-fenced banks and may therefore continue to adversely affect our competitive position and that of other mutual institutions. We believe that ring fencing has trapped surplus deposits on the balance sheets of several major UK retail banks which seek to deploy this liquidity in lending markets, which in the medium term is driving further price competition, particularly in mortgages. This has depressed margins across the UK banking sector and more recently has resulted in some smaller participants stepping back from the market.

We continue to experience heightened competition across our products, with excess liquidity among our peer group continuing to put pressure on mortgage margins. There are also new entrants looking to compete primarily via digital channels, including well established financial services companies, seeking to gain a share of the current account market. Additionally, the rise of digital banking is changing customer expectations of the availability of banking services. As digital changes make transactions easier and more convenient, we expect customers to transact more frequently, and in many different ways. The pandemic has further accelerated the digital transformation, and we invested in building greater capacity and resilience into our payments platform, systems and controls. Upgrading systems comes with some risk, and we experienced some payments outages linked to the upgrades. We may not be able to manage service provision ahead of rising customer expectations or may have competitors who are more successful in meeting demand for digital banking services, both of which may negatively impact our brand relevance.

In addition, if our customer service levels were perceived by the market to be materially below those of competitor UK financial institutions, we could lose existing and potential new business. If we are not successful in retaining and strengthening customer relationships, we may lose market share, incur losses on some or all of our activities or fail to attract new deposits or retain existing deposits, which could have a material adverse effect on our business, financial condition or results of operations.

e) Financial Performance

We seek to maintain a secure and dependable business for our members through, among other things, generating a level of profit sufficient to meet regulatory capital and future business investment requirements and focusing on how we spend members' money through driving a culture of efficiency.

As a member-owned mutual organization, we aim to make the right level of profit to maintain our financial strength and invest for the future, and we balance these longer-term priorities with delivering value to our members through better rates, incentives, and through our product and service propositions. In recent years, our financial planning and stress testing has focused on parameters that have allowed us to calibrate future performance with a view to achieving the right balance between distributing value to members, investing in the business and maintaining financial strength, including a target profitability range that would enable sustainable capital strength.

Costs are targeted to remain below cumulative inflation which requires cost efficiencies to be delivered, some of which are already committed and the remainder are supported by a number of planned strategic initiatives. However, there can be no assurance such targeted cost savings can be achieved. Any failure by us to make sufficient profits to maintain our financial strength and invest for the future and/or to achieve our targeted efficiencies could adversely impact our capital ratios and the results of operations.

f) Climate change

The risks associated with climate change are coming under an increasing focus, both in the UK and internationally, from governments, regulators, and large sections of society. These risks include, but are not limited to: physical risks, arising from climate and weather-related events of increasing severity and/or frequency; transition risks resulting from the process of adjustment towards a lower carbon economy; nature risks amplifying the physical and transition risks associated with climate change; and liability and compliance risks arising from experiencing litigation or reputational damage as a result of sustainability issues.

Physical risks from climate change arise from a number of factors and relate to specific weather events and longer term shifts in the climate. The nature and timing of extreme weather events are uncertain but they are increasing in frequency and their impact on the economy is predicted to be more acute in the future. The potential impact on the economy includes, but is not limited to, lower GDP growth, higher unemployment, and significant changes in asset prices and profitability of industries. Physical risks from climate change also impact us specifically, including the flood exposure within our mortgage book which could lead to a decline in the value of the associated properties. In addition, our premises and resilience may also suffer physical damage due to weather events leading to increased costs or lost income for us.

The move towards a low-carbon economy will also create transition risks, due to potential significant and rapid developments in the expectations of policymakers, regulators, and society resulting in policy, regulatory, and technological changes which could impact us directly, as well as have a more indirect impact due to macroeconomic effects on the UK and the EU's energy import dependency, investment costs, energy costs, industrial competitiveness, GDP and employment. These risks may cause the impairment of asset values and impact defaults among retail customers (including through the ability of customers to repay their mortgages, as well as the impact on the value of the underlying property), which could result in currently profitable business deteriorating over the term of agreed facilities.

Nationwide is in the early stages of considering how nature risk is embedded into its Enterprise Risk Management Framework ("**ERMF**"). Nature and climate change are interconnected, with nature loss and degradation potentially compounding the risks associated with climate change. The potential impact on the economy includes, but is not limited to, lower GDP growth, and significant changes in asset prices and profitability of industries. Nature risks are being considered in relation to the material locations for our business operations and supply chain, and not on our lending portfolios.

If we do not adequately embed the management of the risks associated with climate change identified above into our risk framework to appropriately measure, manage and disclose the various financial and operational risks we face as a result of climate change, or fail to adapt our strategy and business model to the changing regulatory requirements and market expectations on a timely basis, this could have an adverse impact on our operations, financial condition and prospects. Furthermore, inadequate climate risk disclosure could result in the loss of our investor base as it may not be perceived to be a green investment. Implications of inadequately managing or disclosing climate-related risk or evidencing progress in line with expectations could also result in potential reputational damage, member attrition or loss of investor confidence.

Governments and regulators may introduce increasingly stringent rules and policies designed to achieve targeted outcomes, which could increase compliance costs for us, drive asset impairments and result in regulatory fines or other action if we are unable to implement adequate reforms sufficiently quickly. How we assess and respond to these developments and challenges could increase our costs of business, and a failure to identify and adapt our business to meet new rules or evolving expectations, or any perception that we are underperforming relative to our competitors, could result in reputational damage and/or the risk of legal claims.

We are committed to a net-zero future. It is our aspiration to support the UK in achieving its ambition to be net-zero by 2050. This aspiration is embedded into our strategy, supported by our Mutual Good Commitment – we aim to build a more sustainable world by supporting progress towards a greener society. Environmental and climate consciousness are also aligned to our mutual purpose. We are a member of the Net-Zero Banking Alliance ("**NZBA**"), and part of the Glasgow Financial Alliance for Net Zero ("**GFANZ**"). As part of this, we set and disclosed intermediate (by 2030) science-based emissions targets in December 2022, across scope 1, 2, and 3 emissions, and in December 2023, we published our inaugural Intermediate (by 2030) net-zero-aligned Transition Plan 2023, detailing the actions and potential actions needed for us to progress towards our targets. Whilst we always considered our intermediate (by 2030) science-based targets to be challenging, the UK's progress towards net-zero, particularly the greening of homes (which has been described in the Climate Change Committee's ("**CCC's**") Progress in Reducing Emissions: 2023 Report to Parliament as 'worryingly slow'), has been much slower than anticipated and has not been at the pace needed to deliver the emissions reductions required to support progress towards our science-based mortgages target. Therefore, we now do not believe that our intermediate (by 2030) science-based target for mortgages will be achieved. Considering this, over the next 12 months, we will reflect on the appropriateness of setting a more realistic intermediate residential mortgages target, giving due consideration to the current UK green homes policy landscape, the outcome of the general election and any policies announced by the new government and the findings from our 0% interest Green Additional Borrowing research.

If we do not adequately embed the management of risks associated with climate change identified above into our risk framework to appropriately measure, manage and disclose the various financial and operational risks we face as a result of climate change, or fail to adapt our strategy and business model to the changing regulatory requirements and market expectations on a timely basis, this could have an adverse impact on our operations, financial condition and prospects. Furthermore, inadequate climate risk disclosure could result in the loss of our investor base as it may not be perceived to be a green investment. Implications of inadequately managing or disclosing climate-related risk or evidencing progress in line with expectations, could also result in potential reputational damage, member attrition or loss of investor confidence.

Governments and regulators may introduce increasingly stringent rules and policies designed to achieve targeted outcomes, which could increase compliance costs for us, drive asset impairments and result in regulatory fines or other action if we are unable to implement adequate reforms sufficiently quickly. How we assess and respond to these developments and challenges could increase our costs of business, and a failure to identify and adapt our business to meet new rules or evolving expectations, or any perception that we are underperforming relative to our competitors, could result in reputational damage and/or risk of legal claims.

g) Financial Reporting

Accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. We must exercise judgment in selecting and applying many of these accounting policies and methods so that they comply with IFRS.

We have identified certain accounting policies in the notes to the audited consolidated financial statements for the year ended April 4, 2024 incorporated by reference in this Registration Document in respect of which significant judgment is required in determining appropriate assumptions and estimates when valuing assets, liabilities, commitments and contingencies. These judgments relate to the assumptions used in the determination of impairment provisions on customer loans and advances (see note 14 to the audited consolidated financial statements as at and for the year ended April 4, 2024), the estimates underlying our determination of provisions for customer redress (see note 27 to the audited consolidated financial statements as at and for the year ended

April 4, 2024) and the assumptions underlying our calculations of retirement benefit obligations (see note 30 to the audited consolidated financial statements as at and for the year ended April 4, 2024).

A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset or reducing a liability. We have established detailed policies and control procedures that are intended to ensure that these judgments (and the associated assumptions and estimates) are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding our judgments and the estimates pertaining to these matters, we cannot guarantee that we will not be required to make changes in accounting estimates or restate prior period financial statements in the future and any such changes or restatements could be material in nature.

From time to time, the International Accounting Standards Board (the "**IASB**") proposes changes to the IFRS, as adopted for use within the UK. These standards govern the preparation of our financial statements. These changes could materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in restating prior period financial statements.

In addition, in response to the Covid-19 pandemic, on April 28, 2020 the European Commission announced a proposed banking package of reforms which includes (amongst other things) a two-year extension of these current transitional arrangements for mitigating the impact of IFRS 9 provisions on regulatory capital. These measures allow banks and building societies to add back to their regulatory capital any increase in new ECL provisions incurred as of January 1, 2020 and recognized in 2020 and 2021 for financial assets which have not defaulted. The proposals were approved in the European Parliament plenary session on June 9, 2020 with phased transitional arrangements ending by 2025.

The IASB may make other changes to financial accounting and reporting standards that govern the preparation of our financial statements, which we may adopt prior to the date on which such changes become mandatory if we determined to be appropriate, or which we may be required to adopt. Any such change in our accounting policies or accounting standards could materially affect our reported financial condition and results of operations.

h) Market risk

Market risk is the risk that the net value of, or net income arising from, our assets and liabilities is impacted as a result of changes in market prices or rates, including interest rates or foreign exchange rates. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realized between lending and borrowing costs. Changes in currency rates, particularly in the sterling-dollar and sterling-euro exchange rates, affect the value of assets and liabilities denominated in foreign currencies and may affect income from assets and liabilities denominated in foreign currency.

The performance of financial markets may cause changes in the value of our investment and liquidity portfolios. Although we have implemented risk management methods designed to mitigate and control market risks to which we are exposed and our exposures are constantly measured and monitored, there can be no assurance that these risk management methods will be effective, particularly in unusual or extreme market conditions. It is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on our financial performance and business operations. Unanticipated market risks could have a material adverse effect on our financial performance or results of operations.

i) Pension Risk

We have funding obligations to several defined benefit pension schemes, of which the Nationwide Pension Fund (the "**Fund**") represents over 99% of the Society's pension obligations. 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 our capital position and may result in increased cash funding obligations to the pension schemes.

In November 2020, Nationwide and the Trustee of the Nationwide Pension Fund entered into an arrangement whereby Nationwide 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.

As the Fund is closed to future accrual, there were no employer contributions made in respect of future benefit accrual during the year.

In 2023, Nationwide and the Trustee agreed to a new Schedule of Contributions following the finalization of the Fund's March 31, 2022 Triennial Valuation. As the Triennial Valuation indicated a funding surplus, a recovery plan requiring employer deficit contributions was not needed. The effective date of the Fund's next Triennial Valuation is March 31, 2025. There were also no employer deficit contributions into the Fund for the year ended April 4, 2024 and none are scheduled for the year ending April 4, 2025. Employer deficit contributions of £1 million were made in respect of the Group's defined benefit scheme in the Nationwide (Isle of Man) Limited subsidiary. As the Fund is closed to future accrual, 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 April 4, 2024 and none are scheduled for the year ending April 4, 2025.

In May 2023, the Fund entered into a longevity swap transaction to manage the scheme's longevity risk in relation to £1.7 billion of pension liabilities, covering approximately 7,000 pensioners. This transaction will provide income to the Fund in the event that pensions are paid out for longer than expected, mitigating the financial impact and reducing the scheme's longevity risk exposure by approximately one third.

The Fund holds £67 million of freehold properties which include ground rents. In November 2023, the Government issued a consultation on potential options for how it could intervene to cap ground rents, as part of its wider leasehold reforms. Developments on this will continue to be monitored to determine the potential impact on the Fund's freehold properties.

Any change in the contributions which we are required to pay in respect of our defined benefit pension schemes, including as a result of a future Triennial Valuation of the Fund, could have a negative impact on our results of operations. In addition, any IAS19 accounting deficit in our defined benefit pension scheme would be reflected in our CET1 capital. Accordingly, an increase in deficit can result in a reduction in our 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, including, in each case, any derivative positions it may hold. The Fund holds a significant proportion of return-seeking assets which 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. Over the long term, the Trustee intends to reduce further the Fund's risk factors, and we actively engage with the Trustee to ensure broad alignment on investment objectives and implementation. Potential risk management initiatives include, but are not limited to, adjusting the asset allocation (reducing the allocation to return-seeking assets and increasing the allocation to liability matching assets), longevity hedging and implementing derivative and other hedging strategies. The above-mentioned risks and failure to successfully implement risk management initiatives could have a material adverse effect on the performance of the Fund, our business, financial condition, results of operations, liquidity and/or prospects.

j) Systemic Risk

Given the high level of interdependence between financial institutions, we are and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. Within the financial services industry, the default of any one institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, as was the case after the bankruptcy of Lehman Brothers in 2008, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. More recently, mid-sized banks in the US have come under similar pressure following the collapse of Silicon Valley Bank and Signature Bank and the subsequent distressed purchase of First Republic Bank by JP Morgan. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by us or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom Nationwide interacts on a daily basis. Systemic risk could have a material adverse effect on our ability to raise new funding and on our business, financial condition, results of operations, liquidity and/or prospects.

2) Regulatory Risks

a) We are subject to extensive legislation and regulation.

We conduct our business subject to ongoing regulation by the PRA and the FCA, which oversee our 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 us to be in compliance across many aspects of activity, including the training, authorization 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 we fail to comply with any relevant regulations, there is a risk of an adverse impact on our 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.

Consumer Duty

For example, on July 27, 2022, the FCA introduced the Consumer Duty which set higher and clearer standards of consumer protection across financial services and requires firms to deliver good outcomes for customers. The Consumer Duty is constituted of four high-level outcomes:

- a new Principle for Businesses, applicable to us, and a new individual conduct rule, applicable to certain of our staff, to "deliver good outcomes for retail customers"; and
- 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.
- four outcomes for the key elements of the firm-consumer relationship, namely (i) the quality of products and services, (ii) price and value, (iii) consumer support and (iv) consumer understanding.

Firms were required to implement the Consumer Duty for all new and existing products and services that were on sale by July 31, 2023. The rules will be extended to closed book products (i.e. those which are no longer on sale) on July 31, 2024.

The Consumer Duty also includes requirements for firms to ensure fees and charges are fair value for money, 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. If we fail to comply with these new rules, there is a risk of an adverse impact on our 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 our control and could materially adversely affect our business or operations.

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

As at the date of this Registration Document it is difficult to predict the full effect that any of these changes and proposals will have on our 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. HM Treasury set out the Government's approach to repealing and replacing retained EU law ("**REUL**") on financial services in December 2022 in the so-called **"Edinburgh Reforms**". The Edinburgh Reforms may result in material changes to the UK regulatory regime. Depending on the specific nature of the requirements and how they are enforced, the changes could have a significant impact on our operations, structure, costs and/or capital requirements. Accordingly, we cannot assure investors that the implementation of any of the foregoing matters will not have a material adverse effect on our operations, business, results, financial condition or prospects.

Furthermore, we cannot assure investors that any other regulatory or legislative changes or any other Governmental interventions that may have been proposed or which may materialize in the future will not have a material adverse effect on our 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 our business or operations.

We are also subject to a number of legal and regulatory reforms that are targeted at more effectively preventing economic crime (including fraud, money laundering, terrorist financing, sanctions contravention, bribery and corruption and the facilitation of tax evasion). While we are committed to operating a business that prevents, deters and detects economic crime in accordance with such requirements, if there are breaches of existing laws and regulations relating to economic crime, we could face significant administrative, regulatory and criminal sanctions as well as reputational damage which may have a material adverse effect on our operations, financial condition or prospects.

We are investing significantly to ensure that we will be able to comply with these developing requirements. If we are unsuccessful in efficiently adopting any requisite new compliance practices, by using a risk-based approach, this may adversely impact our 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, including the Customer Duty. It is possible that further changes may be made to the FCA's Mortgages and Home Finance: Conduct of Business sourcebook ("**MCOB**") as a result of current and future reviews, studies and regulatory reforms which could have a material adverse effect on our 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.

On November 30, 2022, the PRA published Consultation Paper 16/22 on the implementation of the final Basel standards (which the PRA refers to as Basel 3.1) in the UK. Taking into account the publicly-announced implementation timetables in other major jurisdictions, and the need to provide firms with sufficient time to implement the final policies, the PRA has proposed a four and a half-year transitional period for implementation that will become effective on July 1, 2025. The consultation closed on March 31, 2023. The implementation of the final Basel standards may have an impact on our risk management framework, which could adversely affect our business or operations.

b) Capital and liquidity requirements

We are subject to extensive and evolving regulatory capital and liquidity requirements, as further described in "*Supervision and Regulation*".

Changes to the regulatory capital and liquidity requirements, and/or the prudential framework, under which we operate could hinder growth by prescribing more stringent requirements than those with which we currently comply. Our capital ratios may be adversely affected not only by a reduction in our capital (including if we suffer financial losses) but also by changes in the manner in which we are required to calculate our capital and/or the risk-weightings applied to our assets. For example, we are currently authorized to apply an 'internal ratings based' ("**IRB**") approach to calculating our risk-weighted assets. An IRB approach enables an institution to tailor more closely risk-weights to its particular assets than standardized risk-weights, and accordingly in many cases can be expected to be lower than risk-weights which would apply under a standardized approach. Changes to how we apply our IRB model, or which may require us to calculate our risk-adjusted assets on the basis of standardized or loan-to-value-based standardized risk-weights, could have a material adverse impact on our capital ratios, even if we remain profitable. In particular, RWA output floors are due to be implemented through a transitional period, expected from 2025 to 2030. From January 1, 2022, policy statements came into force which changed the industry-wide calibration of IRB models used for calculating RWAs. The new models are designed to ensure less volatility in risk-based capital requirements through periods of economic stress by increasing starting RWAs closer to a through-the-cycle average. As the models are yet to be approved by the PRA, a model adjustment has been made to ensure outcomes are consistent with the revised IRB regulations. The impact of this adjustment was a significant increase in RWAs. In line with other industry participants, we continue to work with the PRA on the precise calibration of the revised IRB models. Although this has reduced our CET1 ratio, our reported CET1 ratio remains well in excess of minimum requirements.

In addition, a failure to adequately manage capital, liquidity and our minimum requirement for own funds and eligible liabilities ("**MREL**") requirements could have a material adverse effect on us. While we monitor current and expected future capital, liquidity and MREL requirements, including having regard to both leverage and RWA-based requirements, and seek to manage and plan our prudential position accordingly and on the basis of current assumptions regarding future capital and liquidity requirements, there can be no assurance that our assumptions will be accurate in all respects or that we will not be required to take additional measures to strengthen our capital or liquidity position.

Effective management of our capital and regulatory authorizations is critical to our ability to operate and grow our business and to pursue our strategy. Any change that limits our ability to manage our balance sheet and capital resources effectively (including, for example, reductions in profits and retained earnings as a result of credit losses, write-downs or otherwise, increases in RWAs (which may be pro-cyclical under the current capital framework, resulting in risk-weighting increasing in economic downturns), delays in the disposal of certain assets or the inability to raise capital or funding through wholesale markets as a result of market conditions or otherwise) could have a material adverse impact on our business, financial condition, results of operations, liquidity and/or prospects.

Furthermore, if we fail, or are perceived to be likely to fail, to meet our minimum regulatory capital, leverage, liquidity requirements, or MREL, including in connection with any stress tests performed by the Bank of England or any other relevant authority, this may result in administrative actions or regulatory sanctions. In addition, any actual or perceived weakness relative to our competitors could result in a loss of confidence, which could result in high levels of withdrawals from our retail deposit base, upon which we rely on for lending and which could have a material adverse effect on our business, financial position or results of operations.

c) We are exposed to the risk of changes in tax legislation and its interpretation and to increases in the rate of corporate and other taxes

Our activities are principally conducted in the UK and we are therefore subject to a range of UK taxes at various rates. Future actions by the Government to increase tax rates or to impose additional taxes would reduce our profitability. Revisions to tax legislation or to its interpretation might also affect our financial condition in the future. In addition, we are subject to periodic tax audits which could result in additional tax assessments relating to past periods of up to six years being made. Any such assessments could be material which might also affect our financial condition in the future.

d) We are exposed to risks relating to the mis-selling of financial products, acting in breach of legal or regulatory principles or requirements and giving negligent advice.

There continues to be significant regulatory scrutiny of the sales practices and reward structures that financial institutions have used when selling financial products. No assurance can be given that we will not incur liability for past, current or future actions, including failure to comply with applicable regulatory requirements, which are determined to have been inappropriate and any such liability incurred could be significant and materially adversely affect our results of operations and financial position. In particular:

- certain aspects of our business may be determined by the Bank of England, the PRA, FCA, HM Treasury, the CMA, the Financial Ombudsman Service (the "**FOS**") or the courts as not being conducted in accordance with applicable laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the Ombudsman's opinion;
- the alleged mis-selling of financial products, including as a result of having sales practices and/or rewards structures that are deemed to have been inappropriate, may result in disciplinary action (including significant fines) or requirements to amend sales processes, withdraw products, or provide redress to affected customers, all of which may require additional provisions to be recorded in our financial statements and could adversely impact future revenues from affected products; and
- we may be liable for damages to third parties harmed by the conduct of our business.

In addition, we face both financial and reputational risk where legal or regulatory proceedings, or complaints before the FOS, or other complaints are brought against us or members of our industry generally in the UK High Court or elsewhere. For example, in August 2010, the Financial Services Authority (the "**FSA**") published a Policy Statement (the "**PS10/12**") on "The Assessment and Redress of Payment Protection Insurance Complaints" (the "**Statement**"). The Statement applies to all types of Payment Protection Insurance (the "**PPI**") policies and followed Consultation Paper (CP10/06). Following publication of the Statement, the British Bankers Association (the "**BBA**") and others requested a judicial review of the FSA's proposed approach to the assessment and redress of complaints in respect of sales of PPI. On April 20, 2011, the High Court ruled in favor of the FSA. The BBA chose not to appeal this ruling and the obligation for firms to comply with PS10/12 resulted in very significant provisions for customer redress made by several UK financial services providers.

We hold 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. Our customer redress charge was £28 million for the year ended April 4, 2024 (year ended April 4, 2023: £9 million release) relating to issues with historical quality control procedures, past sales and administration of customer accounts, and other regulatory matters.

No assurance can be given that we will not incur liability in connection with any past, current or future non-compliance with legislation or regulation. Any such non-compliance could be significant and materially adversely affect our results of operations, financial position or our reputation.

e) We are subject to wide-ranging regulatory action in the event that we are considered likely to fail and our failure poses a threat to the public interest.

In the UK, the Banking Act 2009 as amended (the "**Banking Act**") introduced a package of minimum early intervention and resolution-related tools and powers which the UK resolution authorities may apply in respect of in-scope UK financial institutions, including the Society and our group, and provided for special rules for cross-border groups. Under the Banking Act, substantial powers have been granted to HM Treasury, the Bank of England (including the PRA) and the FCA (together, the "**Authorities**") as part of a special resolution regime (the "**SRR**"). These powers enable the Authorities, among other things, to resolve a bank or building society by means of several resolution tools (the "**Stabilization Options**") in circumstances in which the Authorities consider its failure has become likely and a resolution is considered to be in the public interest. In respect of UK building societies, the relevant tools include:

(i) modified property transfer powers which also refer to cancelation of shares and conferring rights and liabilities in place of such shares;

(ii) in place of the share transfer powers, a public ownership tool which may involve (among other things) arranging for deferred shares in a building society to be publicly owned, cancelation of private membership rights and the eventual winding up or dissolution of the building society; and

(iii) modified bail-in powers such that exercise of the tool may be immediately preceded by the demutualization of the building society through the conversion of it into a company or the transfer of all of our property, rights or liabilities to a company.

In each case, the Banking Act grants additional powers to modify contractual arrangements in certain circumstances and powers for HM Treasury to disapply or modify laws (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively.

The Banking Act also provides that the UK as a last resort, after having assessed and used the Stabilization Options to the maximum extent practicable while maintaining financial stability, and where certain other mandatory conditions of the Banking Act have been satisfied, may provide extraordinary public financial support through additional financial stabilization tools. These consist of the public equity support and temporary public ownership tools. There can be no assurance that investors in any Securities would benefit from such last resort support even if it were provided.

Secondary legislation which defines the scope of application of the Stabilization Options under the SRR to certain "banking group companies" came into force on August 1, 2014. The definition of "banking group company" encompasses certain of our subsidiaries and affiliates, and allows the Stabilization Options under the SRR and the bail-in stabilization power to be applied to any of our group companies that meet the definition of a "banking group company."

In addition, the Banking Act contains a separate power, often referred to as the "write-down and conversion tool", enabling the Authorities – independently of, or in conjunction with, the use of resolution powers – to cancel or transfer CET1 instruments away from the original owners, or write down (including to nil) an institution's AT1 and Tier 2 capital instruments, or to convert them into CET1 instruments, if the Authorities consider that the institution or the group is at the "point of non-viability" and certain other conditions are met. The write-down and conversion tool must be applied before any of the Stabilization Options provided for in the SRR may be used in practice and may be used whether or not the institution subsequently enters into resolution. Additionally, in respect of building societies, the resolution authority may write-down or convert instruments issued by the building society itself or a successor entity formed through exercise of Stabilization Options. Any Securities that are tier 1 or tier 2 own funds instruments could be subject to the write-down and conversion tool.

The SRR may be triggered prior to our insolvency. The purpose of the Stabilization Options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. Accordingly, the Stabilization Options may be exercised if:

(i) the PRA is satisfied that a relevant entity is failing or is likely to fail;

(ii) having regard to timing and other relevant circumstances, the Bank of England determines that it is not reasonably likely that (ignoring the Stabilization Options) action will be taken that will result in the relevant entity no longer failing or being likely to fail;

(iii) the Bank of England considers the exercise of the Stabilization Options to be necessary, having regard to certain public interest considerations (such as the stability of the UK financial system, public confidence in the UK banking system and the protection of depositors); and

(iv) the Bank of England considers that the specific resolution objectives would not be met to the same extent by the winding up of the relevant entity.

It is therefore possible that one or more of the Stabilization Options could be applied prior to the point at which any insolvency proceedings with respect to the relevant entity could be initiated.

The European Banking Authority (the "**EBA**") has published guidelines on the circumstances in which an institution shall be deemed by supervisors and resolution authorities as "failing or likely to fail" within the meaning of Directive 2014/59/EU (the "**Bank Recovery and Resolution Directive**" or "**BRRD**"), as amended by Directive (EU) No. 2019/879 (the "**BRRD II**") (which was broadly transposed into English law by amendments to the Banking Act). The guidelines set out the objective criteria which should apply when supervisors and Authorities make such a determination. While the EBA guidelines are not binding on the Authorities when considering their powers under the Banking Act, the Authorities may continue to have regard to them as part of their deliberations, even now after Brexit.

Additionally, HM Treasury has issued a Code of Practice on the SRR, in accordance with sections 5 and 6 of the Banking Act, which supports the legal framework of the SRR, and provides guidance as to how and in what circumstances the Authorities will use the special resolution tools.

Although the Banking Act provides for conditions to the exercise of any resolution powers and the EBA guidelines and HM Treasury Code of Practice set out objective elements which the Authorities may elect to consider when determining whether an institution is failing or likely to fail and which powers to use, it is uncertain how the Authorities would assess such conditions in any particular situation. The relevant Authorities are also not required to provide any advance notice to holders of Securities of their decision to exercise any resolution power. Therefore, holders of Securities may not be able to anticipate a potential exercise of any such powers nor the potential effect of any exercise of such powers on us or the Securities.

In a letter to the chief financial officers of the major UK banks, the Bank of England discussed the second resolvability assessment cycle of the major UK firms, including the Issuer, in 2023-2024, and its more detailed assessment of firms' preparations for resolution. Utilizing firms' resolution assessment reports submitted in October 2023, it conducted activities to evaluate firms' work to address issues identified as part of the first assessment and continued progress in maintaining and enhancing their ability to achieve the three resolvability outcomes. Although the Bank of England places significant importance on firms' ability to achieve all three resolvability outcomes on a continuing basis, their focus in the second cycle was on the adequate financial resources outcome and firms' capabilities to support a resolution transaction and remove the MREL, valuations, and funding in resolution barriers to resolution.

f) We are required to pay levies under the FSCS and are exposed to future increases in such levies, which might impact our profits.

The FSMA established the FSCS, which pays compensation to eligible customers of authorized financial services firms which are unable, or are likely to be unable, to pay claims against them. For further information, please refer to the section entitled "*Supervision and Regulation.*" Based on our share of protected deposits, Nationwide paid levies to the FSCS to enable the scheme to meet claims against it. The FSCS published its latest levy forecast update for 2024/25 on May 23, 2024.

On June 30, 2023, the PRA published a Policy Statement PS7/23 on depositor protection. In particular, the PRA has amended depositor protection rules to confirm that a trust can hold monies that fall within the scope of the temporary high balance regime and when a surviving joint account holder is entitled to temporary additional protection, among other things. The potential increase of maximum compensation payable to a surviving joint account holder could impact levies payable by the Issuer under the FSCS.

The EU Directive on deposit guarantee schemes (the "**DGSD**") requires EU Member States (including, at the time the DGSD was required to be transposed, the UK) to ensure that by July 3, 2024 the available financial means of the deposit guarantee schemes regulated by it reach a minimum target level of 0.8% of the covered deposits of credit institutions. The schemes are to be funded through regular contributions before the event (ex-ante) to the deposit guarantee schemes (the UK has previously operated an ex-post financing where fees are required after a payment to depositors has occurred). In case of insufficient ex-ante funds, the deposit guarantee scheme will collect immediately after an event (ex-post) contributions from the banking sector and, as a last resort, it will have access to alternative funding arrangements such as loans from public or private third parties. The DGSD requirements were implemented in the UK before the UK's exit from the EU and the regime was subsequently amended to reflect the UK's exit from the EU. We refer to the "Supervision and Regulation" section for a description of the changes implemented to EU legislation retained or assimilated into UK domestic law so that it works effectively after the end of the transition period on December 31, 2020.

The UK requirements implementing DGSD provide, among other things, that the ex-ante contributions are met by funds already collected under the UK bank levy (with the ability, in the case of insufficient funds, to collect immediate ex-post contributions) and changes to the FSCS including the introduction of temporary high balance deposit protection, up to £1 million, for up to twelve months (protection temporarily extended from six to twelve months in response to the impact of Covid-19) from when the amount was deposited for certain limited types of deposits and changes to the types of depositors that are eligible for compensation.

There is a maximum aggregate levy amount of £1.5 billion per year and a limit for compensation costs of 0.5% of total covered deposits (excluding temporary high balances) of all deposit guarantee scheme members. It is possible that future FSCS levies on us may differ from those we have incurred historically, and that such reforms could result in us incurring additional costs and liabilities, which may adversely affect our business, financial conditions and/or results of operations.

There can be no assurance that there will be no further actions taken under the Banking Act that may lead to further claims against the FSCS, and concomitant increased FSCS levies payable by us. Any such increases in our costs and liabilities related to the levy may have a material adverse effect on our results of operations. Further costs and risks may also arise from discussions at governmental levels around the future design of financial services compensation schemes, such as increasing the scope and level of protection and moving to pre-funding of compensation schemes.

The Financial Services and Markets Act 2023 ("**FSMA 2023**") includes provisions that will allow the Bank of England to bring in a new Bank of England levy, which will cover the costs of the Bank of England's monetary policy and financial stability functions. The Bank of England levy will replace the existing cash ratio deposit scheme. The provisions are set to commence on a date to be specified by HM Treasury. HM Treasury will also specify how the Bank of England should determine the amount.

3) Business and Operational Risks

a) Our guidelines and policies for risk management may prove inadequate for the risks faced by our business and any failure to properly manage the risks which it faces could cause harm to us and our business prospects.

The management of financial and operational risks requires, among other things, robust guidelines and policies for the accurate identification and control of a large number of transactions and events. Such guidelines and policies may not always prove to be adequate in practice. We face a wide range of risks in our business activities, including, in particular:

- liquidity and funding risk, see "—*Liquidity and Funding*" above;
- credit risk, which is the risk that a borrower or a counterparty fails to pay interest or to repay the principal on a loan or other financial instrument;
- market risks, in particular interest rate risk as well as foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect our interest rate margin realized between lending and borrowing costs. Changes in currency rates, particularly in the sterling-dollar and sterling-euro exchange rates, affect the value of assets and liabilities denominated in foreign currencies and may affect income from assets and liabilities denominated in foreign currency. The performance of financial markets may also cause changes in the value of our investment and liquidity portfolios. See also, "—*Credit risk*" and "—*Market risk*" above; and operational risk, see "—*Operational risk*" below.

We have a range of tools designed to measure and manage the various risks which we face. Some of these methods, such as value-at-risk analyzes, are based on historic market behavior. The methods may therefore prove to be inadequate for predicting future risk exposure, which may prove to be significantly greater than what is suggested by historic experience. Historical data may also not adequately allow prediction of circumstances arising due to Government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers or other information that is publicly known or otherwise available to us. Such information may not always be correct, updated or correctly evaluated. In addition, even though we constantly measure and monitor our exposures, there can be no assurance that our risk management methods will be effective, particularly in unusual or extreme market conditions. It is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on our financial performance and business operations. Unanticipated economic changes or Government interventions could expose us to increased liquidity and funding risk, credit risk, market risks or operational risk, which could have a material adverse effect on the our business prospects or results of operations.

b) Operational risk

Our success as a financial institution depends on our ability to process a very large number of transactions efficiently and accurately. Operational risk and losses can result from a range of internal and external factors. Internal factors include internal fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorization, failure to comply with regulatory requirements and conduct of business rules and equipment failures, particularly in relation to electronic banking applications. External factors include natural disasters, war, pandemics, terrorist action or the failure of external systems, for example, those of our suppliers or counterparties. These could, for example, prevent our customers from withdrawing cash from our ATMs or from having their salary credited to their accounts with us and, if customers associate their problem with us rather than with the institution causing the problem, this would have an operational and financial impact on our performance. A feature of operational risk is that financial institutions rely on systems and controls such as standard form documentation and electronic banking applications to process high volumes of transactions. As a result, any error in our standard documentation or any defect in our electronic banking applications can be replicated across a large number of transactions before the error or defect is discovered and corrected and this could significantly increase the cost to us of remediating the error or defect, could expose us to the risk of regulatory sanction, unenforceability of contracts and, in extreme cases, could result in significant damage to our reputation.

The impacts of the war in Ukraine are wide reaching and have affected our operational risk profile. Our response to sanctions on Russia has required focus due to the increased size and complexity of the sanctions list. In addition, in line with National Cyber Security Centre ("**NCSC**") guidance, a proactive and proportionate package of measures has been progressed to reflect the changes to the cyber security profile.

Increased digital interconnectivity across our customers and suppliers, and the need for resilient IT systems, including hardware, software, cloud computing services and cyber-security, remains an evolving risk to financial institutions including us. We consider that, within the operation and conduct risks profile, IT resilience and cyber security present the main risks, and we focus on striving to protect service availability and customer data. Our implementation of new systems, infrastructures and processes, alongside the maintenance of legacy systems, introduces a level of operational complexity. In an increasingly digital world, customer expectations are rising, with a significantly lower tolerance of service disruption. Ensuring a highly reliable and widely available service requires resilient IT, business systems and processes. Any loss in the integrity and resilience of key systems and processes, data thefts, cyber-attacks, denial of service attacks or breaches of data protection requirements could significantly disrupt our operations and cause significant financial loss and reputational damage to us. This could in turn result in a loss of confidence in us, potentially resulting in existing customers withdrawing deposits and/or deterring prospective new customers.

Meanwhile the significant rise in data used in digital services increases the complexity and cost of managing data securely and effectively. The rapid growth of digitization and demand for enhanced customer experience leads to greater volumes of data to control. This in turn leads to more complex challenges in ensuring that data is used ethically and appropriately, including in relation to emerging developments in artificial intelligence. Further, the maturity and sophistication of organized cyber-crime continues to increase and has been highlighted by a number of recent attacks in the financial and non-financial sectors, including payment services. Such attacks have also increased the public awareness of cyber-threats. As a result of the continued increasing threat from cyber-crime, security controls have needed to keep pace to prevent, detect and respond to any threats or attacks. The constant threat posed by a cyber-attack directly impacts the existing risks associated with external fraud, data loss, data integrity and availability. Although we maintain measures designed to ensure the integrity and resilience of key systems and processes, we may be the victim of cyber-attacks, including denial of service attacks which could significantly disrupt our operations and the services we provide to our customers or attacks designed to obtain an illegal financial advantage. Any such attack or any other failure in our IT systems could, among other things, cause significant financial loss and reputational damage to us, and could result in a loss of confidence in us, potentially resulting in existing customers withdrawing deposits and/or deterring prospective new customers.

Although we have implemented risk controls and loss mitigation actions, and substantial resources are devoted to technology, developing efficient procedures and staff training, it is not possible to implement procedures which are fully effective in controlling each of the operational risks noted above. If such operational risks are not effectively controlled, we may lose market share or, in extreme cases, risk regulatory sanction or reputational damage.

c) Reputational risk

Our reputation is one of our most important assets and our ability to attract and retain customers and conduct business with our counterparties could be adversely affected to the extent that our reputation or the reputation of the Nationwide brand is damaged. Failure to address, or appearing to fail to address, various issues that could give rise to reputational risk could cause harm to us and our business prospects. Reputational issues include, but are not limited to:

- failing to appropriately address potential conflicts of interest;

- breaching or facing allegations of having breached legal and regulatory requirements (including money laundering and anti-terrorism financing requirements);
- acting or facing allegations of having acted unethically (including having adopted inappropriate sales and trading practices, see "—*We are exposed to risks relating to the mis-selling of financial products, acting in breach of legal or regulatory principles or requirements and giving negligent advice*" below);
- failing or facing allegations of having failed to maintain appropriate standards of customer privacy, customer service and record-keeping;
- technology failures that impact upon customer service and accounts or the failure of intermediaries or third parties on whom we rely;
- limiting hours of or closing branches due to changing customer behavior;
- failing to properly identify legal, operational, conduct, reputational, credit, liquidity and market risks inherent in products offered;
- a failure to identify and respond appropriately to the challenges and threats presented by climate change;
- accusations of greenwashing, or a failure to achieve decarbonization or other environmental and social goals; and
- generally poor business performance.

Any failure to address these or any other relevant issues appropriately could make customers, depositors and investors unwilling to do business with us, which could adversely affect our business, financial condition and results of operations and could damage our relationships with our regulators. We cannot ensure that we will be successful in avoiding damage to our business from reputational risk.

4) Risks related to the Virgin Money Acquisition

a) There can be no assurance that the proposed Virgin Money Acquisition will complete or, if it completes, that it will deliver the benefits anticipated by the Issuer.

On March 21, 2024, the Issuer announced that the board of directors of the Issuer (the "**Nationwide Board**" or "**Board of Directors**") and the board of directors of Virgin Money UK PLC ("**Virgin Money**") (the "**Virgin Money Board**") had agreed the terms of a recommended cash acquisition of the entire issued and to be issued share capital of Virgin Money by the Issuer. See "*Recent developments - Proposed Virgin Money Acquisition*" for more details.

There can be no assurance that the Acquisition will complete. The Acquisition is subject to a number of conditions, including (among other things): sanction by the Court (if the Acquisition proceeds by way of a court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006); and the receipt of regulatory approvals from the PRA, the FCA and the CMA. A number of the conditions to completion of the Acquisition are outside the control of the Issuer. There can be no assurance that these conditions will be satisfied or (where capable of waiver) waived on a timely basis, or at all. Accordingly, the Acquisition remains subject to a number of uncertainties and there can be no assurance that it will be completed within the timeframe and on the terms currently contemplated, or at all, and the Issuer may face increases in its costs to seek to secure completion of the Acquisition.

Whether or not the Acquisition completes, the Issuer has incurred, and will continue to incur, irrecoverable costs (such as advisor fees) associated with the proposed Acquisition. Furthermore, the Acquisition requires the Issuer's senior management team to devote considerable time and resources to planning for the Acquisition and subsequent integration, which may divert attention from normal business operations and evaluating other potential opportunities available to the Issuer.

Should the Acquisition complete, during integration, the Issuer intends to explore opportunities to achieve cost synergies across the combined group (the Combined Group, which term, when used herein, means the Nationwide Group, including the Virgin Money Group, following the Acquisition becoming Effective) where possible. However, there can be no assurance that the Combined Group will identify any such cost synergies or, even if identified, that all or any of such cost synergies will be achieved. In addition, the costs of the Acquisition and subsequent integration may materially exceed the Issuer's expectations. The potential benefits are based on a number of assumptions that are inherently uncertain and subject to risks that could cause the actual results to differ materially from those envisaged by the Issuer. These include, but are not limited to, the following factors:

- the completion of the Acquisition may be delayed, or the Acquisition may not be completed at all;
- regulatory or competition authorities may impose conditions or constraints on the Acquisition, or on the operations of the Combined Group;
- the Issuer intends, over the medium term, to assess the systems of both the Issuer and Virgin Money and rationalize those towards an optimal solution, to fulfill service commitments to the Combined Group's customers. Unforeseen challenges in any such rationalization could prevent or delay the implementation thereof, give rise to complications or errors, result in increased costs, and/or increase the risk of cyber threat, data loss, service outage or other major IT incidents; and
- management time devoted to the integration may distract from the efficiency, accuracy, continuity and consistency of the Combined Group's control, administrative and support functions, such as financing operations, cash management, hedging, insurance, financial control and reporting, information technology, communications and compliance functions.

Any of the above factors may materialize and could have a material adverse effect on the business, financial condition, results of operation or prospects of the Issuer and the Combined Group, if the Acquisition is completed.

b) No inclusion of Virgin Money historical financial information or any pro-forma financial information of the Combined Group in this Registration Document

The Acquisition, if completed, would result in a significant increase in the size of the Issuer's consolidated balance sheet including, in particular, the Issuer's loan book and deposit portfolio. The Issuer does not have, and to date has not had, any control (financially, legally or operationally) over Virgin Money, nor has the Issuer had any oversight over the preparation of the audited financial statements of Virgin Money, or access to said preparation, due to UK competition laws. Accordingly, this Registration Document does not contain or incorporate by reference the audited financial statements of Virgin Money or any other historical financial statements of Virgin Money. Furthermore, this Registration Document does not contain or incorporate by reference any *pro-forma* historical financial information illustrating the combined financial position and results of operation of the Combined Group, given that: (i) at the date of this Registration Document, the Issuer does not control Virgin Money, and therefore does not have direct access to the books and records of Virgin Money; (ii) due to UK competition laws, the Issuer does not currently nor does it expect to ahead of the completion of the Acquisition, have direct access to the books and records of Virgin Money; (iii) while both the Issuer and Virgin Money apply IFRS, their respective accounting policies and classification of primary financial statement items may differ and such differences cannot currently be properly and accurately assessed nor any adjustments made to appropriately align the various financial statement items; and (iv) while both the Issuer and Virgin Money are subject to the prudential supervision of the PRA, there may be differences in the treatment of specific assets, risks, exposures and/or positions for regulatory capital purposes, including under their respective internal models. Accordingly, the Issuer considers that any *pro-forma* historical financial information for the Combined Group, if prepared at this time, would be inherently subject to the risk that it would be inaccurate.

Prospective investors in any Securities should consider that, at the date of this Registration Document, there is uncertainty as to the actual effect that the Acquisition will have on the Issuer's consolidated financial position and results of operations, and there is a risk that the financial condition and results of operations of the Combined Group following the Acquisition, if it completes, may be materially different from that which may be implied by a simple arithmetic combination of the separate historical audited financial statements of the Issuer and Virgin Money, respectively.

c) *Impairment of intangible assets*

Upon completion of the Acquisition, the purchase price allocation prepared in accordance with IFRS 3 "*Business Combinations*" will result in the identification of newly acquired intangible assets. Under IFRS, intangible assets with a finite life are amortized on a straight-line basis over their estimated useful lives and reviewed for impairment whenever there is an indication of impairment. In particular, if the business of the Combined Group following the Acquisition does not develop as expected, impairment charges may be incurred in the future, which could be significant and which could have a material adverse impact on the Combined Group's business and financial condition.

d) *Due diligence conducted by the Issuer may not have revealed all of the risks associated with the Acquisition*

The Issuer cannot be certain that its due diligence investigation has revealed all relevant facts and circumstances that may be necessary or helpful in evaluating the merits of the Acquisition, the existence of which could have a material adverse effect on the financial condition, business, results of operations or prospects of the Issuer or the Combined Group. Such facts and circumstances may include (without limitation): any material actual, contingent or prospective liabilities, including legal, regulatory, pensions and tax liabilities; the level and status of Virgin Money's non-performing assets; regulatory conduct or compliance issues; any issues relating to violations of sanctions, anti-money laundering laws, anti-bribery and corruption laws, or other fraudulent or illegal activities; or any IT system failures or weaknesses, including data breaches. Any such events or circumstances which come to light in the future could, individually or in the aggregate, result in significant additional costs and liabilities that are not described in this Registration Document, have a material adverse effect on the financial condition, business, results of operations or prospects of the Issuer, and/or result in reputational harm.

e) *The structure, capital, leverage, liquidity, and MREL profile of the Combined Group remains uncertain*

While the Issuer intends to seek to integrate Virgin Money gradually, over multiple years, into the Combined Group and, accordingly, in the medium term, the Issuer intends that Virgin Money will continue to operate as a separate legal entity within the Combined Group, with a separate board of directors and a separate banking license held by Clydesdale Bank, there can be no assurance that integration of the Combined Group will proceed as planned.

If the Acquisition proceeds, it will affect the capital, leverage, liquidity, MREL and resolution profile of the Issuer. The Issuer announced that it expects the Combined Group to have a strong proforma capital position upon completion, with a common equity tier 1 ratio of approximately 20% and a leverage ratio of approximately 5% The Issuer also expects the Combined Group's liquidity ratios upon completion to be well in excess of regulatory minimums. This information regarding the estimated pro-forma capital, liquidity and leverage position of the Combined Group represents unaudited estimates prepared by the Issuer using relevant information relating to the Issuer and Virgin Money as at September 30, 2023, adjusted to reflect relevant estimated Acquisition-related costs, including the payment of the exit fee to Virgin Enterprises Limited in respect of the termination of the TMLA and unaudited estimates of the Issuer's management of the position as at September 30, 2024, and Acquisition-related adjustments, including expected fair value and credit adjustments. These estimates are based on a number of assumptions and dependencies, have been prepared by the Issuer for illustrative purposes only and, by their nature, they do not necessarily represent the actual positions which will exist following completion of the Acquisition. Prospective investors should not place reliance on any such estimates and should have regard to the cautionary notes regarding forward-looking statements contained and incorporated by reference in this Registration Document.

Furthermore, while the Issuer does not presently anticipate that the Acquisition will require any immediate changes to the capital structure of the Virgin Money Group or the Combined Group as a whole, the Combined Group will be subject to consolidated prudential supervision by the PRA. The Acquisition is expected to create the second largest provider of mortgages and savings in the UK (as determined by the Issuer based on publicly available information from the Bank of England), which may increase the actual or perceived systemic importance of the Issuer within the UK financial system. If the PRA or the Bank of England were to impose additional capital, leverage, liquidity, MREL or resolution requirements or buffers on the Combined Group, or any other requirements or constraints on the structure or operations of the Combined Group, this could affect the

Issuer's planned integration of Virgin Money, increase the cost of capital of the Combined Group, and/or result in the Issuer incurring additional costs relating to the Acquisition and/or the integration of the Combined Group. Any such outcomes could have a material adverse effect on the financial condition, business, results of operation or prospects of the Combined Group.

CAPITALIZATION AND INDEBTEDNESS

The following is a summary of our consolidated capitalization and indebtedness extracted from our audited consolidated financial statements as at April 4, 2024:

	April 4, 2024
	(£ million)
Consolidated Indebtedness(1)	
Deposits from banks and similar institutions	16,388
Other deposits	4,530
Debt securities in issue	29,599
Total Senior Debt	**50,517**
Subordinated liabilities(1)(2)(6)	**7,225**
Permanent Interest Bearing Shares(1)(3)(4)	**173**
Members' Funds	
CCDS(1)	1,157
Other equity instruments(1)	1,336
General reserve	15,119
Revaluation reserve	36
Cash flow hedge reserve	127
Fair value through other comprehensive income reserve	(38)
Other hedging reserve	(51)
UK retail member deposits(1)(4)	193,366
Total members' funds	**211,052**
Total capitalization	**268,967**

Notes:

(1) If we were 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 our AT1 instruments would rank behind those in respect of our PIBS, and the claims in respect of our CCDS would rank behind claims in respect of our AT1 instruments.

(2) For consistency with other indebtedness, accrued interest of £87 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 Society, 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) Our rules provide that members may withdraw all or any of their 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 Nationwide 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 eight issues maturing 2026, three issues maturing 2027, seven issues maturing 2028, four issues maturing 2029, two issues maturing 2030, one issue maturing 2032, one issue maturing 2033 and one issue maturing in 2036, a number of which are callable ahead of maturity.

During the year ended April 4, 2024, the Group repurchased 657,547 (6.2%) of £1 CCDS at a price of £114.42 per share. The repurchased CCDS were not canceled, instead being retained by the Group. Except as otherwise disclosed in this Registration Document, there has been no material change in our consolidated capitalization, indebtedness, guarantees or contingent liabilities since April 4, 2024.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The following tables present selected consolidated information which has been extracted from our audited consolidated financial statements as at and for the years ended April 4, 2024, 2023 and 2022.

The following data should be read in conjunction with our audited consolidated financial statements and the notes thereto incorporated by reference herein as well as the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*":

	For the year ended April 4,			
	2024[(1)]	2024	2023	2022
	($ million)		*(£ million)*	
Income Statement Data:				
Interest receivable and similar income....	17,631	14,025	8,825	4,512
Interest expense and similar charges.......	(12,037)	(9,575)	(4,327)	(950)
Net interest income	**5,594**	**4,450**	**4,498**	**3,562**
Fee and commission income..................	536	426	432	475
Fee and commission expense.................	(367)	(292)	(311)	(218)
Other operating income/(expense)..........	101	80	54	48
Gains/(losses)from derivatives and hedge accounting	147	117	(4)	(7)
Total income...	**6,011**	**4,781**	**4,669**	**3,860**
Administrative expenses........................	(3,045)	(2,422)	(2,323)	(2,234)
Impairment (charge)/release on loans and advances to customers...	(141)	(112)	(126)	27
Provisions for liabilities and charges	(160)	(127)	9	(56)
Profit before member reward payment and tax	**2,665**	**2,120**	**2,229**	**1,597**
Member reward payments	(432)	(344)	-	-
Profit before tax....................................	**2,233**	**1,776**	**2,229**	**1,597**
Analyzed as:				
Underlying profit before member reward payment and tax	2,518	2,003	2,233	1,604
Member reward payments	(432)	(344)	-	-
Gains/(losses) from derivatives and hedge accounting	147	117	(4)	(7)
Statutory profit before tax	**2,233**	**1,776**	**2,229**	**1,597**
Taxation...	(598)	(476)	(565)	(345)
Profit after tax......................................	**1,635**	**1,300**	**1,664**	**1,252**

Note:

(1) Dollar amounts are unaudited and have been derived from our audited consolidated financial statements as of and for the year ended April 4, 2024 using the average exchange rate of $1.25712 to £1.

	As at April 4,			
	2024[(1)]	2024	2023	2022
	($ million)		*(£ million)*	
Balance Sheet Data				
Assets:				
Cash	30,189	23,817	25,635	30,221
Loans and advances to banks and similar institutions	3,141	2,478	2,860	3,052
Investment securities	33,631	26,532	27,615	25,484
Derivative financial instruments	7,973	6,290	6,923	4,723
Fair value adjustment for portfolio hedged risk	(4,221)	(3,330)	(5,011)	(2,443)
Loans and advances to customers	270,545	213,440	210,782	208,066
Intangible assets	1,075	848	862	913
Property, plant and equipment	832	656	744	880
Accrued income and prepaid expenses	373	294	302	252
Deferred Tax	138	109	119	59
Current tax assets	68	54	15	33
Other assets	155	122	101	106
Retirement benefit assets	769	607	946	1,008
Total assets	**344,668**	**271,917**	**271,893**	**272,354**
Liabilities and members' interest in equity:				
Shares	245,102	193,366	187,143	177,967
Deposits from banks and similar institutions	20,773	16,388	25,056	36,425
Other deposits	5,742	4,530	5,191	5,208
Fair value adjustment for portfolio hedged risk	63	50	2	11
Debt securities in issue	37,518	29,599	27,626	25,629
Derivative financial instruments	1,839	1,451	1,524	1,428
Other liabilities	873	689	695	668
Provisions for liabilities and charges	189	149	82	153
Accruals and deferred income	513	405	334	299
Subordinated liabilities	9,158	7,225	6,755	8,250
Subscribed capital	219	173	173	187
Deferred Tax	261	206	406	430
Current tax liabilities	—	—	—	—
Core capital deferred shares (CCDS)	1,467	1,157	1,233	1,334
Other equity instruments	1,693	1,336	1,336	1,336
General reserve	19,164	15,119	14,184	12,753
Revaluation reserve	46	36	38	46
Cash flow hedge reserve	161	127	176	184
Other hedging reserve	(65)	(51)	(47)	(43)
Fair value through other comprehensive income reserve	(48)	(38)	(14)	89
Total members' interests, equity and liabilities	**344,668**	**271,917**	**271,893**	**272,354**

Note:

(1) Dollar amounts are unaudited and have been derived from our audited consolidated financial statements as of and for the year ended April 4, 2024 using the closing exchange rate of $1.26755 to £1.

	As at and for the year ended April 4,		
	2024	2023	2022
Other Financial Data		*(percentages)*	
Return on average total assets[(1)]	0.46	0.58	0.44
Net interest margin	1.56	1.57	1.26

	As at and for the year ended April 4,		
	2024	2023	2022
Other Financial Data		*(percentages)*	
Underlying cost income ratio [2]	51.9	49.7	57.8
Ratio of administrative expenses to mean total assets[3]	0.89	0.85	0.83
Capital ratios			
CET1	27.1	26.5	24.1
Total Tier 1	**29.5**	**29.1**	**26.6**
Total regulatory capital	**32.6**	**32.7**	**31.8**
Leverage ratio[4]	6.5	6.0	5.4

Notes:

(1) Return on average total assets represents profit on ordinary activities after tax as a percentage of average total assets. Average balances are based on the balance as at the end of each month during the financial year.

(2) These ratios, which are APMs, are measures of efficiency and present administrative expenses as a proportion of total income.

(3) This ratio represents administrative expenses as a percentage of the average of total assets at the start and end of each period.

(4) The PRA simplified the leverage framework by applying a single Leverage Exposure Measure (LEM), which excludes central bank claims, from January 1, 2022. This metric is used by the PRA for the purposes of supervising the capital adequacy of financial institutions in the UK. The simplification of the leverage framework has resulted in the removal of the CRR leverage ratio, which included central bank claims, from the table. The "UK" prefix that was included in 2021 to distinguish between the two ratios is no longer required and we now only refer to the leverage ratio.

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

The following discussion is based on, and should be read in conjunction with, our selected consolidated financial and operating information and our audited consolidated financial statements incorporated by reference herein. We prepared our financial statements in accordance with IFRS, which differs in certain significant respects from generally accepted accounting principles in the United States.

Overview

We are a building society, regulated by the FCA in relation to conduct of business matters and by the PRA in relation to prudential requirements. Our core business is providing personal financial services, primarily residential mortgage lending funded largely through retail savings. As a mutual organization, other than in respect of a relatively small amount of funding provided by investors in our deferred shares (including our PIBS, AT1 instruments and CCDS), we are not funded by shareholders, which means that we are managed for the benefit of our members, who are our current account, retail savings and residential mortgage customers (as well as the holders of our deferred shares), rather than for equity shareholders. We return value to our members by offering typically higher interest rates on savings and lower interest rates on loans than those offered by our main competitors. As a result, we generally earn lower pre-tax profits than our main competitors, which are primarily banks or other non-mutual organizations. As a mutual organization, we pay no dividends (although we pay periodic investment returns on our CCDS at our discretion and interest on our AT1 and tier 2 capital securities), and our net earnings are put into reserves and constitute CET1 capital for our capital adequacy requirements. For information regarding UK capital adequacy requirements, see the subsection entitled "*—Financial Condition of Nationwide—Capital Resources*" below.

Financial Performance

Underlying profit before tax for the year has remained robust at £2,003 million (April 4, 2023: £2,233 million), with the reduction largely reflecting higher costs and provisions for liabilities and charges. Statutory profit before tax for the year decreased to £1,776 million (April 4, 2023: £2,229 million), after reflecting the inaugural Nationwide Fairer Share payment. The macroeconomic outlook continues to remain uncertain with many of our members facing a cost of living increase, persistent inflation and higher interest rates.

Total underlying income remained broadly stable at £4,664 million (April 4, 2023: £4,673 million) as the increased income from the impact of rising interest rates has been largely offset by a highly competitive mortgage market. Net interest margin (NIM) decreased slightly to 1.56% (April 4, 2023: 1.57%). During the year, a combined £2,194 million of value was delivered to members. This was comprised of member financial benefit of £1,850 million (an increase of £795 million from April 4, 2023: £1,055 million), supported by the strength of our savings rate relative to the market average, and the inaugural Nationwide Fairer Share payment to eligible members of £344 million in June 2023.

Our capital position remains strong. During the year, the CET1 ratio increased to 27.1% (April 4, 2023: 26.5%) as a result of an increase in CET1 capital of £1.1 billion, partially offset by an increase in RWAs of £2.9 billion. The increase in CET1 capital resources was driven by £1.3 billion profit after tax, partially offset by £0.2 billion of capital distributions, while the RWAs increase was predominantly driven by an increase in residential mortgage credit risk RWAs. The leverage ratio increased to 6.5% (April 4, 2023: 6.0%), with Tier 1 capital increasing by £1.1 billion as a result of the CET1 capital movements, and leverage exposure remaining at £249 billion. The CET1 and leverage ratio remain well above the regulatory capital requirements of 12.9% and 4.3%, respectively.

We have continued to support our members' borrowing and lending needs during the year, and as a result have delivered robust growth in our deposit and mortgage balances. Total residential mortgage lending decreased to £26.3 billion for the year (April 4, 2023: £33.6 billion) due to subdued market growth. Our market share of mortgage balances increased to 12.3% in the year ended April 4, 2024 (April 4, 2023: 12.2%). Over the year, customer deposits increased by £6.3 billion (April 4, 2023: £9.1 billion) to £193.4 billion (April 4, 2023: £187.1

billion), as a result of increases in savings balances that were supported by our competitive fixed-rate products and increased levels of accrued and capitalized interest due to higher than average savings rates. Our market share of all deposit balances reduced slightly to 9.5% (April 4, 2023: 9.6%).

Total costs have increased by £99 million to £2,422 million (April 4, 2023: £2,323 million) largely due to inflation and £36 million recognized during the year for the 2024/2025 Bank of England levy.

Credit impairment charges are lower at £112 million for the year (April 4, 2023: £126 million release), reflecting the resilience of our lending, whilst retaining provisions for the continued economic uncertainty and affordability pressure on borrowers.

Impact of Economic Conditions in the UK Generally and Outlook

Residential mortgage arrears have increased from historically low levels, driven by elevated interest rates, but remain well below the industry average. In relation to our mortgage portfolio, a £72 million adjustment to modelled provisions has been held as of April 4, 2024 to reflect an increase to the probability of default to account for ongoing economic uncertainty, including the risks related to higher interest rates. Consumer banking arrears have similarly increased from a low base during the year but remain at historically low levels.

The Group expects the UK economy to return to growth, with inflation reducing towards its target level and house prices increasing slowly. However, the Bank Rate is now expected to remain at an elevated level for longer than previously forecasted and this, coupled with wider geopolitical uncertainties, will put continued pressure on borrowers through higher mortgage rates and possible further inflation. To date borrowers have remained resilient to cost of living increases and whilst arrears are expected to rise from their current levels, they are expected to remain relatively low.

Net Interest Income

Net interest income ("**NII**") decreased by £48 million, or 1.1% in the year ended April 4, 2024 to £4,450 million from £4,498 million in the year ended April 4, 2023. Increases in interest rates during the year led to an increase in net interest margin relating to deposit balances, reflecting the timing and level of pass-through of interest rate changes to savers and current account holders. The increase in deposit interest margin has been offset to some extent by a decline in mortgage net interest margin, which was largely driven by competition within the mortgage market.

The table below shows the calculation of net interest margin for the years ended April 4, 2024, 2023 and 2022.

	For the year ended April 4,		
	2024	2023	2022
	(*£ million, except percentages*)		
Net interest income	4,450	4,498	3,562
Weighted average total assets	285,128	285,610	281,872
Net interest margin	**1.56%**	**1.57%**	**1.26%**

Interest Rate Management

Because the majority of our 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 our interest income and interest expense. Fluctuations in market interest rates, however, give us the opportunity to manage our interest rate margins and, for most of our assets and liabilities, we can re-price the interest rate that we offer, subject to market and competitive pressures.

The table below shows the daily average SONIA rates and average Bank of England base rates for the years ended April 4, 2024, 2023 and 2022.

	For the year ended April 4,		
	2024	2023	2022
		(percentages)	
Daily average SONIA	4.97	2.28	0.15
Average Bank of England base rate	5.04	2.34	0.20

Interest rate risk arises from the mortgage, savings and other financial services products that we offer. The varying interest rate features and maturities of retail products and wholesale funding create exposures to interest risks. This is due to the imperfect matching of variable interest rates, in particular the Bank of England base rate, and timing differences on the re-pricing of assets and liabilities. The risk is managed through the use of derivatives and other appropriate financial instruments and through product design.

Interest rates started to rise in December 2021 to combat higher inflation embedding within the economy. As at April 4, 2022, the rate was 0.75%. The Bank of England Monetary Policy Committee voted to raise its Bank Rate on eleven consecutive occasions since April 2022 to a rate of 5.25% as of October 2023, 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 Rate. This rate is significantly lower than the equivalent standard variable rate charged by our competitors and the SMR onto which our mortgages advanced since April 2009 revert. This has the effect of compressing our 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.

Results of Operations for the Year Ended April 4, 2024 Compared with the Year Ended April 4, 2023

Introduction

During the year, the UK economy continued to face challenges as interest rates were increased with the intent to prevent elevated inflation from becoming an entrenched problem after the surge in global energy and food prices caused in large part by the war in Ukraine. Additionally, the increases to the Bank Rate have raised the cost of borrowing and put further pressure on household affordability. Despite this, Nationwide's observed credit quality and performance have remained broadly stable. Our performance has benefited from the impact of government energy support schemes, with residential mortgages and consumer banking arrears remaining at a low level.

Underlying profit before tax for the year ended April 4, 2024 was £2,003 million (April 4, 2023: £2,233 million), with statutory profit before tax for the year increasing to £1,776 million (April 4, 2023: £2,229 million). This profitability has supported us in maintaining a capital position materially above regulatory requirements, with our CET1 and leverage ratios at 27.1% and 6.5%, respectively (April 4, 2023: 26.5% and 6.0%, respectively).

Our total underlying income remained broadly stable at £4,664 million (April 4, 2023: £4,673 million) as the increased income from the impact of the rising interest rates was largely offset by a highly competitive mortgage market. Our net interest margin ("**NIM**") decreased slightly to 1.56% (April 4, 2023: 1.57%). Member deposit balances increased to £193.4 billion (April 4, 2023: £187.1 billion) with our market share of balances reducing slightly to 9.5% (April 4, 2023: 9.6%). During the year, mortgage balances also increased to £204.5 billion (April 4, 2023:£201.7 billion) with market share increasing to 12.3% (April 4, 2023:12.2%).

Credit impairment charges were lower at £112 million for the year (April 4, 2023: £126 million release), reflecting the resilience of our lending, whilst retaining provisions for the continued economic uncertainty and affordability pressure on borrowers across the UK. Administrative expenses increased by £99 million to £2,422 million (April 4, 2023: £2,323 million), which included £36 million recognized in the year for the 2024/2025 Bank of England levy. The increases have been partially mitigated by efficiencies within strategic investment and the non-repeat of restructuring costs incurred in the prior year.

We maintain a strong liquidity position, with an average Liquidity Coverage Ratio (LCR) of 191% for the 12 months ended April 4, 2024 (April 4, 2023: 180%). We continue to manage our 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 our results are presented to reflect management's view of the underlying results and to provide a clearer representation of our performance.

	For the year ended April 4, 2024			
	Underlying profit	**FSCS and bank levy**	**Gain from derivatives and hedge accounting**	**Statutory profit**
		(£ million)		
Net interest income	4,450	—	—	4,450
Other income	214	—	—	214
Movements on derivatives and hedge accounting[1]	-	—	117	117
Total income	**4,664**	—	**117**	**4,781**
Administrative expenses	(2,422)	—	-	(2,422)
Pre-provision underlying profit	**2,242**	—	**117**	**2,359**
Impairment charge	(112)	—	-	(112)
Provisions for liabilities and charges	(127)	—	-	(127)
Profit before tax[2]	**2,003**	—	**117**	**2,120**

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 we only use 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 our 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 year ended April 4, 2023			
	Underlying profit	**FSCS and bank levy**	**Gain from derivatives and hedge accounting**	**Statutory profit**
		(£ million)		
Net interest income	4,498	—	—	4,498
Other income	175	—	—	175
Movements on derivatives and hedge accounting	—	—	(4)	(4)
Total income	**4,673**	—	**(4)**	**4,669**
Administrative expenses	(2,323)	—	—	(2,323)
Pre-provision underlying profit	**2,350**	—	**(4)**	**2,346**
Impairment charge	(126)	—	—	(126)
Provisions for liabilities and charges	9	—	—	9
Profit before tax	**2,233**	—	**(4)**	**2,229**

The following discussion considers our results for the year ended April 4, 2024 compared to our results for the year ended April 4, 2023:

Total income

Our total income increased to £4,781 million in the year ended April 4, 2024 compared to £4,669 million in the year ended April 4, 2023. The following table sets forth the components of income for the years ended April 4, 2024 and 2023, respectively:

	For the year ended April 4,	
	2024	2023
	(£ million)	
Net interest income	4,450	4,498
Net fees and commissions	134	121
Other operating income	80	54
(Losses) /gains from derivatives and hedge accounting	117	(4)
Total	**4,781**	**4,669**

Net interest income

NII decreased by 1.1% to £4,450 million for the year ended April 4, 2024 compared with £4,498 million for the year ended April 4, 2023. Increases in the interest rates during the year have led to an increase in net interest margin relating to deposit balances, reflecting the timing and level of pass-through of interest rate changes to savers and current account holders. The increase in deposit net interest margin has been offset by an increase in mortgage interest margin, which was moderated by competition within the mortgage market. Member financial benefit has increased, as Nationwide has passed a greater proportion of interest rate rises to savers than the market average.

The following table sets forth the components of net interest income for the years ended April 4, 2024 and 2023, respectively:

	For the year ended April 4,	
	2024	2023
	(£ million)	
Interest and similar income:		
On residential mortgages	6,424	4,904
On other loans	718	602
On investment securities	1	2
On investment securities measured at FVOCI	522	310
On other liquid assets, including reserves at central banks	1,962	1,002
Net income on financial instruments hedging assets in a qualifying hedge accounting relationship	4,335	1,956
Interest on net defined benefit pension surplus	44	26
Other interest and similar income	19	23
Total interest and similar income	**14,025**	**8,825**
Interest expense and similar charges:		
On shares held by individuals	(5,217)	(1,915)
On subscribed capital	(11)	(11)
On deposits and other borrowings:		
Subordinated liabilities	(277)	(272)
Deposits from banks and similar institutions and other deposits	(1,723)	(1,070)
Debt securities in issue	(1,244)	(769)
Net expense on financial instruments hedging liabilities	(1,103)	(290)
Total interest expense and similar charges	**(9,575)**	**(4,327)**
Net interest income	**4,450**	**4,498**

On investment securities

Interest and other income from investment securities comprises interest income earned on the corporate and government investment securities that we purchase for our own account to manage our liquidity portfolios and net realized gains and losses on our sales of these instruments.

Interest and other income from investment securities increased by 68.4% to £522 million for the year ended April 4, 2024, compared with £310 million for the year ended April 4, 2023.

Net income 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 income on financial instruments hedging assets in a qualifying hedge accounting relationship." In the year ended April 4, 2024, we generated a net income of £4,335 million on these instruments, compared with a net expense of £1,956 million in the year ended April 4, 2023.

Interest expense and similar charges

The average interest rate that we paid to UK retail member depositors increased to 2.72% for the year ended April 4, 2024, compared with 1.04% for the year ended April 4, 2023. Member deposit balances increased by £6.3 billion to £193.4 billion (April 4, 2023: £187.1 billion) while our market share of balances reduced slightly to 9.5% (April 4, 2023: 9.6%).

On deposits and other borrowings

Interest expense on deposits and other borrowings includes interest that we pay on subordinated debt instruments and other deposits and borrowings. In the year ended April 4, 2024, interest on subordinated liabilities increased to £277 million from £272 million in the year ended April 4, 2023. Average balances decreased by £495 million to £6,900 million in the year ended April 4, 2024 from £7,395 million in the year ended April 4, 2023.

Other interest expense on deposits and other borrowings includes the interest that we pay on retail deposits by non-members, deposits from other banks and other money market deposits. In the year ended April 4, 2024, other interest expense on deposits and other borrowings increased by 61.0% to £1,723 million from £1,070 million in the year ended April 4, 2023. The increase was due primarily to increases in interest rates.

Debt securities in issue

Debt securities in issue include interest that we pay on certificates of deposit, time deposits, commercial paper, covered bonds, medium-term notes and securitizations. In the year ended April 4, 2024, interest expense on debt securities in issue increased by 61.8% to £1,244 million from £769 million in the year ended April 4, 2023. The increase was due to a number of factors, including higher rates on new issuances and increase in book size.

Net expense on financial instruments hedging liabilities

We use 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 expense on financial instruments hedging liabilities." In the year ended April 4, 2024, net expense on financial instruments used to hedge our fixed rate liabilities was £1,103 million, compared with £290 million in the prior year ended April 4, 2023.

Net fees and commissions

The following table sets forth the components of net fees and commissions for the years ended April 4, 2024 and 2023 respectively:

	For the year ended April 4,					
	2024			2023		
	Income	Expense	Net	Income	Expense	Net
	(£ million)					
Current account and savings	300	(234)	66	288	(251)	37
General insurance	34	-	34	27	-	27
Protection and investments	33	-	33	44	-	44
Mortgage	12	(20)	(8)	21	(27)	(6)
Credit card	41	(33)	8	44	(25)	19

	For the year ended April 4,					
	2024			2023		
	Income	Expense	Net	Income	Expense	Net
	(£ million)					
Other fees and commissions	6	(5)	1	8	(8)	-
Fee and commission	**426**	**(292)**	**134**	**432**	**(311)**	**121**

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

In the year ended April 4, 2024, net fees and commissions increased by 10.7% to £134 million compared with £121 million in the year ended April 4, 2023.

Other operating income

In the year ended April 4, 2024, other operating income increased by £26 million to a £80 million gain (April 4, 2023: £54 million gain). Other operating income/(expense) in the year ended April 4, 2024 included a £42 million net gain relating to the disposal of the Society's investment advice business.

(Losses)/gains from derivatives and hedge accounting

All derivatives we enter into are recorded on the balance sheet at fair value with any fair value movements accounted for in the income statement. Derivatives, our use of which is regulated by the UK Building Societies Act, are only used to limit the extent to which we 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, we enter 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."

Gains from derivatives and hedge accounting were £117 million in the year ended April 4, 2024 compared to losses of £4 million in the year ended April 4, 2023. These gains were primarily from portfolio hedges of interest rate risk, due to a combination of amortization of existing balance sheet amounts and hedge ineffectiveness. 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 increased in the year ended April 4, 2024 to £2,661 million compared to £2,440 million in the year ended April 4, 2023. This increase was primarily due to an increase in the provisions held to cover the costs of remediation and redress in relation to historical quality control procedures, past sales and administration of customer accounts, and other legal and regulatory matters. The charge of £127 million (April 4, 2023: £9 million release) consists mainly of a provision of £99 million which is the subject of ongoing litigation commenced by the Group against Allen & Overy and Bank of New York Mellon, and the Group expects to recover significant amounts from the defendants. No such amounts have been recognized as at April 4, 2024, on the basis that these are not yet considered to be virtually certain of receipt.

The following table sets forth the components of operating expenses and similar charges for the years ended April 4, 2024 and 2023, respectively:

	For the year ended April 4,	
	2024	2023
	(£ million)	
Administrative expenses	1,961	1,800
Depreciation and amortization	461	523
Total Administrative expenses	**2,422**	**2,323**
Impairment charge on loans and advances to customers	112	126
Provisions for liabilities and charges	127	(9)
Total	**2,661**	**2,440**

Administrative expenses

Administrative expenses have increased by £99 million to £2,422 million (April 4, 2023: £2,323 million). This was primarily due to inflationary increases and £36 million recognized in the year as part of the 2024/25 Bank of England levy. The increases have been partially mitigated by efficiencies within strategic investment and the non-repeat of restructuring costs incurred in the prior year.

The following table sets forth the components of administrative expenses for the years ended April 4, 2024 and 2023, respectively:

	For the year ended April 4,	
	2024	2023
	(£ million)	
Employee costs:		
Wages and salaries	660	597
Bonuses	83	78
Social security costs	86	90
Total	*829*	*765*
Pension costs	168	153
Other administrative expenses	915	862
Total	**1,912**	**1,780**

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 year ended April 4, 2024, wages and salaries, bonuses and social security costs increased to £829 million from £765 million in the year ended April 4, 2023.

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.

In November 2020, Nationwide and the Trustee of the Fund entered into an arrangement whereby Nationwide 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 Nationwide. This was subsequently increased by £0.1 billion in January 2022 and £0.2 billion in July 2022.

Other administrative costs increased by 6.1% to £915 million for the year ended April 4, 2024, from £862 million for the year ended April 4, 2023, primarily due to inflationary increases.

The cost income ratio has increased on an underlying basis to 51.9% (April 4, 2023: 49.7%) as a result of increases in administrative costs and reduction in net interest income.

Depreciation and amortization

For the year ended April 4, 2024 depreciation and amortization expenses decreased by 11.9% to £461 million from £523 million for the year ended April 4, 2023.

Impairment losses on loans and advances to customers

We assess 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 year ended April 4, 2024 were £112 million (April 4, 2023: £126 million).

This includes the impact of the deterioration in the economic outlook, which is reflected in the economic scenarios and associated weightings used to model expected credit losses. However, the underlying arrears performance of our residential mortgage portfolio has improved slightly, with consumer lending arrears marginally deteriorating. An increase in arrears from current levels is expected due to affordability pressures. The following table analyzes the impairment losses on loans and advances to customers for the years ended April 4, 2024 and 2023, respectively:

	For the year ended April 4,	
	2024	2023
	(£ million)	
Residential lending	44	94
Consumer banking	51	31
Retail lending	**95**	**125**
Commercial and other lending	17	1
Impairment losses on loans and advances	**112**	**126**

The following table analyzes the impairment provisions on loans and advances to customers for the years ended April 4, 2024 and 2023, respectively:

Impairment provisions

	For the year ended April 4,	
	2024	2023
	(£ million)	
Residential lending	321	280
Consumer banking	436	469
Retail lending	**757**	**749**
Commercial and other lending	24	16
Total	**781**	**765**

Closing residential mortgage provisions have increased to £321 million (April 4, 2023: £280 million), as stage 3 provisions increased due to the growth in the number of cases more than three months in arrears and adjustments for economic uncertainty being largely maintained.

Provisions for liabilities and charges

	For the year ended April 4,	
	2024	2023
	(£ million)	
FSCS	-	-
Customer redress provisions	24	**40**
Total	**24**	**40**

We hold 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.

At April 4, 2024, we held provisions of £24 million (2023: £40 million) in respect of the potential costs of remediation and redress in relation to issues with historical quality control procedures, past sales and administration of customer accounts, and other matters requiring customer redress.

Taxes

The tax charge for the year of £483 million (April 4, 2023: £565 million) represents an effective tax rate of 26.8 % (April 4, 2023: 25.4%) which is higher than the statutory UK corporation tax rate of 25% (April 4, 2023: 19%). The effective tax rate is higher primarily due to the banking surcharge of £41 million (April 4, 2023: £145 million).

	For the year ended April 4,	
	2024	2023
	(£ million)	
Current tax:		
UK corporation tax	483	565
Adjustments in respect of prior years	(28)	17
Total current tax	**455**	**582**
Deferred tax:		
Current year charge/(credit)	(3)	(4)
Adjustments in respect of prior years	24	(13)
Total deferred taxation	**21**	**(17)**
Statutory tax charge	**476**	**565**

Balance Sheet Review

Total assets have remained stable at £271.9 billion as at April 4, 2024 (2023: £271.9 billion).

Loans and advances to customers

Lending remains predominantly concentrated on high quality secured products, with residential mortgages accounting for 95.6% of our total loans and advances to customers at April 4, 2024 (April 4, 2023: 95.5%).

	As at April 4,			
	2024		2023	
	(£ million, except percentages)			
Prime residential mortgages	160,891	75.5%	157,474	74.9%
BTL and legacy residential mortgages	43,255	20.3%	43,908	20.9%
Total residential mortgages	**204,146**	95.8%	**201,382**	95.8%
Commercial and other lending	5,117	2.4%	5,031	2.4%
Consumer banking	3,827	1.8%	3,939	1.8%
Sub-total	**213,090**	**100%**	**210,352**	**100%**

	As at April 4,	
	2024	2023
	(£ million, except percentages)	
Fair value adjustments for micro hedged risk	350	430
Total	**213,440**	**210,782**

Residential mortgage portfolio

Total gross mortgage lending in the period decreased to £26.3 billion (April 4, 2023: £33.6 billion) due to subdued market growth and representing a market share of 12.3% (April 4, 2023: 12.2%).

Total residential mortgage balances increased to £204.5 billion as at April 4, 2024 (April 4, 2023: £201.7 billion). Owner-occupied mortgage balances increased to £161.0 billion (April 4, 2023: £157.5 billion) and our BTL and legacy residential mortgage balances decreased slightly to £43.5 billion (April 4, 2023: £44.1 billion) in a subdued BTL market.

The average LTV of new lending in the year ended April 4, 2024, weighted by value was 70% (April 4, 2023: 69%). The average LTV of prime new business completed in the period remained broadly stable at 71% (April 4, 2023: 70%). In the BTL portfolio, the average LTV of new business has decreased at 62% (April 4, 2023: 66%). The proportion of new lending at 85% LTV and above has increased to 21% (April 4, 2023: 15%). However, the average LTV has remained broadly stable at 55% (April 4, 2023: 55%). The Nationwide House Price Index showed a 1.6% increase year on year.

Arrears remain relatively low but have increased gradually during the year, with cases more than three months in arrears at 0.41% (April 4, 2023: 0.32%) of the total portfolio. Arrears levels are expected to further increase from current levels as a result of the continued inflationary environment and higher interest rates negatively impacting household finances. Impairment provision balances have increased to £321 million (April 4, 2023: £280 million) primarily due to an increase in the provisions for stage 3 as a result of the growth in the number of cases more than three months in arrears and adjustments for economic uncertainty being largely maintained.

New business by borrower type remains diversified. The proportion of new owner-occupied lending increased to 88% (April 4, 2023: 83%), with the proportion of BTL lending reducing to 12% (April 4, 2023: 17%). This is due to the volume of both house purchases and remortgages reducing in the BTL market due to the increased interest rate environment which has adversely affected landlord sentiment.

	As at April 4,	
	2024	2023
	(percentages)	
LTV distribution of residential mortgages:		
0% - 60%	28	28
60% - 75%	29	35
75% - 80%	9	9
80% - 85%	13	13
85% - 90%	16	12
90% - 95%	5	3
>95%	-	—
Total	**100**	**100**
Average loan to value of stock	55	55
Average loan to value of new business	70	69
New business profile:		
First-time buyers	31	29
Home movers	28	29
Remortgages	28	24
BTL	12	17
Other	1	1

	As at April 4,	
	2024	2023
	(percentages)	
Total	**100**	**100**

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

Total residential balance sheet provisions at April 4, 2024 increased to £321 million, compared with £280 million at April 4, 2023 due to deterioration in the economic assumptions used to model expected credit losses, including an increase in provisions for the impact of increasing interest rates on mortgage affordability.

	As at April 4,	
	2024	2023
Cases three months or more in arrears as (%) of total book of residential mortgages	*(percentages)*	
Prime	0.36	0.29
BTL and legacy	0.60	0.44
Total Group residential mortgages	**0.41**	**0.32**
UK Finance (UKF) industry average [(1)]	**0.94**	**0.72**

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 three months in arrears has increased during the year to 0.41% (April 4, 2023: 0.32%) as a result of the rising cost of living, including higher mortgage payments. Our overall arrears percentage of 0.41% compares favorably with the UK Finance ("**UKF**") industry average of 0.94% (April 4, 2023: 0.72%) as reported by UKF.

The table below shows possessions as a percentage of our total residential mortgages as at April 4, 2024 and April 4, 2023:

	As at April 4,	
	2024	2023
Possessions as (%) of total residential mortgages (number of properties)	*(percentages)*	
Owner-Occupied	0.01	0.01
BTL and legacy	0.07	0.04
Total Group residential mortgages	**0.02**	**0.02**

Our approach to dealing with customers in financial difficulties combined with our historically cautious approach to lending, means that we only take 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 year ended April 4, 2024, the properties taken into possession increased to 369, representing 0.02% of our book compared to the industry average of 0.03%.

The table below provides further information on the residential mortgage portfolio by payment due status as at April 4, 2024 and April 4, 2023:

	As at April 4,							
	2024				2023			
	Prime	BTL and legacy	Total	(%)	Prime	BTL and legacy	Total	(%)
	(£ million, except percentages)							
Not impaired:								
Not past due	159,036	42,524	201,560	98.6	155,849	43,270	199,119	98.7
Past due 0 to 1 month	1,080	418	1,498	0.7	1,044	376	1,420	0.7
Past due 1 to 3 months	352	207	559	0.3	310	213	523	0.3

Past due 3 to 6 months	213	121	334	0.2	155	108	263	0.1
Past due 6 to 12 months	173	101	274	0.1	111	65	176	0.1
Past due 12 months	110	79	189	0.1	76	50	126	0.1
Possession	17	36	53	-	13	22	35	-
Total	**160,981**	**43,486**	**204,467**	**100**	**157,558**	**44,104**	**201,662**	**100**

The balance of cases past due by more than three months has increased to £850 million due to rising interest rates (April 4, 2023: £600 million). There was an increase in possessions to £53 million (April 4, 2023: £35 million).

As at April 4, 2024, the mortgage portfolios include 1,634 (April 4, 2023: 1,329) mortgage accounts, including those in possession, where payments were more than 12 months in arrears. The total principal outstanding in these cases was £218 million (April 4, 2023: £147 million), and the total value of arrears was £35 million (April 4, 2023: £26 million).

Nationwide is committed to supporting borrowers facing financial difficulty by working with them to find a solution through proactive arrears management and forbearance. The Group applies the European Banking Authority ("**EBA**") definition of forbearance. Residential mortgages subject to forbearance at April 4, 2024 were £1,000 million compared to £1,154 million at April 4, 2023. Loans where more than one concession event has occurred are reported under the latest event.

Balances subject to forbearance 2024	**Prime**	**BTL and legacy**	**Total**
		(*£ million*)	
Past term interest only	97	140	237
Interest only concessions	360	20	380
Capitalization	76	17	93
Capitalization – notification of death of borrower	79	118	197
Term extensions (within term)	48	13	61
Permanent interest only conversions	1	31	32
Total forbearance	**661**	**339**	**1,000**
Impairment provision on forborne loans	**15**	**29**	**44**

Balances subject to forbearance 2023	**Prime**	**BTL and legacy**	**Total**
		(*£ million*)	
Past term interest only concessions	101	149	250
Interest only concessions	503	25	528
Capitalization	85	22	107
Capitalization – notification of death of borrower	75	105	180
Term extensions (within term)	41	18	59
Permanent interest only conversions	1	29	30
Total forbearance	**806**	**348**	**1,154**
Impairment provision on forborne loans	**11**	**20**	**31**

The balances outlined above apply to the owner-occupied residential mortgage portfolio. The table below shows outstanding loans as at April 4, in each of 2024 and 2023 that are subject to forbearance in alignment with European Banking Authority definitions.

	As at April 4,			
	2024		**2023**	
	(*£ million*)	(*percentages*)	(*£ million*)	(*percentages*)
Past term interest only concessions	237	23.7%	250	21.7%
Interest only concessions	380	38.0%	528	45.8%
Capitalization	290	29.0%	287	24.9%
Term extensions (within term)	61	6.1%	59	5.1%
Permanent interest only conversions	32	3.2%	30	2.5%
Total forbearance	**1,000**	**100%**	**1,154**	**100%**

The following table presents negative equity on residential mortgages:

	As at April 4,	
	2024	2023
	(£ million)	
Stage 1 and 2	9	10
Stage 3	4	3
Total	**13**	**13**

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 April 4, 2024 and 2023. Loans where more than one concession event has occurred are reported under the latest event.

	As at April 4,	
	2024	2023
	(*£ million*)	
Refinance	-	-
Modifications:		
Payment concession	7	79
Security amendment	-	-
Extension at maturity	14	16
Breach of covenant	163	21
Total	**184**	**116**
Impairment provision on forborne loans	**23**	**14**

Consistent with the European Banking Authority reporting definitions, loans that meet the forbearance exit criteria are not reported as forborne.

Total forborne balances (excluding FVTPL) have increased to £184 million (April 4, 2023: £116 million), comprising of registered social landlords of £41 million (April 4, 2023: nil), CRE of £31 million (April 4, 2023: £50 million) and project finance of £112 million (April 4, 2023: £66 million). The increase is driven by a small number of exposures in this registered social landlord and project finance portfolios, reflecting support measures in response to idiosyncratic risk events. In addition, a £67 million project finance exposure was moved from the payment concession category following a breach of covenant during the period.

The net impairment charge for the year, which reduced to £112 million (April 4, 2023: £126 million), includes the impact of the deterioration in the economic outlook, which is reflected in the economic scenarios and associated weightings used to model expected credit losses. However, the underlying arrears performance of our residential mortgage portfolio has improved slightly, with consumer lending arrears marginally deteriorating. An increase in arrears from current levels is expected due to affordability pressures.

The table below provides details of the consumer banking exposures which are subject to forbearance as at April 4, 2024 and April 4, 2023. Where more than one concession event has occurred, exposures are reported under the latest event.

	Overdrawn current accounts	Personal loans	Credit cards[i]	Total
		(*£ million*)		
2024				
Payment concession	4	-	11	15
Interest suppressed payment concession	26	28	8	62
Balances re-aged/re-written	-	2	2	4
Total forbearance	30	30	21	81
Impairment provision on forborne loans	**12**	**24**	**10**	**46**
2023				
Payment concession	4	—	13	17
Interest suppressed payment arrangement	28	33	9	70
Balances re-aged/re-written	-	2	2	4
Total forbearance	**32**	**35**	**24**	**91**
Impairment provision on forborne loans	**12**	**28**	**12**	**52**

Notes:

(i) The figures as at April 4, 2023 for credit cards have been restated to reflect an update to forbearance definitions during the year ended April 4, 2024, which has resulted in £12 million of payment concessions being classified as forbearance.

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 April 4,	
	2024	**2023**
	(£ million)	
Registered social landlords[(1)]	4,386	4,131
Commercial real estate (CRE)	257	326
Project finance[(2)]	496	537
Commercial balances at amortized cost	**5,139**	**4,994**
Fair value adjustment for micro hedged risk[(3)]	350	430
Commercial lending balances - FVTPL	2	53
Total	**5,491**	**5,477**

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.

(4) FVTPL balances have reduced to £2 million (2023: £53 million) following CRE loan redemptions, with the remaining balance relating to loans to registered social landlords.

During the year, commercial balances have remained largely stable at £5.5 billion (April 4, 2023: £5.5 billion).

Impairment charge/(release) for the year for commercial

	For the year ended April 4,	
	2024	2023
	(£ million)	*(£ million)*
Total	**17**	**1**

Note:

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

During the year, commercial provision charges increased to £17 million (April 4, 2023: £1 million) due to updated case assessments for a small number of individually assessed exposures.

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

Commercial product and staging analysis

	For the year ended April 4,							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	(£ million)							
Gross balances								
Registered social landlords	4,182	204	-	4,386	4,061	70	-	4,131
CRE	221	21	15	257	274	19	33	326
Project finance	402	42	52	496	459	78	-	537
Total	**4,805**	**267**	**67**	**5,139**	**4,794**	**167**	**33**	**4,994**
Provisions								
Registered social landlords	1	-	-	1	1	-	-	1
CRE	-	-	6	6	1	-	6	7
Project finance	-	2	15	17	-	8	-	8
Total	**1**	**2**	**21**	**24**	**2**	**8**	**6**	**16**
Provisions as a (%) of total balance	*(percentages)*							
Registered social landlords	0.01	0.13	-	0.02	0.01	0.26	-	0.02
CRE	0.25	0.33	35.69	2.33	0.19	1.31	18.94	2.13
Project finance	0.03	4.21	30.39	3.57	0.02	10.65	-	1.57
Total	**0.03**	**0.79**	**31.58**	**0.48**	**0.02**	**5.26**	**18.94**	**0.32**

Over the year, the performance of the commercial portfolio has remained broadly stable, with 94% (2023: 96%) of balances in stage 1. Of the £267 million (2023: £167 million) stage 2 loans, which represent 5.2% (2023: 3.3%) of total balances, £1 million (2023: £nil) were in arrears by 30 days or more.

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 (PFI). The stage 2 balance reflects a small number of borrowers in the operational phase of the PFI contract, which are affected by asset-related issues.

Idiosyncratic risk events considered capable with a low risk of loss have resulted in an increase in stage 2 CRE loan balances. The increase in CRE stage 3 provisions to £21 million (2023: £6 million) is predominantly due to the impact of a distressed project finance exposure where a restructuring remains under negotiation.

Credit quality

Our goal is to adopt robust credit management policies and processes to recognize and manage the risks arising from the portfolio,

The credit quality of the CRE portfolio has improved with 88% (April 4, 2023: 73%) of the portfolio balances rated as strong, good, or satisfactory.

Risk grades for the project finance portfolio use the same slotting approach for specialized lending, with 84% (April 4, 2023: 85%) of the exposure rated strong or good as of April 4, 2024.

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 April 4, 2024 of 0.04% (April 4, 2023: 0.04%) across the portfolio.

In addition to the above, £2 million (April 4, 2023: £53 million) of commercial lending balances are classified as FVTPL; CRE £257 million (April 4, 2023: £326 million), registered social landlord £4,386 million (April 4, 2023: £4,131 million), in each case, as of April 4, 2024.

Credit risk concentration by industry sector

Credit risk exposure continues to be spread across the retail, office, residential investment, industrial and leisure sectors. For CRE exposures, excluding FVTPL balances, the largest exposure is to the residential sector, which represents 47% (2023: 39%) of total CRE balances, with a weighted average LTV of 34% (April 4, 2023: 35%). 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. The LTV distribution of CRE balances has remained stable with 91% (April 4, 2023: 91%) of the portfolio having an LTV of 75% or less, and 58% (April 4, 2023: 47%) of the portfolio having an LTV of 50% or less. CRE balances with arrears have reduced to £14 million (April 4, 2023: £18 million). Of these, £9 million (April 4, 2023: £10 million) have arrears greater than 3 months and relate to loans that are in recovery or are being actively managed.

Gross balances subject to forbearance(1)

	As at April 4,	
	2024	**2023**
	(£ million)	
Refinance	-	-
Modifications:		
Payment concession	7	79
Security amendment	-	-
Extension at maturity	14	16
Breach of covenant	163	21
Total	**184**	**116**
Total impairment provision on forborne loans	**23**	**14**

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

Possession balances represent loans against which we have taken ownership of properties pending their sale. Assets over which possession has been taken are realized 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. We do not normally occupy repossessed properties for our business use or use assets obtained in our operations.

Although collateral can be an important mitigant of credit risk, it is our 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, we 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 our exposure to credit risk.

Our 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 our 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 April 4,									
	2024					2023				
	Overdrawn current accounts	Personal loans	Credit cards	Total		Overdrawn current account	Personal loans	Credit cards	Total	
		(£ million)			(%)		*(£ million)*			(%)
Not past due	292	2,164	1,460	3,916	91.9	265	2,386	1,423	4,074	92.4
Past due 0 to 1 month	13	53	18	84	2.0	8	49	14	71	1.6
Past due 1 to 3 months	5	16	9	30	0.7	4	15	8	27	0.6
Past due 3 to 6 months	8	12	6	26	0.6	5	11	6	22	0.5
Past due 6 to 12 months	4	9	1	14	0.3	4	11	1	16	0.4
Past due over 12 months	2	13	-	15	0.3	2	11	—	13	0.3
Charged off [(1)]	23	86	69	178	4.2	22	91	72	185	4.2
Total	**347**	**2,353**	**1,563**	**4,263**	**100.0**	**310**	**2,574**	**1,524**	**4,408**	**100.0**

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.

Consumer banking balances have decreased to £4.3 billion (2023: £4.4 billion). Consumer banking comprises personal loan balances of £2.4 billion (2023: £2.6 billion), credit card balances of £1.6 billion (2023: £1.5 billion) and overdrawn current account balances of £0.3 billion (2023: £0.3 billion).

Consumer banking gross balances

	As at April 4,			
	2024		2023	
	(£ million)	*(percentages)*	*(£ million)*	*(percentages)*
Overdrawn current accounts	347	8	310	7
Personal loans	2,353	55	2,574	58
Credit cards	1,563	37	1,524	35
Total consumer banking	**4,263**	**100**	**4,408**	**100**

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

Impairment charge for the year

	2024	2023
	(£ million)	
Overdrawn current accounts	15	9
Personal loans	37	28
Credit cards	(1)	(6)
Total	**51**	**31**

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 April 4,							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	(£ million)							
Gross balances								
Overdrawn current accounts	187	120	40	347	160	91	59	310
Personal loans	1,274	950	129	2,353	1,378	1,063	133	2,574
Credit cards	1,099	380	84	1,563	845	591	88	1,524
Total	**2,560**	**1,450**	**253**	**4,263**	**2,383**	**1,745**	**280**	**4,408**
Provisions								
Overdrawn current accounts	5	23	36	64	5	21	38	64
Personal loans	10	54	113	177	9	54	117	180
Credit cards	16	105	74	195	11	136	78	225
Total	**31**	**182**	**223**	**436**	**25**	**211**	**233**	**469**
Provisions as a (%) of total balance	*(percentages)*							
Overdrawn current accounts	2.81	18.89	90.00	18.39	3.10	22.90	64.80	20.57
Personal loans	0.76	5.82	86.93	7.54	0.67	5.09	87.66	7.00
Credit cards	1.43	27.52	88.26	12.46	1.25	22.96	88.85	14.73
Total	**1.20**	**12.58**	**87.86**	**10.23**	**1.04**	**12.07**	**83.25**	**10.63**

At April 4, 2024, 60% (April 4, 2023: 54%) of the consumer banking portfolio is in stage 1. Credit performance continues to be strong, with the proportion of total balances in stage 3 decreasing slightly to 5.9% (2023: 6.4%). The reduction in stage 3 balances is primarily due to up to date current account customers, who were granted a six-month 0% interest rate concession during 2023, moving back to stage 1 or 2, twelve months after such concession was granted. 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 6.5% (2023: 6.9%) of gross balances.

During the year, provision balances reduced to £436 million (2023: £469 million) due to the reduction in the estimated impact of inflation on future credit performance. This includes a modelled adjustment to provisions totaling £73 million (2023: £100 million) to reflect the ongoing economic uncertainty, including the higher risks of non-repayment in a high inflation and interest rate environment. As per the prior year, this adjustment has been applied by uplifting the probability of default ("**PD**") on borrowers who are most likely to be impacted by affordability pressures and has resulted in £473 million (2023: £585 million) of balances being moved to stage 2.

Results of Operations for the Year Ended April 4, 2023 Compared with the Year Ended April 4, 2022

Introduction

The UK economy has experienced a period of uncertainty, with rising energy prices driving an increase in the cost of living and contributing to a high inflationary environment throughout the year. Additionally, increases to the Bank Rate have increased the cost of borrowing and put further pressure on household affordability. Despite this, Nationwide's observed credit quality and performance have remained broadly stable. Our performance has benefited from the impact of government energy support schemes, with residential mortgages and consumer banking arrears remaining at a low level relative to recent years.

Underlying profit before tax for the year ended April 4, 2023 was £2,233 million (April 4, 2022: £1,604 million), with statutory profit before tax for the year increasing to £2,229 million (April 4, 2022: £1,597 million). This profitability has supported us in maintaining a capital position materially above regulatory requirements, with our CET1 and leverage ratios at 26.5% and 6.0%, respectively (April 4, 2022: 24.1% and 5.4%, respectively).

Our net interest margin has improved to 1.57% (April 4, 2022: 1.26%). Increases in the Bank Rate have led to an increase in net interest income, reflecting the timing and the level of pass through of interest rate changes to savings products, partially offset by a decline in mortgage net interest income. Member financial benefit has increased, as Nationwide has passed a greater proportion of interest rate rises to savers than the market average.

Over the past financial year, the UK had experienced a deterioration in the economic outlook, with expected future increases in arrears due to affordability pressures. As a result, the credit impairment charges are higher at £126 million for the year (April 4, 2022: £27 million release). However, the credit quality of our lending portfolios remains strong with low levels of arrears. Administrative expenses increased by £89 million to £2,323 million (April 4, 2022: £2,234 million). The costs in the year include £40 million cost of living support to colleagues and customers, and incremental investment in financial crime controls (£16 million) and technology resilience particularly of payment systems (£26 million), to ensure members' money is safe and always accessible. Redundancy costs have increased by £32 million as we create efficiencies within our support functions and other operating costs reduce by £21 million as there is not a repeat of historical fraud losses of £16 million seen in 2022. Depreciation is lower by £72 million largely due to a high one-off charge in 2022 for accelerated amortization (£53 million) relating to the shortening of the useful economic life of specific intangible assets.

We have seen significant net deposit growth of £9.1 billion during the year (April 4, 2022: £7.7 billion), due to competitive new savings product propositions. Our market share of all deposit balances has increased to 9.6% (April 4, 2022: 9.4%). Our total residential mortgage lending reduced to £33.6 billion (April 4, 2022: £36.5 billion). Our market share of mortgage balances was 12.2% (April 4, 2022: 12.4%).

We maintain a strong liquidity position, with an average Liquidity Coverage Ratio (LCR) of 180% for the 12 months ended April 4, 2023 (April 4, 2022: 183%). We continue to manage our 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 our results are presented to reflect management's view of the underlying results and to provide a clearer representation of our performance.

	For the year ended April 4, 2023			
	Underlying profit	**FSCS and bank levy**	**Gain from derivatives and hedge accounting**	**Statutory profit**
		(£ million)		
Net interest income	4,498			4,498
Other income	175			175
Movements on derivatives and hedge accounting[(1)]			(4)	(4)
Total income	**4,673**	—	**(4)**	**4,669**
Administrative expenses	(2,323)	—	—	(2,323)

	For the year ended April 4, 2023			
	Underlying profit	FSCS and bank levy	Gain from derivatives and hedge accounting	Statutory profit
		(£ million)		
Pre-provision underlying profit	**2,350**	—	**(4)**	**2,346**
Impairment release	(126)	—	—	(126)
Provisions for liabilities and charges	9	—	—	9
Profit before tax(2)	**2,233**	—	**(4)**	**2,229**

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 we only use 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 our 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 year ended April 4, 2022			
	Underlying profit	FSCS and bank levy	Gain from derivatives and hedge accounting	Statutory profit
		(£ million)		
Net interest income	3,562			3,562
Other income	305			305
Movements on derivatives and hedge accounting			(7)	(7)
Total income	**3,867**	—	**(7)**	**3,860**
Administrative expenses	(2,234)	—	—	(2,234)
Pre-provision underlying profit	**1,633**	—	**(7)**	**1,626**
Impairment losses	27	—	—	27
Provisions for liabilities and charges	(56)	—	—	(56)
Profit before tax	**1,604**	—	**(7)**	**1,597**

The following discussion considers our results for the year ended April 4, 2023 compared to our results for the year ended April 4, 2022:

Total income

Our total income increased to £4,669 million in the year ended April 4, 2023 compared to £3,860 million in the year ended April 4, 2022. The following table sets forth the components of income for the years ended April 4, 2023 and 2022, respectively:

	For the year ended April 4,	
	2023	2022
	(£ million)	
Net interest income	4,498	3,562
Net fees and commissions	121	257
Other operating income	54	48
Losses from derivatives and hedge accounting	(4)	(7)
Total	**4,669**	**3,860**

Net interest income

NII increased by 26.3% to £4,498 million for the year ended April 4, 2023 compared with £3,562 million for the year ended April 4, 2022. Increases in the Bank Rate have led to an increase in net interest income, reflecting the timing and the level of pass through of interest rate changes to savings products, partially offset by a decline in mortgage net interest income. Member financial benefit has increased, as Nationwide has passed a greater proportion of interest rate rises to savers than the market average.

The following table sets forth the components of net interest income for the years ended April 4, 2023 and 2022, respectively:

	For the year ended April 4,	
	2023	2022
	(£ million)	
Interest and similar income:		
On residential mortgages	4,904	4,278
On other loans	602	531
On investment securities	2	10
On investment securities measured at FVOCI	310	134
On other liquid assets, including reserves at central banks	1,002	109
Net income/ (expense) on financial instruments hedging assets in a qualifying hedge accounting relationship	1,956	(561)
Interest on net defined benefit pension surplus	26	4
Other interest and similar income	23	7
Total interest and similar income	**8,825**	**4,512**
Interest expense and similar charges:		
On shares held by individuals	(1,915)	(456)
On subscribed capital	(11)	(13)
On deposits and other borrowings:		
Subordinated liabilities	(272)	(258)
Deposits from banks and similar institutions and other deposits	(1,070)	(99)
Debt securities in issue	(769)	(449)
Net (expense)/income on financial instruments hedging liabilities	(290)	325
Total interest expense and similar charges	**(4,327)**	**(950)**
Net interest income	**4,498**	**3,562**

On investment securities

Interest and other income from investment securities comprises interest income earned on the corporate and government investment securities that we purchase for our own account to manage our liquidity portfolios and net realized gains and losses on our sales of these instruments.

Interest and other income from investment securities increased by 116.7% to £312 million for the year ended April 4, 2023, compared with £144 million for the year ended April 4, 2022.

Net income/ (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 income/(expense) on financial instruments hedging assets in a qualifying hedge accounting relationship.” In the year ended April 4, 2023, we generated a net income of £1,956 million on these instruments, compared with a net expense of £561 million in the year ended April 4, 2022.

Interest expense and similar charges

The average interest rate that we paid to UK retail member depositors increased to 1.04% for the year ended April 4, 2023, compared with 0.26% for the year ended April 4, 2022. There was also an increase of 3.27% in the average balance of UK retail member deposits held to £182,839 million in the year ended April 4, 2023, from £177,041 million in the year ended April 4, 2022. We continued growth in current accounts, increasing market share of current accounts to 10.4% after maintaining our target level of 10% in 2023.

On deposits and other borrowings

Interest expense on deposits and other borrowings includes interest that we pay on subordinated debt instruments and other deposits and borrowings. In the year ended April 4, 2023, interest on subordinated liabilities increased to £272 million from £258 million in the year ended April 4, 2022. Average balances decreased by £332 million to £7,395 million in the year ended April 4, 2023 from £7,727 million in the year ended April 4, 2022.

Other interest expense on deposits and other borrowings includes the interest that we pay on retail deposits by non-members, deposits from other banks and other money market deposits. In the year ended April 4, 2023, other interest expense on deposits and other borrowings increased by 980.8% to £1,070 million from £99 million in the year ended April 4, 2022. The increase was due to rising interest rates.

Debt securities in issue

Debt securities in issue include interest that we pay on certificates of deposit, time deposits, commercial paper, covered bonds, medium-term notes and securitizations. In the year ended April 4, 2023, interest expense on debt securities in issue increased by 71.3% to £769 million from £449 million in the year ended April 4, 2022. The increase was due to a number of factors, including higher rates on new issuances and increase in book size.

Net (expense)/income on financial instruments hedging liabilities

We use 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 (expense)/income on financial instruments hedging liabilities." In the year ended April 4, 2023, net expense on financial instruments used to hedge our fixed rate liabilities was £290 million, compared with a net income of £325 million in the year ended April 4, 2022.

Net fees and commissions

The following table sets forth the components of net fees and commissions for the years ended April 4, 2023 and 2022 respectively:

	For the year ended April 4,					
	2023			2022		
	Income	Expense	Net	Income	Expense	Net
			(£ million)			
Current account and savings	288	(251)	37	308	(171)	137
General insurance	27	-	27	41	-	41
Protection and investments	44	-	44	58	-	58
Mortgage	21	(27)	(6)	24	(10)	14
Credit card	44	(25)	19	39	(31)	8
Other fees and commissions	8	(8)	-	5	(6)	(1)
Fee and commission	**432**	**(311)**	**121**	**475**	**(218)**	**257**

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

In the year ended April 4, 2023, net fees and commissions decreased by 52.9% to £121 million compared with £257 million in the year ended April 4, 2022.

Other operating income

In the year ended April 4, 2023, other operating income increased by £6 million to a £54 million gain (April 4, 2022: £48 million gain). Other operating income in the year ended April 4, 2023 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-specialized buildings which are not recognized in other comprehensive income.

(Losses)/gains from derivatives and hedge accounting

All derivatives we enter into are recorded on the balance sheet at fair value with any fair value movements accounted for in the income statement. Derivatives, our use of which is regulated by the UK Building Societies Act, are only used to limit the extent to which we 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, we enter 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 £4 million in the year ended April 4, 2023 compared to losses of £7 million in the year ended April 4, 2022. 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 increased in the year ended April 4, 2023 to £2,440 million compared to £2,263 million in the year ended April 4, 2022. The following table sets forth the components of operating expenses and similar charges for the years ended April 4, 2023 and 2022, respectively:

	For the year ended April 4,	
	2023	2022
	(£ million)	
Administrative expenses	1,800	1,639
Depreciation and amortization	523	595
Total Administrative expenses	**2,323**	**2,234**
Impairment charge on loans and advances to customers	126	(27)
Provisions for liabilities and charges	(9)	56
Total	**2,440**	**2,263**

Administrative expenses

Administrative expenses have increased by £89 million to £2,323 million (April 4, 2022: £2,234 million). The costs in the year include £40 million cost of living support to colleagues and customers, and incremental investment in financial crime controls (£16 million) and technology resilience particularly of payment systems (£26 million), to ensure members' money is safe and always accessible. Redundancy costs have increased by £32 million as we create efficiencies within our support functions and other operating costs reduce by £21 million as there is not a repeat of historical fraud losses of £16 million seen in 2022. Depreciation is lower by £72 million largely due to a high one-off charge in 2022 for accelerated amortization (£53 million) relating to the shortening of the useful economic life of specific intangible assets.

The following table sets forth the components of administrative expenses for the years ended April 4, 2023 and 2022, respectively:

	For the year ended April 4,	
	2023	2022
	(£ million)	
Employee costs:		
Salaries, bonuses and social security costs	765	677
Pension costs	153	145

Other administrative expenses	862	801
Total	**1,780**	**1,623**

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 year ended April 4, 2023, salaries, bonuses and social security costs increased to £765 million from £677 million in the year ended April 4, 2022.

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 March 31, 2021.

In November 2020, Nationwide and the Trustee of the Fund entered into an arrangement whereby Nationwide 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 Nationwide. This was subsequently increased by £0.1 billion in January 2022 and £0.2 billion in July 2022.

Other administrative costs increased by 7.6% to £862 million for the year ended April 4, 2023 from £801 million for the year ended April 4, 2022.

The cost income ratio has reduced on an underlying basis to 49.7% (April 4, 2022: 57.8%) as a result of items above.

Depreciation and amortization

For the year ended April 4, 2023 depreciation and amortization expenses decreased by 12.1% to £523 million from £595 million for the year ended April 4, 2022 due to the non-recurrence of 2022 charges relating to accelerated amortization of specific intangible assets of £53 million.

Impairment losses on loans and advances to customers

We assess 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 year ended April 4, 2023 were £126 million (April 4, 2022: release of £27 million).

This includes the impact of the deterioration in the economic outlook, which is reflected in the economic scenarios and associated weightings used to model expected credit losses. However, the underlying arrears performance of our residential mortgage portfolio has improved slightly, with consumer lending arrears marginally deteriorating. An increase in arrears from current levels is expected due to affordability pressures. The following table analyzes the impairment losses on loans and advances to customers for the years ended April 4, 2023 and 2022, respectively:

	For the year ended April 4,	
	2023	2022
	(£ million)	
Residential lending	94	(128)
Consumer banking	31	93
Retail lending	**125**	**(35)**
Commercial and other lending	1	8
Impairment losses on loans and advances	**126**	**(27)**

The following table analyzes the impairment provisions on loans and advances to customers for the years ended April 4, 2023 and 2022, respectively:

Impairment provisions

	For the year ended April 4,	
	2023	2022
	(£ million)	
Residential lending	280	187
Consumer banking	469	529
Retail lending	**749**	**716**
Commercial and other lending	16	30
Total	**765**	**746**

Closing residential mortgage provisions have increased to £280 million (April 4, 2022: £187 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 year ended April 4,	
	2023	2022
	(£ million)	
FSCS	-	-
Customer redress provisions	40	127
Total	**40**	**127**

We hold 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.

At April 4, 2023, we held provisions of £40 million (2022: £127 million) in respect of the potential costs of remediation and redress in relation to issues with historical quality control procedures, past sales and administration of customer accounts, and other regulatory matters.

Taxes

The tax charge for the year of £565 million (April 4, 2022: £345 million) represents an effective tax rate of 25.4% (April 4, 2022: 21.6%) which is higher than the statutory UK corporation tax rate of 19% (April 4, 2022: 19%). The effective tax rate is higher primarily due to the banking surcharge of £145 million (2022: £72 million). The effective tax rate in 2022 was also reduced by the impact of £23 million of non-recurring tax adjustments in respect of prior years.

For the year ended April 4,	
2023	2022

	(£ million)	
Current tax:		
UK corporation tax	565	368
Adjustments in respect of prior years	17	(19)
Total current tax	**582**	**349**
Deferred tax:		
Current year charge/(credit)	(4)	(1)
Adjustments in respect of prior years	(13)	(4)
Effect of deferred tax provided at different tax rates	-	1
Total deferred taxation	**(17)**	**(4)**
Statutory tax charge	**565**	**345**

Balance Sheet Review

Total assets shrank by 0.2% from £272.4 billion as of April 4, 2022 to £271.9 billion as of April 4, 2023, predominantly due to reduced 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 95.5% of our total loans and advances to customers at April 4, 2023 (April 4, 2022: 95.1%).

	As at April 4,			
	2023		2022	
	(£ million, except percentages)			
Prime residential mortgages	157,474	74.9%	154,354	74.4%
BTL and legacy residential mortgages	43,908	20.9%	43,579	21.0%
Total residential mortgages	**201,382**	95.8%	**197,933**	95.4%
Commercial and other lending	5,031	2.4%	5,475	2.6%
Consumer banking	3,939	1.8%	4,109	2.0%
Sub-total	**210,352**	**100%**	**207,517**	**100%**
Fair value adjustments for micro hedged risk	430	-	549	-
Total	**210,782**	**-**	**208,066**	**-**

Residential mortgage portfolio

Gross mortgage lending in the period decreased to £33.6 billion (April 4, 2022: £36.5 billion), representing a market share of 12.2% (April 4, 2022: 12.4%).

Total mortgage balances increased to £201.4 billion as at April 4, 2023 (April 4, 2022: £197.9 billion). Strong mortgage lending resulted in our BTL and legacy residential mortgage balances growing to £43.9 billion (April 4, 2022: £43.6 billion) and our prime mortgage balances increasing to £157.4 billion (April 4, 2022: £154.4 billion).

The average LTV of new lending in the year ended April 4, 2023, weighted by value was 69% (April 4, 2022: 70%). The average LTV of prime new business completed in the period remained broadly stable at 70% (April 4, 2022: 71%). In the BTL portfolio, the average LTV of new business has remained broadly stable at 66% (April 4, 2022: 67%). The proportion of new lending at 85% LTV and above has increased to 15% (April 4, 2022: 13%). However, the average LTV has remained broadly stable at 55% (April 4, 2022: 52%). The Nationwide House Price Index showed a 3.1% decrease year on year.

Arrears remain low and have decreased during the year, with cases more than three months in arrears at 0.32% (April 4, 2022: 0.34%) 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 £280 million (April 4, 2022: £187 million) primarily due to higher interest rate expectations.

New business by borrower type remains diversified. The proportion of prime new lending from remortgages has increased to 24% (April 4, 2022: 20%), reflecting a slower house purchase market alongside some remortgage activity likely to have been brought forward due to the expected future path of interest rates. Buy to let lending reduced as a proportion of all new business to 17% (April 4, 2022: 20%) as the volume of both house purchases and remortgages in the buy to let market reduced due to rising interest rates.

	As at April 4,	
	2023	2022
	(percentages)	
LTV distribution of residential mortgages:		
0% - 60%	28	27
60% - 75%	35	35
75% - 80%	9	11
80% - 85%	13	14
85% - 90%	12	11
90% - 95%	3	2
>95%	—	—
Total	**100**	**100**
Average loan to value of stock	55	52
Average loan to value of new business	69	70
New business profile:		
First-time buyers	29	29
Home movers	29	30
Remortgagers	24	20
BTL	17	20
Other	1	1
Total	**100**	**100**

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

Total residential balance sheet provisions at April 4, 2023 were £280 million, compared with £187 million at April 4, 2022 due to deterioration in the economic assumptions used to model expected credit losses, including an increase in provisions for the impact of increasing interest rates on mortgage affordability.

	As at April 4,	
	2023	2022
Cases three months or more in arrears as (%) of total book of residential mortgages	(percentages)	
Prime	0.29	0.30
BTL and legacy	0.44	0.50
Total Group residential mortgages	**0.32**	**0.34**
UK Finance (UKF) industry average (1)(2)	**0.72**	**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.

(2) The 2023 rate quoted is as at December 2022. The 2022 rate quoted is the December 2021 value. During the year, UKF restated the 2021 industry average arrears rate as a result of improved data reporting. The previously reported 2021 rate was 0.85%.

The proportion of cases more than three months in arrears has decreased during the year to 0.32% (2022: 0.34%). Arrears levels are expected to increase as a result of the rising cost of living but to remain low relative to the industry average. Our overall arrears percentage of 0.32% compares favorably with the UK Finance (“**UKF**”) industry average of 0.72% (April 4, 2022: 0.77%) as reported by UKF.

The table below shows possessions as a percentage of our total residential mortgages as at April 4, 2023 and April 4, 2022:

Possessions as (%) of total residential mortgages (number of properties)	As at April 4, 2023	As at April 4, 2022
	(percentages)	
Prime	0.01	0.00
BTL and legacy	0.04	0.03
Total Group residential mortgages	**0.02**	**0.01**

Our approach to dealing with customers in financial difficulties combined with our historically cautious approach to lending, means that we only take 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 year ended April 4, 2023, the properties taken into possession increased to 246, representing 0.02% of our book compared to the industry average of 0.02%.

The table below provides further information on the residential mortgage portfolio by payment due status as at April 4, 2023 and April 4, 2022:

	As at April 4,							
	2023				2022			
	Prime	BTL and legacy	Total	(%)	Prime	BTL and legacy	Total	(%)
	(£ billion, except percentages)							
Not impaired:								
Not past due	155.9	43.3	199.2	98.7	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	0.2	0.5	0.3	0.3	0.1	0.4	0.2
Past due 3 to 6 months	0.2	0.1	0.3	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	0.0	0.1	0.1	0.1	0.1	0.2	0.1
Possession	0.0	0.0	0.0	—	0.0	0.0	—	—
Total	**157.6**	**44.1**	**201.7**	**100**	**154.4**	**43.7**	**198.1**	**100**

The balance of cases past due by more than three months has stayed broadly stable at £600 million (April 4, 2022: £596 million). There was an increase in possessions to £35 million (April 4, 2022: £19 million).

As at April 4, 2023, the mortgage portfolios include 1,329 (April 4, 2022: 1,924) mortgage accounts, including those in possession, where payments were more than 12 months in arrears. The total principal outstanding in these cases was £147 million (April 4, 2022: £215 million), and the total value of arrears was £26 million (April 4, 2022: £30 million).

Nationwide is committed to supporting borrowers facing financial difficulty by working with them to find a solution through proactive arrears management and forbearance. The Group applies the European Banking Authority ("**EBA**") definition of forbearance. Residential mortgages subject to forbearance at April 4, 2023 were £1,154 million compared to £1,299 million at April 4, 2022. Loans where more than one concession event has occurred are reported under the latest event.

Balances subject to forbearance 2023	Prime	BTL and legacy	Total
		(£ million)	
Past term interest only	101	149	250
Interest only concessions	503	25	528
Capitalization	85	22	107
Capitalization – notification of death of borrower	75	105	180
Term extensions (within term)	41	18	59
Permanent interest only conversions	1	29	30
Total forbearance	**806**	**348**	**1,154**
Impairment provision on forborne loans	**11**	**20**	**31**

Balances subject to forbearance 2022	Prime	BTL and legacy	Total
		(*£ million*)	
Past term interest only concessions	113	141	254
Interest only concessions	639	32	671
Capitalization	88	30	118
Capitalization – 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 April 4, in each of 2023 and 2022 that are subject to forbearance in alignment with European Banking Authority definitions.

	As at April 4,			
	2023		2022	
	(*£ million*)	(*percentages*)	(*£ million*)	(*percentages*)
Past term interest only concessions	250	21.7%	254	19.6%
Interest only concessions	528	45.8%	671	51.7%
Capitalization	287	24.9%	292	22.5%
Term extensions (within term)	59	5.1%	48	3.7%
Permanent interest only conversions	30	2.5%	34	2.5%
Total forbearance	**1,154**	**100%**	**1,299**	**100%**

The following table presents negative equity on residential mortgages:

	As at April 4,	
	2023	2022
	(*£ million*)	
Stage 1 and 2	10	8
Stage 3	3	2
Total	**13**	**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 April 4, 2023 and 2022. Loans where more than one concession event has occurred are reported under the latest event.

	As at April 4,	
	2023	2022
	(*£ million*)	
Refinance	-	7
Modifications:		
Payment concession	79	125
Security amendment	-	2
Extension at maturity	16	37
Breach of covenant	21	14
Total	**116**	**185**
Impairment provision on forborne loans	**14**	**27**

Consistent with the European Banking Authority reporting definitions, loans that meet the forbearance exit criteria are not reported as forborne.

Total forborne balances (excluding FVTPL) have reduced to £116 million (April 4, 2022: £185 million), comprising CRE of £50 million (April 4, 2022: £116 million) and project finance of £66 million (April 4, 2022: £69 million). In addition, there are £36 million (April 4, 2022: £36 million) of FVTPL commercial lending balances which are forborne that relate to a single exposure. The net impairment charge for the year of £126 million (April 4, 2022: release of £27 million) includes the impact of the deterioration in the economic outlook, which is reflected in the economic scenarios and associated weightings used to model expected credit losses. However, the underlying arrears performance of our residential mortgage portfolio has improved slightly, with consumer lending arrears marginally deteriorating. An increase in arrears from current levels is expected due to affordability pressures.

The table below provides details of the consumer banking exposures which are subject to forbearance as at April 4, 2023 and April 4, 2022. Where more than one concession event has occurred, exposures are reported under the latest event.

	Overdrawn current accounts	Personal loans	Credit cards	Total
2023		*(£ million)*		
Payment concession	4	—	1	5
Interest suppressed payment concession	28	33	9	70
Balances re-aged/re-written	-	2	2	4
Total forbearance	**32**	**35**	**12**	**79**
Impairment provision on forborne loans	**12**	**28**	**8**	**48**
2022				
Payment concession	4	—	1	5
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 April 4,	
	2023	**2022**
	(£ million)	
Registered social landlords[1]	4,131	4,329
Commercial real estate (CRE)	326	513
Project finance[2]	537	611
Commercial balances at amortized cost	**4,994**	**5,453**
Fair value adjustment for micro hedged risk[3]	430	549
Commercial lending balances - FVTPL	53	52
Total	**5,477**	**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.

(4) FVTPL includes CRE balances of £51 million (2022: £50 million) and registered social landlord balances of £2 million (2022: £2 million).

During the year, commercial balances have decreased to £5 billion (April 4, 2022: £6 billion). The reduction has been most significant in this registered social landlords portfolio where loan amortization and repayments exceeded drawdowns on new lending to this sector. The reduction in commercial real estate balances is driven by repayment of loans and exit of defaulted exposures.

Impairment charge/(release) for the year for commercial

	For the year ended April 4,	
	2023	2022
	(£ million)	*(£ million)*
Total	**1**	**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 amortized cost on the balance sheet, with the stage allocation of the exposures, impairment provisions and resulting provision coverage ratio:

Commercial product and staging analysis

	For the year ended April 4,							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	(£ million)							
Gross balances								
Registered social landlords	4,061	70	-	4,131	4,292	37	-	4,329
CRE	274	19	33	326	393	65	55	513
Project finance	459	78	-	537	552	54	5	611
Total	**4,794**	**167**	**33**	**4,994**	**5,237**	**156**	**60**	**5,453**
Provisions								
Registered social landlords	1	-	-	1	1	-	-	1
CRE	1	-	6	7	-	1	13	14
Project finance	-	8	-	8	-	13	2	15
Total	**2**	**8**	**6**	**16**	**1**	**14**	**15**	**30**
Provisions as a (%) of total balance	*(percentages)*							
Registered social landlords	0.01	0.26	-	0.02	0.01	0.16	-	0.01
CRE	0.19	1.31	18.94	2.13	0.15	1.22	23.41	2.80
Project finance	0.02	10.65	-	1.57	0.02	23.40	46.69	2.46
Total	**0.02**	**5.26**	**18.94**	**0.32**	**0.02**	**8.62**	**25.35**	**0.55**

Over the year, the performance of the commercial portfolio has remained stable, with 96% (2022: 96%) of balances in stage 1. Of the £167 million (2022: £156 million) stage 2 loans, which represent 3.3% (2022: 2.9%) of total balances, £nil (2022: £7 million) were in arrears by 30 days or more.

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 (PFI). The stage 2 balance reflects a small number of borrowers in the operational phase of the PFI contract, which are affected by asset-related issues.

Repayment of loans has resulted in the reduction in stage 2 CRE loan balances. Write-offs and a reduction in asset values for remaining impaired loans has resulted in an overall decrease to CRE stage 3 provisions to £6 million (2022: £13 million).

Credit quality

Our goal is to adopt robust credit management policies and processes to recognize 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 amortized cost only.

CRE gross balances by risk grade and provision coverage

	For the year ended April 4,									
	2023					2022				
	Stage 1	Stage 2	Stage 3	Total	Provision Coverage	Stage 1	Stage 2	Stage 3	Total	Provision Coverage
	(£ million)				*(percentages)*	*(£ million)*				*(percentages)*
Strong	171	-	—	171	0.0	258	5	—	263	0.0
Good	97	1	—	98	0.3	107	18	—	125	0.2
Satisfactory	6	2	—	8	2.8	26	16	—	42	0.8
Weak	-	16	1	17	1.5	2	26	1	29	2.6
Impaired	-	-	32	32	19.1	—	—	54	54	23.7
Total	**274**	**19**	**33**	**326**	**2.1**	**393**	**65**	**55**	**513**	**2.8**

The risk grades in the table above are based upon the IRB supervisory slotting approach for specialized 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 85% (April 4, 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 specialized lending, with 85% (April 4, 2022: 90%) of the exposure rated strong or good as of April 4, 2023.

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 April 4, 2023 of 0.04% (April 4, 2022: 0.03%) across the portfolio.

In addition to the above, £53 million (April 4, 2022: £52 million) of commercial lending balances are classified as FVTPL; CRE £51 million (April 4, 2022: £50 million), registered social landlord £2 million (April 4, 2022: £2 million), in each case, as of April 4, 2023.

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 39% (2022: 40%) of total CRE balances, with a weighted average LTV of 35% (2022: 34%). Exposure to office assets has reduced to 21% (2022: 23%) of total CRE balances, with a weighted average LTV of 64% (2022: 58%). The LTV distribution of CRE balances has remained stable with 91% (2022: 91%) of the portfolio having an LTV of 75% or less, and 47% (2022: 61%) of the portfolio having an LTV of 50% or less. CRE balances with arrears have reduced to £18 million (2022: £44 million). Of these, £10 million (2022: £24 million) have arrears greater than 3 months and relate to loans that are in recovery or are being actively managed.

Gross balances subject to forbearance[(1)]

	As at April 4,	
	2023	2022
	(£ million)	
Refinance	-	7
Modifications:		
Payment concession	79	125
Security amendment	-	2
Extension at maturity	16	37
Breach of covenant	21	14
Total	**116**	**185**
Total impairment provision on forborne loans	**14**	**27**

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

Possession balances represent loans against which we have taken ownership of properties pending their sale. Assets over which possession has been taken are realized 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. We do not normally occupy repossessed properties for our business use or use assets obtained in our operations.

Although collateral can be an important mitigant of credit risk, it is our 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, we 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 our exposure to credit risk.

Our 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 our 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 April 4,									
	2023					2022				
	Overdrawn current accounts	**Personal loans**	**Credit cards**	**Total**		**Overdrawn current account**	**Personal loans**	**Credit cards**	**Total**	
		(£ million)			(%)		*(£ million)*			(%)
Not past due	265	2,386	1,423	4,074	92.4	240	2,681	1,377	4,298	92.7
Past due 0 to 1 month	8	49	14	71	1.6	11	35	14	60	1.3

Consumer banking gross balances by payment due status

	As at April 4,									
	2023					2022				
	Overdrawn current accounts	Personal loans	Credit cards	Total		Overdrawn current account	Personal loans	Credit cards	Total	
	(£ million)				(%)	*(£ million)*				(%)
Past due 1 to 3 months	4	15	8	27	0.6	4	11	8	23	0.5
Past due 3 to 6 months	5	11	6	22	0.5	4	16	6	26	0.6
Past due 6 to 12 months	4	11	1	16	0.4	3	8	1	12	0.2
Past due over 12 months	2	11	—	13	0.3	3	9	—	12	0.2
Charged off [(1)]	22	91	72	185	4.2	21	104	82	207	4.5
Total	**310**	**2,574**	**1,524**	**4,408**	**100**	**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.

Consumer banking balances have decreased to £4.4 billion (2022: £4.6 billion). Consumer banking comprises personal loan balances of £2.6 billion (2022: £2.9 billion), credit card balances of £1.5 billion (2022: £1.5 billion) and overdrawn current account balances of £0.3 billion (2022: £0.3 billion).

Consumer banking gross balances

	As at April 4,			
	2023		2022	
	(£ million)	*(percentages)*	*(£ million)*	*(percentages)*
Overdrawn current accounts	310	7	286	6
Personal loans	2,574	58	2,864	62
Credit cards	1,524	35	1,488	32
Total consumer banking	**4,408**	**100**	**4,638**	**100**

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

Impairment charge for the year

	2023	2022
	(£ million)	
Overdrawn current accounts	9	23
Personal loans	28	4
Credit cards	(6)	66
Total	**31**	**93**

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 April 4,							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	(£ million)							
Gross balances								
Overdrawn current accounts	160	91	59	310	121	131	34	286
Personal loans	1,378	1,063	133	2,574	1,735	989	140	2,864

Credit cards	845	591	88	1,524	790	600	98	1,488
Total	**2,383**	**1,745**	**280**	**4,408**	**2,646**	**1,720**	**272**	**4,638**
Provisions								
Overdrawn current accounts	5	21	38	64	4	36	31	71
Personal loans	9	54	117	180	11	60	124	195
Credit cards	11	136	78	225	10	165	88	263
Total	**25**	**211**	**233**	**469**	**25**	**261**	**243**	**529**
Provisions as a (%) of total balance				*(percentages)*				
Overdrawn current accounts	3.10	22.90	64.80	20.57	3.34	27.33	90.86	24.63
Personal loans	0.67	5.09	87.66	7.00	0.62	6.09	88.50	6.80
Credit cards	1.25	22.96	88.85	14.73	1.33	27.51	89.78	17.69
Total	**1.04**	**12.07**	**83.25**	**10.63**	**0.95**	**15.18**	**89.25**	**11.40**

At April 4, 2023, 54% (April 4, 2022: 57%) of the consumer banking portfolio is in stage 1. Credit performance continues to be strong, with the proportion of total balances in stage 3 increasing slightly to 6.4% (2022: 5.9%). £25 million of overdrawn current account balances are included in stage 3 due to these borrowers being granted a six-month 0% interest concession to support them with increased costs of living. 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 6.9% (2022: 7.6%) of gross balances.

During the year ended April 4, 2023, provisions have reduced to £469 million (2022: £529 million). This includes a modelled adjustment to provisions totaling £100 million (2022: £146 million), which reflects a higher risk of non-repayment in a high inflation and interest rate environment. As per the prior year, this adjustment has been applied by uplifting the probability of default ("**PD**") on borrowers who are most likely to be impacted by affordability pressures and has resulted in £585 million (2022: £700 million) of balances being moved to stage 2.

Liquidity and Funding

Funding strategy

Our 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 April 4,		
	2024	**2023**	**2022**
		(£ billion)	
Liabilities:			
Retail funding	193	187	178
Wholesale funding	51	58	67
Capital and reserves	25	24	24
Other	3	3	3
Total	**272**	**272**	**272**
Assets:			
Retail mortgages	204	201	198
Treasury (including liquidity portfolio)	53	56	59
Consumer lending	4	4	4
Commercial lending	5	6	6
Other assets	6	5	6

	As at April 4,		
	2024	2023	2022
		(£ billion)	
Liabilities:			
Total	**272**	**272**	**272**

Managing liquidity and funding risk

We manage liquidity and funding risk within a comprehensive risk framework which includes policies, strategy, limit setting and monitoring, stress testing and robust governance controls. See "*Risk Factors—Economic and Financial Risks— Liquidity and Funding*" for additional information on funding and liquidity risk.

Our management of liquidity and funding risk aims to ensure that at all times there are sufficient liquid assets, both as to amount and quality, to cover cash flow mismatches and fluctuations in funding, to retain public confidence and to enable us to meet financial obligations as they fall due, even during episodes of stress. This is achieved through the management and stress testing of business cash flows and through translation of Board risk appetite into appropriate risk limits. This ensures a prudent funding mix and maturity profile, sufficient levels of high quality liquid assets and appropriate encumbrance levels are maintained.

We continue to maintain sufficient liquid assets, in terms of both amount and quality, to meet daily cash flow needs as well as stressed requirements driven by internal and regulatory liquidity assessments. The composition of the liquid asset buffer (which includes both the on-balance sheet liquidity and investments and excludes encumbered assets) is subject to limits, set by the Board and the ALCO, in relation to issuer, currency and asset type. The liquid asset buffer predominately comprises:

- reserves held at central banks; and
- highly rated debt securities issued by a restricted range of governments, central banks and supranationals.

We also hold a portfolio of other high quality, central bank eligible, covered bonds, RMBS and asset backed securities. Other securities are held that are not eligible for central bank operations but can be monetized through repurchase agreements with third parties or through sale.

For contingent purposes, unencumbered mortgage assets are pre-positioned at the Bank of England which can be used in the Bank of England's liquidity operations if market liquidity is severely disrupted.

At its special meeting ending March 10, 2020, the Monetary Policy Committee voted unanimously for the Bank of England to introduce a new Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises ("**TFSME**"). The scheme is designed to incentivize eligible participants to provide credit to businesses and households to bridge through the current period of economic disruption caused by the outbreak of Covid-19. The scheme includes additional incentives to provide credit to SMEs. The TFSME opened for drawings on April 15, 2020, and as at April 4, 2024, we had TFSME drawings of £9.3 billion.

The CET1 ratio increased to 27.1% (April 4, 2023: 26.5%) as a result of an increase in CET1 capital of £1.1 billion, partially offset by an increase in RWAs of £2.9 billion. The CET1 capital increase was driven by £1.3 billion profit after tax, net of distributions partially offset by £0.2 billion of capital distributions.

On December 23, 2020, EU Regulation 2020/2176 came into force, removing the deduction of certain intangible assets from CET1 resources. The PRA indicated in CP5/21 "Implementation of Basel standards" that they found no credible evidence that software assets would absorb losses effectively in a stress. Subsequently, as part of PS17/21, they confirmed the reversal of this amendment from January 1, 2022 which increased deductible intangible assets thus reducing CET1 capital by £0.5 billion as above.

RWAs increased by £2.9 billion, predominately driven by a £2.8 billion increase in retail mortgage credit risk RWAs. This was due to an increase in residential mortgage balances, in conjunction with a higher portfolio average loss given default (“**LGD**”) linked to property valuations. Operational risk RWAs increased due to rising average income in the previous three financial years. These increases were partially offset by a reduction in other business line credit risk RWAs of £0.6 billion.

In line with the prior year, a model adjustment continues to be included within RWAs to ensure outcomes are consistent with the revised IRB regulations in force from January 1, 2022. The impact of this is a £23.3 billion (2023: £21.4 billion) increase in risk weighted assets, predominantly in relation to retail mortgages. In line with other industry participants, Nationwide continues to engage with the PRA regarding approval and implementation timings.

On February 12, 2021, the PRA published CP5/21 “Implementation of Basel standards”. The purpose of the rules was to implement the remaining Basel international standards. The consultation paper included a revised standardized approach to counterparty credit risk (SA-CCR) and the revised Basel framework for exposures to central counterparties (CCPs) amongst other changes. On July 22, 2021, the PRA published PS17/21 confirming the changes set out in CP5/21, which took effect on January 1, 2022. The changes did not materially impact capital requirements.

The Capital Requirements Directive V (Directive (EU) 2019/878) framework as assimilated into domestic UK law (“**UK CRD V**”) requires firms to calculate a leverage ratio, which is non-risked based, to supplement risk-based capital requirements. The leverage ratio was equal to 6.5% (April 4, 2023: 6.0%), with Tier 1 capital increasing by £1.3 billion as a result of the CET1 capital movements outlined above. In addition, there was a decrease in leverage exposure of £6.1 billion driven by the same movements as described above for RWAs. This position remains in excess of our leverage capital requirement of 4.3%, which comprises a minimum Tier 1 capital requirement of 3.25% and buffer requirements of 1.05%. The buffer requirements include a 0.7% UK countercyclical leverage ratio buffer, in force from July 2023, and a 0.35% additional leverage ratio buffer.

On October 8, 2021, as part of its policy statement PS21/21, the PRA confirmed its intention to simplify the leverage framework by applying a single Leverage Exposure Measure (“**LEM**”) for all purposes from January 1, 2022. This measure aligned to the previous UK leverage exposure definition, which excludes central bank claims.

Liquidity

We monitor our liquidity position relative to internal risk appetite and the regulatory short-term liquidity stress metric, the Liquidity Coverage Ratio (“**LCR**”). Our average LCR over the 12 months ended April 4, 2024 was 191% (April 4, 2023: 180%), which is above the regulatory minimum of 100%.

We also monitor our position against the longer-term funding metric, the Net Stable Funding Ratio (“**NSFR**”). Our NSFR for the four quarters ended April 4, 2024 was 151% (April 4, 2023: 147%) which exceeds the 100% minimum requirement.

Wholesale funding

An analysis of our wholesale funding is set out in the table below:

	As at April 4, 2024		**As at April 4, 2023**	
	(£ billion, except percentages)			
Repos	1.9	4%	2.1	4%
Deposits	9.7	19%	11.0	19%
Certificates of deposit	1.5	3%	1.0	2%
Covered bonds	15.5	31%	14.4	25%
Medium-term notes	11.6	23%	11.1	19%
Securitizations	2.0	4%	2.5	4%

	As at April 4, 2024		As at April 4, 2023	
	(£ billion, except percentages)			
Term Funding Scheme with additional incentives for SMEs (TFSME)	9.3	18%	17.2	29%
Other	(1.0)	(2)%	(1.4)	(2)%
Total	**50.5**	**100%**	**57.9**	**100%**

	As at April 4, 2023		As at April 4, 2022	
	(£ billion, except percentages)			
Repos	2.1	4%	11.1	16%
Deposits	11.0	19%	8.9	13%
Certificates of deposit	1.0	2%	—	—
Covered bonds	14.4	25%	12.9	19%
Medium-term notes	11.1	19%	10.0	15%
Securitizations	2.5	4%	3.0	4%
Term Funding Scheme with additional incentives for SMEs (TFSME)	17.2	29%	21.7	33%
Other	(1.4)	(2)%	(0.3)	0%
Total	**57.9**	**100%**	**67.3**	**100%**

The table below sets out our wholesale funding by currency as at April 4, 2024:

	As at April 4, 2024				
	GBP	**EUR**	**USD**	**Other**	**Total**
			(£ billion)		
Repos	0.1	1.7	0.1	-	1.9
Deposits	9.7	-	-	-	9.7
Certificates of deposit	1.5	-	-	-	1.5
Commercial paper	-	-	-	-	-
Covered bonds	5.7	7.4	1.2	1.2	15.5
Medium term notes	1.5	5.9	2.9	1.3	11.6
Securitizations	1.9	-	0.1	-	2.0
Term Funding Scheme with additional incentives for SMEs (TFSME)	9.3	-	-	-	9.3
Other	-	(0.8)	(0.2)	-	(1.0)
Total	**29.7**	**14.2**	**4.1**	**2.5**	**50.5**

The table below sets out our wholesale funding by currency as at April 4, 2023:

	As at April 4, 2023				
	GBP	**EUR**	**USD**	**Other**	**Total**
			(£ billion)		
Repos	1.4	0.1	0.6	—	2.1
Deposits	11.0	—	—	—	11.0
Certificates of deposit	1.0	—	—	—	1.0
Commercial paper	—	—	—	—	—
Covered bonds	6.0	7.2	—	1.2	14.4
Medium term notes	1.1	4.8	3.9	1.3	11.1
Securitizations	2.3	—	0.2	—	2.5
Term Funding Scheme with additional incentives for SMEs (TFSME)	17.2	—	—	—	17.2
Other	—	(1.1)	(0.2)	(0.1)	(1.4)
Total	**40.0**	**11.0**	**4.5**	**2.4**	**57.9**

The table below sets out our wholesale funding by currency as at April 4, 2022:

	As at April 4, 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	—	—	—	—	—

	As at April 4, 2022				
	GBP	EUR	USD	Other	Total
			(£ billion)		
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
Securitizations	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, we prudently manage the currency mix of our liquid assets to ensure there is no undue reliance on currencies not consistent with the profile of stressed outflows.

At April 4, 2024, cash, government bonds and supranational bonds included in the liquid asset buffer represented 220% (April 4, 2023: 229%) 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 April 4, 2024 and April 4, 2023 respectively:

	As at April 4, 2024		As at April 4, 2023	
	(£ billion, except percentages)			
Less than one year	19.5	38.6%	19.7	34.0%
One to two years	10.1	20.0%	14.1	24.4%
More than two years	20.9	41.4%	24.1	41.6%
Total	50.5	100%	57.9	100%

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

	As at April 4, 2024							
	Not more than one month	Over one month but not more than three months	Over three months but not more than six months	Over six months but not more than one year	Sub-total less than one year	Over one year but not more than two years	Over two years	Total
	(£ billion, except percentages)							
Repos	1.9	-	-	-	1.9	-	-	1.9
Deposits	6.5	1.6	1.2	0.4	9.7	-	-	9.7
Certificates of deposit	1.5	-	-	-	1.5	-	-	1.5
Commercial paper	—	—	—	—	—	—	—	—
Covered bonds	0.1	0.5	-	0.6	1.2	1.5	12.8	15.5
Medium-term notes	-	0.1	0.1	0.8	1.0	3.2	7.4	11.6
Securitizations	0.1	-	-	0.1	0.2	0.2	1.6	2.0
TFSME	-	-	-	4.0	4.0	5.3	-	9.3
Other	-	-	-	-	-	(0.1)	(0.9)	(1.0)
Total	**10.1**	**2.2**	**1.3**	**5.9**	**19.5**	**10.1**	**20.9**	**50.5**
Of which secured	2.1	0.5	-	4.7	7.3	7.0	13.8	28.1
Of which unsecured	8.0	1.7	1.3	1.2	12.2	3.1	7.1	22.4
% of total	**20.0**	**4.3**	**2.6**	**11.7**	**38.6**	**20.0**	**41.4**	**100.0**

	As at April 4, 2023							
	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	2.1	—	—	—	2.1	—	—	2.1
Deposits	7.6	1.6	1.4	0.3	10.9	0.1	—	11.0
Certificates of deposit	1.0	—	—	—	1.0	—	—	1.0
Commercial paper	—	—	—	—	—	—	—	—
Covered bonds	0.8	0.1	—	1.6	2.5	1.1	10.8	14.4
Medium-term notes	0.7	—	—	1.4	2.1	0.8	8.2	11.1
Securitizations	0.7	—	0.2	0.2	1.1	0.3	1.1	2.5
TFSME	—	—	—	—	—	11.9	5.3	17.2
Other	—	—	—	—	—	(0.1)	(1.3)	(1.4)
Total	**12.9**	**1.7**	**1.6**	**3.5**	**19.7**	**14.1**	**24.1**	**57.9**
Of which secured	3.6	0.1	0.2	1.8	5.7	13.3	16.4	35.4
Of which unsecured	9.3	1.6	1.4	1.7	14.0	0.8	7.7	22.5
% of total	**22.3**	**2.9**	**2.8**	**6.0**	**34.0**	**24.4**	**41.6**	**100.0**

External Credit Ratings

Our long-term and short-term credit ratings from the major rating agencies as at the date of this Registration Document 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	March 2024	Stable
Moody's	A1	P-1	A3	Baa1	March 2024	Stable
Fitch	A+	F1	A	BBB+	March 2024	Stable

In October 2021, S&P upgraded our long term issuer credit rating and senior preferred rating to A+ and changed the outlook to stable; all other ratings were unchanged. This followed a change to a positive outlook in June 2021. S&P stated that the upgrade was due to our performance in the last 12 months in reducing costs, writing profitable new business, and maintaining strong asset quality. All ratings were affirmed in January 2022, August 2022, January 2023 and March 2024.

In July 2021, Moody's upgraded our senior non-preferred debt rating to Baa1 from Baa2 following the introduction of Moody's revised Advanced Loss Given Failure framework. All other ratings were affirmed. All ratings were affirmed in February 2022. In October 2022, Moody's affirmed our long term and senior preferred rating and confirmed the stable outlook. At the same time our senior non-preferred, tier 2 and additional tier 1 ratings were all upgraded by one notch. All ratings were affirmed in March 2023 and March 2024.

In July 2021, Fitch revised the outlook on us to stable from negative and affirmed all ratings. The revision of the outlook primarily reflected the revision of Fitch's outlook on the UK's AA- rating to stable. Fitch affirmed the ratings in January 2022, September 2022, January 2023 and March 2024.

Treasury Assets

Our liquidity and investment portfolio held on the balance sheet at April 4, 2024 of £52.8 billion (April 4, 2023: £56.1 billion) is held in two separate portfolios: liquid assets and other securities.

The liquid assets portfolio comprises cash held at central banks, highly rated debt securities issued by a limited range of governments, central banks multi-lateral development banks (referred to as "supranationals"), and government guaranteed agencies. In addition, cash is invested in highly rated liquid assets (covered bonds, residential mortgage backed securities and asset-backed securities) that are eligible for accessing central bank funding operations. The other securities portfolio comprises available for sale investment securities, with movements reflecting legacy asset disposals, market prices and the Group's operational and strategic liquidity requirements.

Our Treasury Credit Policy ensures all credit risk exposures align to the Board's risk appetite with investments restricted to low risk assets and proven market counterparties; an analysis of our on-balance sheet portfolios by credit rating and geographical location of the issuers is set out below.

	As at April 4, 2024									
		Credit Rating				**Geography**				
Liquidity and investment portfolio by credit rating[(1)]:	**£ million**	**AAA**	**AA**	**A**	**Other**	**UK**	**USA & Canada**	**Europe**	**Japan**	**Other**
	(£ million)					*(percentages)*				
Liquid assets:										
Cash and reserves at central banks	23,817	-	100	-	-	100	-	-	-	-
Government bonds	19,080	5	81	14	-	39	35	14	12	-
Supranational bonds	3,093	44	56	-	-	-	-	-	-	100
Covered bonds	2,980	99	1	-	-	46	29	17	-	8
Residential mortgage backed securities (RMBS)	631	100	-	-	-	63	-	37	-	-
Asset-backed securities (other)	137	100	-	-	-	100	-	-	-	-
Liquid assets total	**49,738**	**12**	**83**	**5**	**-**	**67**	**15**	**7**	**4**	**7**
Other securities:										
RMBS FVOCI	544	100	-	-	-	100	-	-	-	-
RMBS amortized cost	4	100	-	-	-	100	-	-	-	-
Other investments	63	-	-	-	100	100	-	-	-	-
Other securities total	**611**	**90**	**-**	**-**	**10**	**100**	**-**	**-**	**-**	**-**
Loans and advances to banks	2,478	-	84	16	-	80	16	4	-	-
Total	**52,827**	**13**	**81**	**6**	**-**	**68**	**15**	**7**	**4**	**6**

Note:

(i) The 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.

A monthly review of the current and expected future performance of all treasury assets is undertaken, with regular independent review, underpinned by robust risk reporting and performance metrics, to measure, mitigate and manage credit risk. In accordance with accounting standards, assets are impaired where there is objective evidence that current events or performance will result in a loss. In assessing impairment we evaluate, among other factors, normal volatility in valuation, evidence of deterioration in the financial health of the obligor, industry and sector performance and underlying cash flows.

Collateral held as security for treasury assets is determined by the nature of the instrument. Treasury liquidity and portfolios are generally unsecured with the exception of reverse repos, asset-backed securities ("**ABS**") and similar instruments, which are secured by pools of financial assets.

Fair value through other comprehensive income reserve

Of the total £59,117 million (April 4, 2023: £63,033 million) liquidity and investment portfolio at April 4, 2024, £26,528 million (April 4, 2023: £27,575 million) was held as fair value. These assets are marked to market, with fair value movements recognized in reserves or through profit and loss.

Of these assets, £63 million (April 4, 2023: £54 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 22 in our audited condensed consolidated financial statements for the year ended April 4, 2024.

As at April 4, 2024, the balance on the FVOCI reserve was a £38 million loss, net of tax (April 4, 2023: £14 million loss). The movements in the FVOCI reserve reflect general market movements. The fair value movement of FVOCI assets that are not impaired has no effect on our profit. As at April 4, 2024 investment securities classified as FVTPL totaled £6 million (April 4, 2023: £13 million).

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

	As at April 4, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
	(£ million)			
Financial Assets:				
Government, government guaranteed and supranational investments	22,173	-	-	22,173
Other debt investment securities	2,980	1,312	3	4,295
Investment in equity shares	-	-	60	60
Total investment securities[(i)]	**25,153**	**1,312**	**63**	**26,528**
Interest rate swaps	-	4,103	-	4,103
Cross currency interest rate swaps	-	1,761	-	1,761
Foreign exchange swaps	-	31	-	31
Inflation swaps	-	200	195	395
Bond forwards and futures	-	-	-	-
Total derivative financial instruments	**-**	**6,095**	**195**	**6,290**
Loans and advances to customers	-	-	42	42
Total financial assets	**25,153**	**7,407**	**300**	**32,860**
Financial liabilities:				
Interest rate swaps	-	(543)	-	(543)
Cross currency interest rate swaps	-	(839)	-	(839)
Foreign exchange swaps	-	(2)	-	(2)
Inflation swaps	-	(62)	(3)	(65)
Bond forwards and futures	-	-	-	-
Swaptions	-	-	(2)	(2)
Total derivative financial instruments	**-**	**(1,446)**	**(5)**	**(1,451)**
Financial liabilities	**-**	**(1,446)**	**(5)**	**(1,451)**

Note:

(i) Investment securities exclude £4 million (2023: £40 million) of investment securities held at amortized cost.

	As at April 4, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	(£ million)			
Financial Assets:				
Government, government guaranteed and supranational investments	22,968	-	-	22,968
Other debt investment securities	2,843	1,707	2	4,552

	As at April 4, 2023			
	Level 1	Level 2	Level 3	Total
		(£ million)		
Investment in equity shares	-	3	52	55
Total investment securities(i)	**25,811**	**1,710**	**54**	**27,575**
Interest rate swaps	-	4,617	-	4,617
Cross currency interest rate swaps	-	1,801	-	1,801
Foreign exchange swaps	-	13	-	13
Inflation swaps	-	265	157	422
Bond forwards and futures	-	70	-	70
Total derivative financial instruments	-	**6,766**	**157**	**6,923**
Loans and advances to customers	-	-	100	100
Total financial assets	**25,811**	**8,476**	**311**	**34,598**
Financial liabilities:				
Interest rate swaps	-	(774)	-	(774)
Cross currency interest rate swaps	-	(663)	-	(663)
Foreign exchange swaps	-	(6)	-	(6)
Inflation swaps	-	(52)	(8)	(60)
Bond forwards and futures	-	(18)	-	(18)
Swaptions	-	-	(3)	(3)
Total derivative financial instruments	-	**(1,513)**	**(11)**	**(1,524)**
Financial liabilities	-	**(1,513)**	**(11)**	**(1,524)**

Note:

(i) Investment securities exclude £40 million (2022: £118 million) of investment securities held at amortized cost.

	As at April 4, 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
Foreign exchange swaps	-	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**

Financial liabilities:

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

Note:

(i) Investment securities exclude £118 million (2021: £1,243 million) of investment securities held at amortized cost.

Our Level 1 portfolio comprises government and other highly rated securities for which traded prices are readily available.

Asset valuations for Level 2 investment securities are sourced from consensus pricing or other observable market prices. None of the Level 2 investment securities are valued from models. Level 2 derivative assets and liabilities are valued using observable market data for all significant valuation inputs.

The main constituents of the Level 3 portfolio are loans and advances to customers, investment securities and derivative financial instruments (inflation swaps).

Loans and advances to customers

Certain loans and advances to customers have been classified as FVTPL. Level 3 assets in this category include a closed portfolio of residential mortgages and a small number of commercial loans.

Investment securities

The Level 3 items in this category primarily include investments made in FinTech companies, of which £57 million (April 4, 2023: £44 million) were equity investments which have been designated at FVOCI as the investments are being held for long term strategic purposes.

Derivative financial instruments (inflation swaps)

Inflation swaps are used to hedge the Group's investments in index-linked government debt. Adjustments to the inflation curve to reflect seasonality in inflation index publications is required to determine a valuation; however, unlike most derivative valuation inputs, this market data is not available and therefore the input is internally derived rather than observable.

Financial Condition of Nationwide

Capital Resources

Capital is held by us to protect our depositors, cover our inherent risks, provide a cushion for stress events and support our business strategy. In assessing the adequacy of our capital resources, we consider our risk appetite in the context of the material risks to which we are exposed and the appropriate strategies required to manage those risks. We manage our capital structure to ensure we continue to meet minimum regulatory requirements, as well as meeting the expectations of other key stakeholders. As part of the risk appetite framework, we target strong capital ratios relative to both regulatory requirements and major banking peers. Any planned changes to the balance sheet, potential regulatory developments and other factors (such as trading outlook, movements in the fair value other comprehensive income reserve and pension deficit) are all considered. Our strategic leverage ratio target for the year is 4.5%.

The capital strategy is to manage capital ratios through retained earnings, supplemented by external capital where appropriate. In line with the Society's capital management practices, opportunities have been taken to reduce excess capital resources through liabilities and equity management exercises, including a CCDS repurchase of £0.1 billion in June 2023. The capital disclosures included below are reported on a CRD IV end point basis unless otherwise stated. This assumes that all CRD IV requirements are in force during the period, with no transitional provisions permitted. In addition, the disclosures are on a Group (consolidated) basis, including all subsidiary entities, unless otherwise stated.

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

	As at April 4,		
	2024	2023	2022
		(£ million)	
General reserve	15,119	14,184	12,753
Core capital deferred shares (CCDS)[(1)]	1,334	1,334	1,334
Revaluation reserve	36	38	46
FVOCI reserve	(38)	(14)	89
Cashflow hedge and other hedging reserves	76	129	142
Regulatory adjustments and deductions:			
Cashflow hedge and other hedging reserves[(2)]	(76)	(129)	(142)
FVOCI temporary relief[(3)]	-	-	(21)
Direct holdings of CET1 instruments[(1)]	(177)	(101)	-
Foreseeable distributions[(4)]	(63)	(67)	(71)
Prudent valuation adjustment[(5)]	(73)	(119)	(80)
Own credit and debit valuation adjustments[(6)]	(11)	(27)	(12)
Intangible assets[(7)]	(812)	(839)	(884)
Goodwill[(7)]	(12)	(12)	(12)
Defined-benefit pension fund asset[(7)]	(454)	(614)	(654)
Excess of regulatory expected losses over impairment provisions[(8)]	(51)	(45)	(48)
IFRS 9 transitional arrangements[(9)]	-	15	31
Total regulatory adjustments and deductions	(1,729)	(1,938)	(1,893)
CET1 capital	**14,798**	**13,733**	**12,471**
Other equity instruments (Additional Tier 1)	1,336	1,336	1,336
Total Tier 1 capital	**16,134**	**15,069**	**13,807**
Dated subordinated debt[(10)]	1,650	1,835	2,643
Excess of impairment provisions over regulatory expected losses[(8)]	24	14	37
IFRS 9 transitional arrangements[(9)]	-	(10)	(21)
Tier 2 capital	**1,674**	**1,839**	**2,659**
Total regulatory capital	**17,808**	**16,908**	**16,466**

Notes:

1. The CCDS amount does not include the deductions for the Group's repurchase exercise completed in February and June 2023. This is presented separately as a regulatory adjustment in line with UK CRR article 42.
2. In accordance with UK CRR article 33, institutions do not include the fair value reserves related to gains or losses on cash flow and other hedges of financial instruments that are not valued at fair value.
3. A temporary adjustment to mitigate the impact of volatility in central government debt on capital ratios, in line with the Covid-19 banking package. This temporary relief was no longer applicable from January 1, 2023.
4. Foreseeable distributions in respect of CCDS and AT1 securities are deducted from CET1 capital under UK CRD V rules.
5. A prudent valuation adjustment (PVA) is applied in respect of fair valued instruments as required under regulatory capital rules.

6. 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.
7. Intangible, goodwill and defined benefit pension fund assets are deducted from capital resources after netting associated deferred tax liabilities.
8. 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 UK CRR. The expected loss amounts for equity exposures are deducted from CET1 capital, gross of tax.
9. The IFRS 9 transitional adjustments to capital resources apply scaled relief until April 4, 2025, due to the impact of the introduction of IFRS 9 and anticipated increases in expected credit losses as a result of the Covid-19 pandemic. The relief for the introduction of IFRS 9 ended in the financial year, which led to the reduction of IFRS 9 transitional arrangements adjustment to zero.
10. Where relevant provisions do not sufficiently cover non-performing exposures, the shortfall is deducted from CET1 capital, in line with Article 47c of the UK CRR.
11. Subordinated debt includes fair value adjustments relating to changes in market interest rates, adjustments for unamortized premiums and discounts that are included in the consolidated balance sheet, and any amortization of the capital value of Tier 2 instruments required by regulatory rules for instruments with fewer than five years to maturity.

Our key capital measures are summarized in the table below:

	As at April 4,		
	2024	**2023**	**2022**
	(£ million, except percentages)		
Solvency ratios			
CET1 ratio	27.1%	26.5%	24.1%
Total Tier 1 ratio	29.5%	29.1%	26.6%
Total regulatory capital ratio	32.6%	32.7%	31.8%
Leverage			
UK leverage exposure(1)	249,263	249,299	255,407
Total Tier 1 capital	16,134	15,069	13,807
Leverage ratio	6.5%	6.0%	5.4%

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 27.1% (April 4, 2023: 26.5%) above Nationwide's CET1 capital requirement of 12.9%. The CET1 capital requirement includes a 7.4% minimum Pillar 1 and Pillar 2A requirement and the UK CRD V combined buffer requirements of 5.5% of RWAs.

The CET1 ratio increased to 27.1% (2023: 26.5%) as a result of an increase in CET1 capital of £1.1 billion, partially offset by an increase in RWAs of £2.9 billion. The CET1 capital resource increase was driven by £1.3 billion profit after tax, partially offset by £0.2 billion of capital distributions. The RWA increase was primarily driven by an increase in residential mortgage credit risk RWAs.

UK CRD V requires firms to calculate a leverage ratio, which is non-risked based, to supplement risk-based capital requirements. The Society's leverage ratio was equal to 6.5% (April 4, 2023: 6.0%), with Tier 1 capital increasing by £1.1 billion as a result of the CET1 capital movements outlined above. In addition, leverage exposure remained largely stable at £249 billion. This position remains in excess of the Society's leverage capital requirement of 4.3%, which comprises a minimum Tier 1 capital requirement of 3.25% and buffer requirements of 1.05%. The buffer requirement reflects a 0.7% countercyclical leverage ratio buffer in-force from July 2023, and a 0.35% additional leverage ratio buffer.

On October 8, 2021, as part of its policy statement PS21/21, the PRA confirmed its intention to simplify the leverage framework by applying a single Leverage Exposure Measure (LEM) for all purposes from January

1, 2022. This measure aligned to the previous UK leverage exposure definition, which excludes central bank claims.

Leverage requirements continue to be Nationwide's binding Tier 1 capital constraint, as they are in excess of risk-based and regulatory buffer requirements, despite the significant increase in RWAs following IRB model adjustments. This is also expected to remain following Basel III reforms on risk-based capital requirements in 2025. Our internal assessment, however, is still subject to PRA IRB mortgage model approval and the forthcoming PRA consultation on the Basel III reforms. The expected impact of the reforms on Nationwide's leverage ratio is negligible. The risk of excessive leverage is managed through regular monitoring and reporting of the leverage ratio, with the leverage surplus above regulatory requirements forming part of risk appetite.

	As at April 4,		
	2024	**2023**	**2022**
Credit risk (1)		*(£ million)*	
Retail mortgages	37,373	34,609	34,935
Retail unsecured lending	4,750	5,145	4,694
Commercial loans	1,818	1,883	2,272
Treasury	1,736	1,559	1,865
Counterparty credit risk(2)	777	989	1,052
Other(3)	1,676	1,715	1,798
Total credit risk	**48,130**	**45,900**	**46,616**
Total operational risk (4)	**6,498**	**5,831**	**5,207**
Total risk weighted assets (RWAs)	**54,628**	**51,731**	**51,823**

Notes:

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

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

(3) Other relates to equity, fixed, intangible software and other assets.

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

For further information and analysis of our capital resources, see "*Capitalization and Indebtedness*."

Short-Term Borrowings

Our short-term borrowings fluctuate considerably depending on our current operating needs. The terms of our short-term borrowings are less than one year.

Investments

Our principal investments are targeted at three distinct areas: meeting regulatory and mandatory requirements; ensuring that technology and property infrastructure is resilient and secure; and, providing strategic investment. The strength of our business means we are well placed to invest confidently in our future. We will develop new propositions, further enhance our service, simplify our operations and build new skills for the future.

The key drivers for recent strategic activity are to ensure that the customer product offerings remain relevant and efficient across all distribution channels with a particular focus on digital technologies. Significant investment has been made on our mobile and tablet applications and the underlying infrastructure to support these as well as enabling real time online opening of savings products. Looking forward, there is a commitment to the roll out of an innovative new branch design, the digitization and simplification of customer journeys across main product lines of banking, savings and mortgages and investment in data and analytics. We are also developing our response to Open Banking regulation and the opportunities this creates.

FSCS

In common with other financial institutions subject to the FSCS, we continue to have a potential exposure to future levies resulting from the failure of other financial institutions and consequential claims which arise against the FSCS as a result of such failure.

Bank Levy

Bank levy requirements were introduced in the UK in July 2011. The levy applies to UK banking groups, building societies and the operations of non-UK banks in the UK and is based on the chargeable equity and liabilities at the balance sheet date. An allowance is given against the first £20 billion of chargeable equity and liabilities, meaning that smaller institutions are effectively exempted from the levy. Non-chargeable equity and liabilities include Tier 1 capital, insured retail deposits, repos secured on sovereign debt, retirement benefit obligations and tax liabilities. Additionally, certain high quality liquid assets on the balance sheet are eligible to reduce the amount of equity and liabilities subject to the levy. From January 1, 2016, the Government has been implementing a gradual reduction in bank levy rates combined with the introduction of a corporation tax surcharge (at 8% for the year ended April 4, 2023 and 3% thereafter) on the taxable profits of banking companies and building societies within the charge to corporation tax. The bank levy charge for the year ended April 4, 2024 was £13 million (April 4, 2023: £20 million).

Contractual Commitments

For details of the amounts of certain of our financial and other contractual liabilities and when payments are due, without taking into account customer deposits, deposits by other financial institutions and debt securities in issue and derivative financial instruments, please see notes 28 and 29 to our audited consolidated financial statements as at and for the year ended April 4, 2024 incorporated by reference herein.

Off-Balance Sheet Arrangements

For a description of off-balance sheet commitment items under IFRS, please see note 29 to our audited consolidated financial statements as at and for the year ended April 4, 2024 incorporated by reference herein.

Critical Accounting Policies

For details on our critical accounting policies under IFRS, please see note 2 to our audited consolidated financial statements as at and for the year ended April 4, 2024 incorporated by reference herein.

DESCRIPTION OF BUSINESS

OVERVIEW

We are the largest building society in the United Kingdom in terms of total assets, with £271.9 billion of assets as at April 4, 2024. We have approximately 605 branches and over 16 million customers. Our core business is providing personal banking products and services, which is mainly residential mortgages (owner-occupier and buy to let), retail savings and personal current accounts. We also offer a broader range of financial services that complement our core products of mortgages, savings and current accounts. In addition, we maintain a portfolio of debt securities for our own account for liquidity management purposes.

We are currently the third largest provider of residential mortgages in the United Kingdom (according to the UK Finance Largest Lender 2022 Balance Database, based on the latest available data), with a market share of 12.3% (according to Bank of England data), as at March 31, 2024. We also have a 9.5% market share of household deposit balances (as calculated by us based on Bank of England data), as at March 31, 2024.

As a mutual organization, we are owned by, and managed for, the benefit of our members, who are our customers who have their current account, mortgage or savings with us. Our main focus is serving our members' interests, and we balance our need to retain sufficient profit to remain financially strong, with delivering value in banking and rewarding members, and investing in product and service propositions that meet the needs and expectations of existing and future customers.

We benchmark our products and performance against a group of leading retail banks operating in the UK (Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander UK and TSB) and seek to return value to our members by offering typically better product pricing on savings and mortgages than is offered by this peer group. In addition to returning value to members through our competitive products, we aim to return additional value to eligible members with the deepest banking relationships with us through our Nationwide Fairer Share Payments. We also believe that we provide better service to our customers than that offered by most of our competitors and this remains a key component of our strategy.

STRATEGY

In 2022/23, Nationwide set a new strategic direction and business purpose: "*Banking – but fairer, more rewarding, and for the good of society*". Our purpose-led strategy ensures we do business in a way that positively impacts our customers, communities and society as a whole. Our strategy is underpinned by four strategic drivers:

- More rewarding relationships – creating deeper, broader, more lifelong relationships with our customers that provide the best value in banking
- Simply brilliant service – personalized service that stands out for ease, accessibility, security and trust at every touch point
- Beacon for mutual good – having a meaningful impact on customers, communities and society, by driving fairer banking practices and positive change
- Continuous improvement – ensuring our financial strength through efficient and effective processes and risk management

Following our strategy refresh, we have updated our key performance indicators for 2023/24 to more effectively support the delivery of our strategy. More detail on our strategic drivers, and their underpinning key performance indicators is provided below.

Our environmental, social and governance ("**ESG**") ambitions are embedded within our Society strategy and are articulated through five Mutual Good Commitments. These seek to measure the positive impact we have on our customers, communities and wider society, and demonstrate how our business aligns to, and supports, the

UN Sustainable Development Goals and our net-zero ambitions. More detail on our Mutual Good Commitments is provided below.

More rewarding relationships

We aim to create deeper, broader, more lifelong relationships with our customers, that provide the best value in UK banking. Our mutual model is intrinsically more rewarding than our banking peers, as we deliver value to our customers, rather than paying dividends to shareholders. We will increase value and reward loyalty for those customers who do more with us, including through targeted and competitive mortgage, savings and current account products. And we will continue to focus on helping first time buyers into homes.

Key Performance Indicator: We measure our success through the number of engaged customers we have. Engaged customers have deeper relationships with us, through their main personal current account with us, plus either a savings balance of at least £100 or a mortgage of at least £100. In March 2024, we had 3.53 million engaged customers, above our 3.33 million target for 2023/24.

In 2022/23 we introduced our inaugural Nationwide Fairer Share Payment, which was distributed in June 2023 to 3.4 million eligible members with the deepest banking relationships with us. Our financial strength in 2023/24 has enabled us to confirm our second Nationwide Fairer Share Payment, which will be distributed to nearly 4 million eligible members in June 2024. It is a positive and tangible way of demonstrating our mutual difference and aligns with our purpose.

Mutual Good Commitment: "We will help more people into safe and secure homes, both our customers who have relationships with us and more broadly".

While we support all our mortgage customers, we provide targeted support to help first time buyers into homes, support quality homes for those that rent, and lend to support the social housing sector.

As a mutual, we create value for our members. For the year ended April 4, 2024, we delivered our highest ever member financial benefit of £1,850 million (2023: £1,055 million) from better pricing and incentives than the market average. We launched a number of standout savings products that rewarded loyalty and supported our success, including our member-exclusive Nationwide Fairer Share Bond. On average, we offered interest rates on deposits (savings and current accounts) that were 38% higher than the market average, largely driven by our savings rates. Our competitive deposit rates contributed over 80% of our total member financial benefit related to our member deposits.

Simply brilliant service

We provide customers with great value products, choice in the way they bank with us, and the best possible service. We aim to combine a great mobile banking experience with modern branches, where our colleagues provide personalized and trusted support. Through the year, we continued to invest in our branches, telephone and mobile banking services.

In 2024, we launched our new mobile banking app, with new features and functionality, improving our customers' banking experience and empowering them to take better control of their money. We also gave customers the option to remove our card reader requirements for making payments over the banking app, through the introduction of selfie authentication. This is a significant step in our journey to delivering simply brilliant service to our customers through our digital channels. Over the coming year, we will continue to innovate and deliver regular releases with new features we know our customers want to see in the app.

We recognize the value that our high street branches have for our customers, some of whom rely on our branches, prefer to speak to us face to face, or value choice in the way they bank. That is why we again extended our Branch Promise – everywhere we have a branch, we promise to still be there until at least the start of 2028[1].

[1] All our 605 branches will remain open until at least January 1, 2028. Opening hours may vary. There may be exceptional circumstances outside of our control that mean we have to close a branch. But we will only do this if we do not have another workable option.

We remain committed to our communities and to providing easy access to cash. As a result, we have the largest single-brand branch network across the UK financial services sector, made up of 605 branches, with a branch manager in every single branch. At the Moneyfacts Consumer Awards 2024, we won the Branch Network of the Year award.

We also continue to make ourselves more accessible to our customers, so that they can reach us at a time that suits them. In 2024, we extended our telephone opening hours to include later evenings and Sundays. Our online and in-app chat already provides 24/7 availability, 365 days a year.

In 2024, we ranked first for customer satisfaction among our peer group for the 12th year running[2]. When an independent survey conducted by Ipsos, on behalf of the Competition and Markets Authority, asked personal account customers how likely they would be to recommend their provider's branches, we came joint first in both Great Britain and Northern Ireland[3].

Key performance indicator: We measure our success through our customer experience score. This is based on the feedback customers provide when they complete our survey after they interact with us, in our branches, telephone and digital channels. Customers are asked to rate their satisfaction with our service. This enables us to act on their feedback and improve our services further. We scored highly for the support provided by colleagues in our branches, and satisfaction across our telephony channels increased. However, our customer experience score of 76.8% was slightly below our target of 77.6%, as a result of the short-term impact of customers moving to our new mobile banking app.

Mutual Good Commitment: "We will offer customers a choice in how they bank with us, and support their financial resilience".

Our Branch Promise supports our ambitions, and we seek to support our customers' financial wellbeing through building their financial resilience and help them to more confidently manage their money, encourage good savings habits, protect them from economic crime, and providing specialist support for our customers in vulnerable circumstances.

Beacon for mutual good

We have a bold social ambition and want to be famous for having a meaningful impact on customers, communities and society as a whole. We will use our voice to drive positive change and fairer banking practices and support charitable activities that align with our purpose and ambitions. The power of mutuality means we can do more together than we could each do alone.

Key performance indicator: We measure our reputation through an independent brand survey, which allows us to understand how recognized we are for doing good things[4]. In March 2024, we were first among our peer group when ranked by non-customers as to which brands they had 'heard good things about'. This was above our target of at least third place. In particular, our new branding and advertising, focused on the difference of our brand and the benefits of mutuality over our competitors, has had a positive impact on improving awareness of, and engagement with, our brand.

Mutual Good Commitments:

"We will make a positive difference for our customers, communities and society as a whole". Our commitment to charitable activities supports our ambitions.

"We aim to build a more sustainable world by supporting progress towards a greener society". In 2022 we published our intermediate (by 2030) science-based targets that support our net-zero ambitions.

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[2] Source: Ipsos 2024, Financial Research Survey (FRS), for the 12 months ending March 31, 2013 to 12 months ending March 31, 2024.

[3] According to an independent phone survey of 16,088 customers (aged 16+) of the 16 largest current account providers in Great Britain, and 5,535 customers (aged 16+) of the 11 largest current account providers in Northern Ireland, between January 2023 and December 2023, run by Ipsos.

[4] Based on a study conducted by an international market research company commissioned by Nationwide Building Society, and on non-customer responses for the 6 months ending March 2024.

We commit at least 1% of our pre-tax profits[5] each year to charitable activities. This money is split between our own social investment programs (including our Community Grants program, funding our partnership with Shelter and the internal costs of managing our social investment agenda) and the Nationwide Foundation (an independent charity set up by the Society in 1997). In 2023/24, this amounted to £15.5 million (2023: £9.6 million).

Within our social investment programs, we provide grants to local housing charities and projects across the UK. As part of our £15.5 million commitment, we awarded £5.1 million (2023: £4.3 million) to support 105 (2023: 96) charitable housing projects through our Community Boards. Over the six years of our Community Grant giving, we have donated £27 million, benefitting 645 housing projects and supporting an estimated 149,000 people.

Last year, we also made one-off donations to charities to support their innovative work. We donated £790,000 to The Diana Award, to support its anti-bullying program in schools and to help with its mentoring program. We also donated £1.5 million to The Royal Marsden Cancer Charity, to fund specialist teams at the forefront of cancer research and for investment in artificial intelligence technology and data.

We are also playing our part to address the impact of climate change and support the UK in its progress towards a net-zero carbon emissions future by 2050. More on this can be found in the "*Climate change*" section of this Registration Document.

Continuous improvement

We will be focused, fit and fast and simplify our processes and ways of working so that we deliver at pace, for the benefit of our customers, while retaining resilient controls that protect our customers and their money.

Key performance indicator: Our leverage ratio demonstrates our financial strength and our ability to withstand economic shocks. Our financial strength helps us to progress the delivery of our strategy. Our leverage ratio of 6.5% exceeded both regulatory requirements and our own internal minimum target threshold of at least 4.5%.

Mutual Good Commitment: "We will enhance our performance by better reflecting the diversity of our society".

Being inclusive supports our mutual purpose. Having a diverse range of backgrounds, skills and experiences will help us continue to serve our customers in the best way and offer the services and products that are most relevant to them. We have seven measures that span across gender, ethnicity, disability and sexual orientation, and will support us in achieving our ambitions.

We are investing in digital capability and innovation, including improving our IT platforms and simplifying processes.

During the year, we completed the first phase of modernizing our payments systems, which includes moving our Faster Payments system to a secure, cloud-based platform. This is a significant step in our delivery, and will result in a more resilient service, capable of making a higher volume of payments safely, quickly and securely. In 2024, we completed the initial migration of our customer payments over to the cloud-based Faster Payments platform.

We also made significant progress in our core banking transformation, accelerating the migration of our savings accounts onto a platform that will improve our customers' experience when opening and managing their savings accounts.

Our new mobile banking app is making it easier for our customers to manage their money digitally, and we have given customers the option to remove our card reader requirements for making payments. We also

[5] The 1% is calculated based on average pre-tax profits over the previous three years.

launched a new system for customers taking out a personal loan, or extending their loan borrowing with us, strengthening our digital offering and helping us to better serve our customers.

We continue to explore the latest developments in artificial intelligence, including those that could enable our colleagues to help our customers more quickly and efficiently. We have refreshed our artificial intelligence strategy, so we can take advantage of the opportunity artificial intelligence brings, whilst ensuring any adoption is safe, responsible and for the benefit of our customers, and protects the Society from harm.

We also continue to simplify organizational structures and strengthen controls. This is reducing complexity, improving decision making and helping us to deliver more value at pace.

We aspire to be an organization that is powered by data. We have used data to understand what matters most to our customers, so we can focus on making their banking experiences better. We will continue to advance our data capabilities to enable more timely and useful communications and personalization that provides relevant, tailored and real-time offers through digital channels.

Furthermore, we are improving the core capabilities and skills needed to deliver our strategy and modern mutual purpose. We have refreshed our early career schemes for students, graduates and career changers, aligning to the skills we require for the future. In addition, we introduced development programs for senior leaders and people managers.

Climate change

Nationwide is committed to a net-zero future. It is our aspiration to support the UK in achieving its ambition to be net-zero by 2050. This aspiration is embedded into our strategy; supported by our Mutual Good Commitment – we aim to build a more sustainable world by supporting progress towards a greener society. Our green ambitions also demonstrate how our business aligns to, and supports, the UN Sustainable Development Goals ("**SDGs**").

We have set highly challenging intermediate (by 2030) science-based targets, in accordance with the methodologies of the Science-based Target Initiative ("**SBTi**"), which provides the industry standards for the setting of science-based targets. In December 2023, we published our net-zero aligned transition plan[6] to help track against our net-zero ambition and intermediate (by 2030) science-based targets over the short-to-medium term. We have set our intermediate (by 2030) science-based targets in accordance with the methodologies of the Science-based Target Initiative ("**SBTi**"). The SBTi provides the industry standards for the setting of science-based targets. We are developing a net-zero aligned transition plan to help track against Nationwide's net-zero ambition and intermediate (by 2030) science-based targets over the short-to-medium term.

With the UK's 28 million[7] homes producing around 13%[8] of the UK's carbon emissions, and many of the new homes being built today not meeting the highest energy efficiency standards, achieving the reduction in emissions to deliver net-zero will require a significant cross-industry collaborative effort, as well as large-scale government and customer action.

Climate change presents a risk to Nationwide and its customers, and so managing the risk from climate change and supporting progress towards a greener society is core to us being a responsible business. Nationwide is continually enhancing and embedding its capabilities to monitor and manage climate-related risk, including nature-related risk, and meet the requirements of the PRA's Supervisory Statement 3/19 (SS3/19 - Enhancing banks' and insurers' approaches to managing the financial risks from climate change). In May 2023, the Society shared an update with the PRA on its improved approach to managing climate-related risk, the enhancements to its scenario analysis capabilities, and the successful embedding of climate change risk management across the organization.

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[6] Intermediate (by 2030) net-zero-aligned Transition Plan 2023 | Nationwide
[7] Progress in reducing emissions: 2023 Report to Parliament – Climate Change Committee (theccc.org.uk)
[8] 2022 UK Greenhouse Gas Emissions, Final Figures

Because of its far-reaching implications, climate change has been embedded as a cause to Nationwide's principal risks and is considered across its entire Enterprise Risk Management Framework ("**ERMF**"). Consideration as a cause ensures appropriate identification, monitoring and management across all principal risk categories, along with full traceability. We consider climate-related risk to manifest across the following:

- **Physical risk** – the risks arising from the increasing severity and frequency of weather-related events such as flooding (acute), or longer-term shifts in climate (chronic).
- **Transition risk** – the risks which could result from the process of adjustment towards a lower carbon economy such as through developments in policy and regulation, emergence of disruptive technology or business models, shifting societal preferences, or evolving legal interpretations.
- **Nature risk** – the risks which could result from our exposure to, or impact from, nature which could have the potential to amplify the effects of physical and transition climate-related risks, such as nature loss contributing to an increase in flooding.

We continue to adopt the following climate-related risk appetite statement: "We are committed to working towards alignment to a net-zero emissions pathway to 2050. We will seek to minimize the impact of physical and transition climate risk on Nationwide and our customers".

We conduct physical risk assessments on properties we lend on at the point of mortgage origination, in line with our lending criteria. This allows different methods of valuation (the automated valuation model, desktop assessment, or full physical inspection) to be mandated, and informs whether the property is fit for mortgageable purposes and the property's current value.

We use EPC data to inform our transition risk assessment and the application of lending policy. An EPC is required every time a property is built, sold, or rented, and is valid for 10 years; therefore, around half of our mortgage properties have a current EPC. We have developed an internal model to forecast the EPC ratings of properties within our mortgage portfolio, based on a property's unique characteristics and that of similar properties, for those properties which do not have a valid EPC. We continue to monitor the EPC composition of our mortgage book, including the proportion that has an EPC of C or better, using our EPC model to interpolate EPCs across our portfolio. As at December 30, 2023 around 42% of the homes in our mortgage portfolio were rated EPC C or better.

We continue to disclose our carbon emissions in line with the Government's Streamlined Energy and Carbon Reporting regulation requirements. Our scope 1 emissions are the direct emissions from owned sources, such as emissions from burning gas to heat our buildings, while our scope 2 energy emissions come from the indirect emissions from the generation and consumption of purchased electricity, such as the electricity bought by us to power our branches. We have also disclosed our scope 3 (other indirect emissions that occur in our value chain) emissions associated with our mortgage lending, lending to commercial real estate, lending to registered social landlords, and the majority of our upstream (supply chain) emissions, in line with the Partnership for Carbon Accounting Financials' methodology.

Our emissions are detailed in our climate-related financial disclosures and are aligned to the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures ("**TCFD**") and its objective to improve and increase the reporting of climate-related financial information. We have been, and remain, an official supporter of the TCFD since 2019.

Since 2018, we have sourced 100% renewable electricity, and are committed to continuing to do so. As at the end of 2023, we had removed the use of gas from over 80% of our branch network and are on track to remove 100% of gas from our branches by the end of 2025, replacing it with electrical solutions.

We have been offering green finance since 2020, to enable our customers to make their homes more energy efficient. We offer our customers, and The Mortgage Works ("**TMW**") customers, preferential rate additional borrowing to support green home improvements (through our Green Additional Borrowing and Green

Further Advance products), as well as incentivizing the purchase of more energy efficient properties (through our Green Reward mortgage which offers cashback to customers purchasing a home rated EPC A or high B).

In June 2023, we launched a 0% Green Additional Borrowing product. This proposition offers 5,000 existing owner-occupier mortgage customers the opportunity to borrow between £5,000 and £15,000, at up to a maximum 90% LTV across 2 and 5-year terms, to finance a range of retrofit home improvements. All of the loan must be used to fund non-structural, energy-efficient home improvements, such as solar panels and air source heat pumps. It is our aim to understand if this product increases customer take-up to make green home improvements.

We recognize that we alone cannot improve the energy efficiency of UK homes, which is why we continue to engage and work with policymakers, to encourage the development of green policies which support wider society, in making the changes needed to achieve a just transition to net-zero. Our cross-industry Green Homes action group continues to campaign for a National Retrofit Strategy to support greening homes.

HISTORY AND DEVELOPMENT OF THE SOCIETY

Building societies have existed in the United Kingdom for over 200 years. From the outset, they were community-based, cooperative organizations created to help people purchase homes. The main characteristic of building societies is their mutual status, meaning that they are owned by their members, who historically were primarily retail savings and residential mortgage customers. Our origins date back to the Southern Co-operative Permanent Building Society founded in London in 1884. Over time, this entity has merged with around 250 other building societies to create today's Nationwide Building Society.

We formally changed our name to Nationwide in 1970 as it more accurately reflected our wider sphere of business and removed any misconception that we were legally part of the Co-operative Group. During the 1970s and 1980s we grew our branch network to increase our reach and introduced new products such as current accounts which allowed us to offer the full range of financial services to members. The 1990s saw a dramatic decline in number of building societies in the UK as many demutualized and transferred their businesses to existing or specially formed banks. This meant that by 1997, Nationwide emerged as the biggest building society in the UK. We believe that our mutual status allows us to compete successfully with banks, and it is our long-held strategy to remain a building society.

In the late 1990s there were two attempts by new members to force Nationwide to demutualize so they could receive associated windfall distributions. We successfully defended our mutual status and from 1997 all new members opening accounts are required to assign to charity any windfall benefits that may accrue as a result of a future demutualization. This has significantly lessened the incentive to vote for demutualization and there have been no further attempts to force a vote on the issue.

During the financial crisis of 2007-9, our business model stood up well in comparison to our banking competitors who were much more exposed to the contagion of the crisis. We merged with Portman Building Society in August 2007 and with Cheshire Building Society and Derbyshire Building Society in December 2008. In March and June 2009, we also acquired selected assets and liabilities of Dunfermline Building Society. We believe these developments have added value, improved our distribution footprint, helped to grow the membership and are a testament to our strength and our ability to provide support to other building societies during this time.

The merger with the Portman Building Society brought with it The Mortgage Works – a subsidiary which focused on specialized lending with a strong focus on the Buy-to-Let market. This has since emerged as the leading player in this market in the UK and a strong generator of profit for Nationwide.

In 2023 we refreshed our strategy centered around our purpose – *Banking – but fairer, more rewarding, and for the good of society*. Our purpose-led strategy ensures we do business in a way that positively impacts our customers, communities and society as a whole.

GROUP STRUCTURE AND PRINCIPAL SUBSIDIARIES

We are the principal holding entity of the Group and the main business of the Group is conducted by the Society. Our interests in our principal subsidiary undertakings, all of which are consolidated, as at April 4, 2024 are set out below:

100% held subsidiary undertakings	Nature of business
Nationwide Syndications Limited	Syndicated lending
The Mortgage Works (UK) plc	Centralized mortgage lender
Derbyshire Home Loans Limited	Centralized mortgage lender
E-Mex Home Funding Limited	Centralized mortgage lender
UCB Home Loans Corporation Limited	Centralized mortgage lender

All the above subsidiary undertakings are limited liability companies which are registered in England and Wales and operate in the UK and, with the exception of Nationwide Syndications Limited, they are all regulated entities.

Nationwide Syndications Limited is a wholly owned mortgage lender specializing in syndicated commercial loans to RSL. Nationwide Syndications Limited has ceased to offer new lending.

TMW is a wholly owned centralized mortgage lending subsidiary, specializing mainly in residential BTL lending to individuals.

Each of Derbyshire Home Loans Limited, E-Mex Home Funding Limited ("**E-Mex**") and UCB Home Loans Corporation Limited ("**UCB**") is a wholly owned subsidiary that has ceased to offer new lending.

We also have interests in structured entities. A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are consolidated when the substance of the relationship indicates control.

The table below provides details of these entities as at April 4, 2024.

Group undertaking	Nature of business	Country of registration	Country of operation
Nationwide Covered Bonds LLP	Mortgage acquisition and guarantor of covered bonds	England and Wales	UK
Silverstone Master Issuer plc	Funding vehicle	England and Wales	UK
Silverstone Funding No. 1 Limited	Funding vehicle	England and Wales	UK

BUSINESS OF THE SOCIETY

Retail business

Our retail business aims to offer its customers a full range of personal financial services products comprising residential mortgage lending, a range of savings products as well as investments and general insurance solutions, both directly and through intermediary sales channels.

Residential mortgage lending

The vast majority of our lending portfolio consists of UK residential mortgage loans to individuals. These loans are secured on the residential property of the borrower on terms which allow for repossession and sale of the property if the borrower breaks the terms and conditions of the loan. This lending can take the form of either prime residential lending (where the borrower is the owner and occupier of the mortgaged property and meets our credit requirements for prime lending) or BTL and legacy residential lending (which are loans advanced to borrowers who intend to let the mortgage property). Our policy is for all residential mortgage loans to individuals to be fully secured first priority loans on the mortgaged property, to ensure that our claim to the property, in the event of default, is senior to those of other potential creditors. As a result, our residential mortgage lending to individuals carries lower risk than many other types of lending.

As at April 4, 2024, we were the second largest mortgage lender in the United Kingdom (as measured by total loans outstanding and calculated by us based on Bank of England data and publicly available financial information). Our residential mortgages are generally for terms of 20 to 30 years. While many customers remain with us for much or all of this term, some customers redeem their mortgage earlier than this in order to remortgage to another lender or for other reasons. The minimum life of a mortgage is usually between two and five years, depending on the terms of the customer's initial product, although we generally retain approximately 70 to 80% of customers when they reach the end of a product.

The table below shows a breakdown of our prime, BTL and legacy residential mortgage lending outstanding balances as at April 4, 2024.

	As at April 4, 2024
	(*£ billions*)
Prime	160.9
BTL and legacy[(1)]	43.5
Total	**204.4**

Note:

(1) This category of lending was previously referred to as specialist lending.

Source: Nationwide Building Society – audited financial statements for the year ended April 4, 2024.

We offer BTL and legacy UK residential mortgage lending to individuals, comprising lending to private landlords (BTL) and smaller portfolios in run-off (legacy). As at April 4, 2024, our outstanding BTL and legacy UK residential mortgage lending to individuals was £43.5 billion. The BTL and legacy residential mortgage balance is made up of advances made through our specialist lending brands, including TMW. Our outstanding legacy lending loans were advanced primarily in the BTL and self-certification markets. New lending in this category is restricted to BTL through TMW with us having withdrawn from the self-certified lending market in 2009.

Our BTL and legacy mortgages continue to perform well with cases three months or more in arrears representing only 0.60% of the total mortgage book as at April 4, 2024. Arrears levels are expected to increase as a result of the rising cost of living, including higher mortgage payments, but to remain low relative to the industry average.

We have a national franchise within the United Kingdom, with a regional distribution of UK residential mortgage lending to individuals generally matching the regional gross domestic product distribution in the United Kingdom.

We offer fixed rate and tracker rate mortgages. These products establish a set rate or set methodology for determining a variable rate for a set term, after which the rate reverts to one of our two general variable rates. Our fixed-rate products currently offer a term of two, three, four, five or ten years, but we have from time to time offered longer fixed terms, including 25 years. Our tracker rate products bear interest during the set term (currently two or three years) at a variable rate that is a fixed percentage above the Bank Rate. After the end of the set fixed rate or tracker period, the interest rate reverts to either our BMR (if the mortgage was originated on or before April 29, 2009) or our SMR (if the mortgage was originated on or after April 30, 2009). Both the BMR and the SMR are variable rates set at our discretion, except that the BMR is guaranteed not to be more than 2% above the Bank Rate.

To reduce the costs associated with early repayment of mortgages and to recover a portion of the costs of mortgage incentives, we impose early repayment charges on some products. The early repayment charges generally apply for repayment made prior to the expiration of the fixed or tracker rate for the particular product.

Total gross mortgage lending was lower than in the prior year at £26.3 billion (2023: £33.6 billion) and our market share of gross advances increased to 11.4% (2023: 10.8%). Net lending in the year was supported by our continued focus on retention through highly competitive products provided to existing members, whilst also continuing to focus on first time buyers. Prime mortgage balances increased to £161.0 billion (2023: £157.5 billion) and buy to let and legacy mortgage balances decreased to £43.5 billion (2023: £44.1 billion).

The average LTV of prime new business completed in the period has increased slightly to 71% (April 4, 2023: 70%). The average LTV of new business for buy to let has decreased to 62% (April 4, 2023: 66%).

House prices measured through the Nationwide House Price Index have increased over the past 12 months by 1.6% (2023: decrease of 3.1%). This has meant that the Group average stock LTV has remained stable to 55% (2023: 55%). We believe that asset quality has remained strong as a result of our continued prudent approach to lending. The proportion of mortgage accounts three months or more in arrears has decreased to 0.41% as at April 4, 2024, which compares favorably with the UK Finance average of 0.94% as at the same date.

The table below shows our residential mortgage loans which are three months or more in arrears as a percentage of its total residential mortgage loans as at April 4, 2024, 2023 and 2022 and the UK Finance average.

	As at April 4,		
	2024	**2023**	**2022**
		(percentages)	
Prime	0.36	0.29	0.30
BTL and legacy	0.60	0.44	0.50
Total	**0.41**	**0.32**	**0.34**
UK Finance average	0.94	0.72	0.77

Source: Audited financial statements for the years ended April 4, 2024, 2023 and 2022.

The proportion of our residential mortgage loans which are three months or more in arrears has increased during the year to 0.41% (April 4, 2023: 0.32%) as a result of the rising cost of living, including higher mortgage payments, but remains low relative to the industry average.

We utilize an automated credit scoring system to assist in minimizing credit risk on residential mortgage lending. Our credit procedures for residential mortgage lending take into account the applicant's credit history, loan-to-value criteria, income multiples and an affordability calculation, or shock test, that tests the applicant's ability to service the loan at higher interest rates. For additional information regarding how we manage credit risk in connection with new lending, see "*Financial Risk Management—Credit risk*."

We focus our residential mortgage sales efforts on first-time buyers, subsequent purchasers moving home and the remortgage market. We are particularly keen to support our existing members and have introduced products to support first-time buyers. First-time buyers offer a significant potential for additional sources of income through the distribution of insurance and personal investment products. The proportion of new lending to first time buyers increased to 31% during the year ended April 4, 2024 (year ended April 4, 2023: 29%).

In addition to residential mortgage loans, we offer further secured advances on existing mortgaged property to customers consistent with our lending criteria for new residential mortgage loans.

Unsecured retail banking products consists of loans that we make to individuals that are not secured on real or personal property. We offer three different forms of unsecured consumer retail banking products: personal unsecured loans, credit card lending and current accounts with overdraft facilities.

There is a greater risk of loss on unsecured consumer lending than there is on residential mortgage lending because we have no security if the borrower defaults on the loan. Accordingly, unsecured consumer lending products bear higher interest rates than our residential mortgage products. To manage this risk, we use an automated credit scoring system that is designed to evaluate a borrower's ability to repay the loan. In addition, we assess all unsecured consumer loans to ensure they remain affordable alongside any mortgage.

Savings and Current accounts

Member deposit balance growth of £6.3 billion to £193.4 billion (April 4, 2023: £187.1 billion) represents increases in savings balances following the launch of competitive new products and the increased levels of accrued and capitalized interest due to higher average savings rates.

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 our Triple Access Online Saver. Our market share of deposit balances reduced slightly to 9.5% as of April 4, 2024 (April 4, 2023: 9.6%).

We provide 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, we determine variable interest rates at our discretion according to market conditions. Generally, the more restrictions on withdrawal of retail savings, the higher the rate of interest. Balances on all of our notice deposit accounts are, by their terms, withdrawable on demand but, in some cases, subject to loss of interest.

We believe that the primary determinant for attracting retail savings is the interest rate offered to savers. As a mutual organization, we typically set higher interest rates on our retail savings products than those set by our main competitors. We gather UK retail member deposits from a number of sources, chiefly from our 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.

Our 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 organizations. We provide 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, we determine variable interest rates at our discretion according to market conditions. Generally, the more restrictions on withdrawal of business savings, the higher the rate of interest.

Consumer Banking

Consumer banking balances have decreased to £4.3 billion (April 4, 2023: £4.4 billion). Consumer banking comprises personal loan balances of £2.4 billion (April 4, 2023: £2.6 billion), credit card balances of £1.6 billion (April 4, 2023: £1.5 billion) and overdrawn current account balances of £0.3 billion (April 4, 2023: £0.3 billion).

Arrears performance has increased slightly during the year, with balances more than three months in arrears (excluding charged off accounts) representing 1.36% (April 4, 2023: 1.21%) of the total portfolio. Provision balances were £436 million (April 4, 2023: £469 million), primarily due to revised impacts of affordability pressures on future credit performance.

Other retail services

Our other retail services principally comprise insurance business and investment business.

Insurance

In conjunction with our core business of providing residential mortgage loans and retail savings, we develop and market insurance products branded with our name that are underwritten by third-party insurers and distribute insurance products of other companies.

The insurance products that we market are:

- buildings and contents insurance, which we market to our residential mortgage customers and non-mortgage customers;
- landlord insurance;
- term income protection insurance, replacing up to 60% of gross income in case of unemployment; and
- personal accident insurance.

We typically use leading insurers as third-party underwriters for these insurance products. We receive a commission and, in some cases, participate in the profits, but not the losses, from third-party underwritten insurance products that we market. We generally market our insurance products to new and existing customers, and it is our policy to offer insurance products at competitive prices and with more comprehensive coverage than those products generally offered by our main competitors.

Distribution network

Our integrated and diversified distribution network allows our customers to choose how and when to undertake their transactions with us and has enabled us to expand our business while controlling costs. The distribution network helps us to achieve volume growth principally in residential mortgage lending and supports our retail funding activities. Developments in the network have focused on cost efficiency and meeting the needs of customers who are increasingly prepared to transact business by the internet, telephone and mail.

We distribute our products primarily through:

- branches;
- call centers;
- mail;
- internet and mobile banking; and
- intermediaries.

We also maintain a network of ATMs.

Branches

Our branch network continues to be a major source of our mortgage lending and retail funding. As at April 4, 2024, we had approximately 605 branches of Nationwide Building Society in the United Kingdom.

Our goal is to utilize our branch network efficiently. All of our branches market our residential mortgage, retail savings, personal lending, personal investment and insurance products. We continue to make significant investment in transforming our products and delivery channels through the implementation of new systems and organizational structures and to meet consumer expectations of digital banking.

Call centers

Our telephone call centers are open 24 hours a day to service customers and receive calls from potential customers that are interested in our products. In addition, we use telemarketing to supplement our mortgage, insurance and personal loan marketing.

Internet and mobile banking

We first launched an internet banking service in 1997 and have continued to update the service in line with technological advances and increasing customer expectations. Our website allows customers to transact on their accounts and apply for a broad range of our products online. We also allow customers to access and carry out transactions on their accounts using our mobile and tablet applications.

Intermediaries

A substantial amount of our mortgage sales is introduced to us by third-party intermediaries. Intermediaries range from large UK insurance companies to small independent mortgage advisors. We remunerate intermediaries for introducing mortgage business.

ATMs

Our customers have access to our own network of ATMs, as well as access to ATMs in the United Kingdom through the LINK network and world-wide through the Visa network.

Commercial business

Our 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. As at April 4, 2024, this portfolio accounted for 2.6% of total loans and advances to customers. Following a strategic review of the commercial lending business, we concluded that the CRE and PFI lending is no longer a good fit with our core purpose. The strategy for CRE and PFI lending is now to hold and actively manage the portfolios to maturity in line with contractual terms.

The table below shows the amount and types of loans in the commercial lending portfolio as at April 4, 2024.

	As at April 4, 2024	
	(*£ billions*)	(*percentage of total commercial loans*)
Registered social landlords	4.4	80.0%
Commercial real estate	0.5	9.1%
Project finance	0.6	10.9%
Total	**5.5**	**100%**

RSL loans are made to UK registered social landlords, are secured on residential property and differ significantly from other loans secured on real property. UK registered social landlords provide affordable housing supported by Government grants. This portfolio historically has carried a lower risk than our other commercial lending activities, and there are currently no arrears of three months or more in the RSL portfolio. To date, we have not needed to raise any loss provisions against this portfolio.

CRE portfolio is well diversified by industry type and by borrower, with no significant exposure to development finance.

PFI loans are secured on cash flows from Government-backed contracts such as schools, hospitals and roads under the UK private finance initiative legislation. We have not suffered any losses on this lending and there are currently no arrears of three months or more.

Head office functions

Our head office functions comprise the executive management and the treasury function together with a range of support functions such as legal and secretariat services, human resources, strategic planning and external relations, finance, risk management, property services and internal audit.

The treasury division centrally manages liquid asset portfolios as well as most of financial risk exposures and is responsible for wholesale funding activities. See the sections entitled "*Financial Risk Management*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" for further details of risk management.

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. We have, 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:

- returning additional value to our members who have the deepest banking relationships with us, through our Nationwide Fairer Share Payment (around £340 million), and the Nationwide Fairer Share Bond, with an exclusive interest rate for members;
- investing £100 million in cost of living support and supermarket shopping cashback. This includes money invested in our 5% cashback offer on debit card expenditure in supermarkets and convenience stores from February until April 2023 (up to £10 per month), cost of living payments for colleagues, our cost of living customer helpline and our financial health checks in branches, for members experiencing financial worries;
- extending our branch promise, to remain in every town or city we are in today until at least 2024 (previously 2023) and extending the operating hours of our in-app and online chat, which is now available 24 hours a day, 365 days a year;
- launching a market leading current account switching incentive, during October and November 2023, that offered £200 cashback to those customers who switched their account to one of our three main current account products, using the Current Account Switch Service; and
- demonstrating our mutual good in the communities we serve, committing £15.5 million over the year to charitable activities and donating a further £1 million to our debt partners and charities to help them support more people through the cost of living pressures.

In August 2023, we announced that in 2024, we intend to outsource functions related to distributing investment products, offering financial advice and otherwise supporting our customers' ongoing financial advice needs to Aegon Corporate Center B.V. or an affiliated party, who has been working with Nationwide since 2016.

Proposed Virgin Money Acquisition

The proposed Acquisition

On March 21, 2024, the Issuer announced that the Boards of Directors of the Issuer and the Virgin Money Board had agreed the terms of a recommended cash acquisition of the entire issued and to be issued share capital of Virgin Money by the Issuer (the **“Acquisition**” or “**Virgin Money Acquisition**”). This section should be read together with the Acquisition Announcement, as incorporated by reference herein. Terms defined in the Acquisition Announcement and not otherwise defined herein shall, where the context admits, have the same meaning in this section.

The Acquisition is being implemented by way of a court-sanctioned scheme of arrangement (the “**Scheme**”) and is subject to the terms and conditions set out in the scheme document relating to the Acquisition (the “**Scheme Document**”). On May 22, 2024, Virgin Money published an announcement confirming that, at the relevant court meeting (the “**Court Meeting**”) and General Meeting held on May 22, 2024, the requisite majority of the Scheme shareholders voted to approve the Scheme at the Court Meeting, and the requisite majority of Virgin Money shareholders voted to pass the resolutions at the General Meeting. The Scheme remains subject to satisfaction or (where applicable) waiver of certain conditions and to the further terms set out in the Scheme Document, including the receipt of certain regulatory clearances and the Court sanctioning the Scheme at the Court hearing.

As at June 21, 2024, the Scheme is expected to become effective during the fourth quarter of 2024. However, this may be subject to change and will depend, among other things, on the dates upon which: (i) the remaining conditions set out in the Scheme Document are satisfied or, if capable of waiver, waived; (ii) the Court sanctions the Scheme; and (iii) a copy of the Court order sanctioning the Scheme is delivered to the Registrar of Companies.

Credit ratings

Following the announcement of the Acquisition, each of Moody’s, S&P and Fitch has affirmed the credit ratings it has assigned to the Issuer. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, or withdrawal at any time by the assigning rating agency.

Proposed Senior Management changes following the Acquisition

If the Acquisition completes, it is intended that, subject to regulatory approval, Chris Rhodes, presently the Chief Financial Officer of the Issuer, will assume the position of Chief Executive Officer of Virgin Money, with Muir Mathieson, presently Deputy Chief Financial Officer and Treasurer of the Issuer, becoming Chief Financial Officer of the Issuer.

SELECTED STATISTICAL INFORMATION

The following information has been extracted from our management information systems. This information is unaudited. The information contained in this section should be read in conjunction with our consolidated financial statements as well as the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Average Balance Sheets and Interest Rates

The tables below present, in accordance with IFRS, the average balances for our interest-earning assets and interest-bearing liabilities together with the related interest income and expense amounts, resulting in the presentation of the average yields and rates for the years ended April 4, 2024, 2023 and 2022, respectively:

	For the year ended April 4, 2024		
	Average balance[(1)]	Interest[(2)]	Average yield/ rate
	(£ million, except percentages)		
Interest-earning assets:			
Loans to credit institutions	41,281	1,969	4.77%
Investment securities & derivative financial instruments	33,817	1,506	4.45%
Interest on net defined benefit pension asset	-	-	-
Loans to customers	211,795	10,506	4.96%
Total average interest-earning assets	**286,893**	**13,981**	**4.87%**
Non-interest-earning assets:			
Tangible fixed assets	689		
Fair value adjustment for hedged risk	(5,172)		
Other assets	979		
Goodwill and intangible fixed assets	853		
Deferred tax assets	123		
Investment Properties	2		
Total average assets	**284,367**		
Interest-bearing liabilities:			
UK retail member deposits	191,675	5,330	2.78%
Other deposits	32,233	1,466	4.55%
Debt securities in issue and derivative financial instruments[(2)]	35,397	2,276	6.43%
Subordinated liabilities	6,900	492	7.13%
Subscribed Capital	171	11	6.43%
Unwind of Discount of Pension Liabilities	-	(44)	-
Total average interest-bearing liabilities	**266,376**	**9,531**	**3.58%**
Non-interest-bearing liabilities:			
Other liabilities	252		
Fair value adjustment for hedged risk	43		
Reserves	17,341		
Current taxes	355		
Total average liabilities	**284,367**		

Notes:

(1) Average balances are based on the balance as of the end of each month during the financial year.

(2) For the purpose of the average balance sheet, the interest income and expense amounts are stated after allocation of interest on financial instruments entered into for hedging purposes.

	For the year ended April 4, 2023		
	Average balance[(1)]	Interest[(2)]	Average yield/ rate
	(£ million, except percentages)		
Interest-earning assets:			

	For the year ended April 4, 2023		
	Average balance[(1)]	Interest[(2)]	Average yield/ rate
	(£ million, except percentages)		
Loans to credit institutions	42,364	1,005	2.37%
Investment securities & derivative financial instruments	33,588	746	2.22%
Interest on net defined benefit pension asset	-	26	-
Loans to customers	212,184	7,048	3.32%
Total average interest-earning assets	**288,136**	**8,825**	**3.06%**
Non-interest-earning assets:			
Tangible fixed assets	786		
Fair value adjustment for hedged risk	(5,502)		
Other assets	1,196		
Goodwill and intangible fixed assets	895		
Deferred tax assets	84		
Investment Properties	15		
Total average assets	**285,610**		
Interest-bearing liabilities:			
UK retail member deposits	182,839	1,905	1.04
Other deposits	42,688	917	2.15%
Debt securities in issue and derivative financial instruments[(2)]	35,609	1,193	3.35%
Subordinated liabilities	7,395	294	3.98%
Subscribed Capital	176	18	10.23%
Total average interest-bearing liabilities	**268,707**	**4,327**	**1.61%**
Non-interest-bearing liabilities:			
Other liabilities	58		
Fair value adjustment for hedged risk	5		
Reserves	16,381		
Current taxes	459		
Total average liabilities	**285,610**		

Notes:

(1) Average balances are based on the balance as of the end of each month during the financial year.

(2) For the purpose of the average balance sheet, the interest income and expense amounts are stated after allocation of interest on financial instruments entered into for hedging purposes.

	For the year ended April 4, 2022		
	Average balance[(1)]	Interest[(2)]	Average yield/ rate
	(£ million, except percentages)		
Interest-earning assets:			
Loans to credit institutions	45,602	119	0.26%
Investment securities & derivative financial instruments	28,507	108	0.38%
Interest on net defined benefit pension asset	-	4	-
Loans to customers	204,989	4,281	2.09%
Total average interest-earning assets	**279,098**	**4,512**	**1.62%**
Non-interest-earning assets:			
Tangible fixed assets	925		
Fair value adjustment for hedged risk	(259)		
Other assets	993		
Goodwill and intangible fixed assets	1,030		
Deferred tax assets	66		
Investment Properties	19		
Total average assets	**281,872**		
Interest-bearing liabilities:			
UK retail member deposits	177,041	435	0.25%
Other deposits	43,419	68	0.16%

	For the year ended April 4, 2022		
	Average balance[1]	Interest[2]	Average yield/ rate
	(£ million, except percentages)		
Debt securities in issue and derivative financial instruments[2]	37,565	239	0.64%
Subordinated liabilities	7,727	200	2.59%
Subscribed Capital	221	8	3.54%
Total average interest-bearing liabilities	**265,973**	**950**	**0.36%**
Non-interest-bearing liabilities:			
Other liabilities	671		
Fair value adjustment for hedged risk	18		
Reserves	14,901		
Current taxes	309		
Total average liabilities	**281,872**		

Notes:

(1) Average balances are based on the balance as of the end of each month during the financial year.

(2) For the purpose of the average balance sheet, the interest income and expense amounts are stated after allocation of interest on financial instruments entered into for hedging purposes.

Average Net Interest Margin and Spread

The following tables show our average interest-earning assets, average interest-bearing liabilities and net interest income and illustrate the comparative net interest margin and net interest spread for the years ended April 4, 2024, 2023 and 2022, respectively:

	As at April 4, 2024
	(£ million, except percentages)
Net average interest-earning assets	286,893
Net average interest-bearing liabilities	266,376
Net interest income[1]	4,450
Average yield on average interest-earning assets	4.87%
Average rate on average interest-bearing liabilities	3.58%
Net interest spread[2]	1.30%
Net interest margin[3]	1.56%

Notes:

(1) Defined as total interest income less total interest expense.

(2) Defined as the difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.

(3) Defined as net interest income divided by weighted average interest-earning assets.

	As at April 4, 2023
	(£ million, except percentages)
Net average interest-earning assets	288,136
Net average interest-bearing liabilities	268,707
Net interest income[1]	4,498
Average yield on average interest-earning assets	3.06%
Average rate on average interest-bearing liabilities	1.61%
Net interest spread[2]	1.45%
Net interest margin[3]	1.57%

Notes:

(1) Defined as total interest income less total interest expense.

(2) Defined as the difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.

(3) Defined as net interest income divided by weighted average interest-earning assets.

	As at April 4, 2022
	(£ million, except percentages)
Net average interest-earning assets	279,098
Net average interest-bearing liabilities	265,973
Net interest income[(1)]	3,562
Average yield on average interest-earning assets	1.62%
Average rate on average interest-bearing liabilities	0.36%
Net interest spread[(2)]	1.26%
Net interest margin[(3)]	1.26%

Notes:

(1) Defined as total interest income less total interest expense.

(2) Defined as the difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.

(3) Defined as net interest income divided by weighted average interest-earning assets.

Changes in Interest Income and Expenses – Volume and Rate Analysis

The following table allocates the changes in our interest income and expense between changes in average volume and changes in the average rates for the year ended April 4, 2024 compared to the year ended April 4, 2023. We calculated volume and yield/rate variances based on movements of average balances over the period and changes in average interest yields/rates on interest-earning assets and interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated in line with the amounts derived for pure rate and volume variances. Pension interest income and expense has been excluded from the table as the assets and liabilities to which they relate are held net on the balance sheet. More information on the net pension liability can be found in our audited consolidated financial statements incorporated by reference herein:

	Year ended April 4, 2024 compared to year ended April 4, 2023		
	Increase/(decrease) in net interest due to changes in:		
	Volume	Yield/rate	Total net change
		(£ million)	
Interest income:[(1)]			
Loans to credit institutions	(26)	990	964
Debt securities and derivative financial instruments	5	755	760
Loans to customers	(13)	3,471	3,458
Total interest income	**(34)**	**5,216**	**5,182**
Interest expense:[(1)]			
UK retail member deposits	92	3,333	3,425
Other Deposits	(225)	774	549
Debt Securities in Issue and Derivative Financial Instruments	(7)	1,090	1,083
Subordinated liabilities	(20)	218	198
Subscribed Capital	(1)	(6)	(7)
Unwind of Discount of Pension Liabilities	(18)	-	(18)
Total interest expense	**(179)**	**5,409**	**5,230**
Net interest income	**145**	**(193)**	**(48)**

Note:

(1) Interest income and expense amounts are stated after allocation of interest on financial instruments entered into for hedging purposes.

The following table allocates the changes in our interest income and expense between changes in average volume and changes in the average rates for the year ended April 4, 2023 compared to the year ended April 4, 2022. We calculated volume and yield/rate variances based on movements of average balances over the period and changes in average interest yields/rates on interest-earning assets and interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated in line with the amounts derived for pure rate and volume variances. Pension interest income and expense has been excluded from the table as the assets and liabilities to which they relate are held net on the balance sheet. More information on the net pension liability can be found in our audited consolidated financial statements incorporated by reference herein:

	Year ended April 4, 2023 compared to year ended April 4, 2022		
	Increase/(decrease) in net interest due to changes in:		
	Volume	**Yield/rate**	**Total net change**
		(£ million)	
Interest income:[1]			
Loans to credit institutions	(8)	894	886
Debt securities and derivative financial instruments	19	619	638
Interest on net defined benefit pension asset	22	-	22
Loans to customers	150	2,617	2,767
Total interest income	**183**	**4,130**	**4,313**
Interest expense:[1]			
UK retail member deposits	14	1,456	1,470
Other Deposits	(1)	850	849
Debt Securities in Issue and Derivative Financial Instruments	(12)	966	954
Subordinated liabilities	(9)	103	94
Subscribed Capital	(2)	12	10
Total interest expense	**10**	**3,367**	**3,377**
Net interest income	**173**	**763**	**936**

Note:

(1) Interest income and expense amounts are stated after allocation of interest on financial instruments entered into for hedging purposes.

The following table allocates the changes in our interest income and expense between changes in average volume and changes in the average rates for the year ended April 4, 2022 compared to the year ended April 4, 2021. We calculated volume and yield/rate variances based on movements of average balances over the period and changes in average interest yields/rates on interest-earning assets and interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated in line with the amounts derived for pure rate and volume variances. Pension interest income and expense has been excluded from the table as the assets and liabilities to which they relate are held net on the balance sheet. More information on the net pension liability can be found in our audited consolidated financial statements incorporated by reference herein:

	Year ended April 4, 2022 compared to year ended April 4, 2021		
	Increase/(decrease) in net interest due to changes in:		
	Volume	**Yield/rate**	**Total net change**
		(£ million)	
Interest income:[1]			
Loans to credit institutions	37	31	68
Debt securities and derivative financial instruments	2	35	37
Interest on net defined benefit pension asset	(3)	-	(3)
Loans to customers	68	218	286
Total interest income	104	284	388
Interest expense:[1]			
UK retail member deposits	42	(99)	(57)
Other Deposits	8	20	28
Debt Securities in Issue and Derivative Financial Instruments	-	(9)	(9)
Subordinated liabilities	(14)	20	5
Subscribed Capital	(1)	4	3
Total interest expense	**81**	**(110)**	**(29)**
Net interest income	**23**	**394**	**417**

Note:

(1) Interest income and expense amounts are stated after allocation of interest on financial instruments entered into for hedging purposes.

Investment Securities Portfolios

As at April 4, 2024, our investment securities portfolios were carried at a book value of £26,532 million, representing 9.8% of our total assets. We only purchase investment-grade debt securities and do not operate a trading portfolio. The following table provides information on the breakdown of our investment securities as at April 4, 2024, 2023 and 2022, respectively:

	As at April 4,		
	2024	2023	2022
		(£ million)	
Government, government guaranteed and supranational investment securities	22,173	22,968	20,897
Other debt investment securities	4,299	4,592	4,529
Investments in equity shares	60	55	58
Total	**26,532**	**27,615**	**25,484**

Investment portfolio by credit rating & country/region

	As at April 4, 2024									
		Credit Rating				Geography				
Liquidity and investment portfolio by credit rating:	£ million	AAA	AA	A	Other	UK	US and Canada	Europe	Japan	Other
	(£ million)					(percentages)				
Liquid assets:										
Cash and reserves at central banks	23,817	-	100	-	-	100	-	-	-	-
Government bonds[(2)]	19,080	5	81	14	-	39	35	14	12	-
Supranational bonds	3,093	44	56	-	-	-	-	-	-	100
Covered bonds	2,980	99	1	-	-	46	29	17	-	8
Residential mortgage backed securities (RMBS)	631	100	-	-	-	63	-	37	-	-
Asset-backed securities (other)	137	100	-	-	-	100	-	-	-	-
Liquid assets total	**49,738**	**12**	**83**	**5**	**-**	**67**	**15**	**7**	**4**	**7**
Other securities[(3)(1)]:										
RMBS FVOCI	544	100	-	-	-	100	-	-	-	-
RMBS amortized cost	4	100	-	-	-	100	-	-	-	-
Other investments[(4)]	63	-	-	-	100	100	-	-	-	-
Other securities total	**611**	**90**	**-**	**-**	**10**	**100**	**-**	**-**	**-**	**-**
Loans and advances to banks	2,478	-	84	16	-	80	16	4	-	-
Total	**52,827**	**13**	**81**	**6**	**-**	**68**	**15**	**7**	**4**	**6**

Notes:

(1) Ratings used are obtained from Standard & Poor's (S&P), and from Moody's or Fitch if no S&P rating is available.

(2) Balances classified as government bonds include government guaranteed and agency 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 £6 million for 2024 (April 4, 2023: £13 million).

	As at April 4, 2023									
	(£ million)	AAA	AA	A	Other	UK	US and Canada	Europe	Japan	Other
			(£ million)					(percentages)		
Liquid Assets:										
Cash and reserves at central banks	25,635	-	99	1	-	99	-	1	-	-
Government Bonds[(2)]	20,130	31	54	15	-	37	37	14	12	-
Supranational bonds	2,838	46	54	-	-	-	-	-	-	100
Covered bonds	2,843	100	-	-	-	46	30	16	-	8
Residential mortgage backed securities (RMBS)	618	100	-	-	-	69	-	31	-	-

	As at April 4, 2023									
	(£ million)	AAA	AA	A	Other	UK	US and Canada	Europe	Japan	Other
			(£ million)					(percentages)		
Asset backed Securities (other)	197	100	-	-	-	94	-	6	-	-
Liquid Assets total.................	**52,261**	**22**	**72**	**6**	**-**	**67**	**16**	**7**	**4**	**6**
Other Securities[3][1]										
RMBS FVOCI.........................	885	100	-	-	-	100	-	-	-	-
RMBS amortized cost.............	40	100	-	-	-	100	-	-	-	-
Other Investments[4]	64	-	11	-	89	89	-	11	-	-
Other securities total	**989**	**93**	**1**	**-**	**6**	**99**	**-**	**1**	**-**	**-**
Loans and advances to banks..	2,860	-	85	14	1	82	13	5	-	-
Total.......................................	**56,110**	**22**	**71**	**7**	**-**	**68**	**16**	**7**	**4**	**5**

Notes:

(1) Ratings used are obtained from Standard & Poor's (S&P), and from Moody's or Fitch if no S&P rating is available.

(2) Balances classified as government bonds include government guaranteed and agency 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 £13 million for 2023 (April 4, 2023: £17 million).

The following table shows the contractual maturity of investment securities held as at April 4, 2024, 2023 and 2022:

	2024	2023	2022
		(£ million)	
Due less than 1 month	58	81	61
Due between 1 and 3 months	212	151	17
Due between 3 and 6 months	272	41	68
Due between 6 and 9 months	239	68	50
Due between 9 and 12 months	325	402	279
Due between 1 and 2 years............................	2,016	772	784
Due between 2 and 5 years............................	10,639	8,880	7,419
Due after more than 5 years	12,771	17,220	16,806
Total..	**26,532**	**27,615**	**25,484**

Loan Portfolio

As at April 4, 2024 total loans to customers excluding fair value adjustments for hedge accounting, including accrued interest, were £213,440 million, representing 78.5% of our total assets. Our loan portfolio net of allowances has increased by 1.0% during the last year from £214,072 million as at April 4, 2023 to £216,268 million as at April 4, 2024.

The following table summarizes our loan portfolio, net of allowances, as at April 4, 2024, 2023 and 2022, respectively:

	As at April 4,		
	2024	2023	2022
		(£ million)	
Residential mortgage loans...	160,891	157,474	154,354
Buy to let and legacy residential mortgages........................	43,255	43,908	43,579
Consumer banking..	3,827	3,939	4,109
Commercial and other lending	5,467	5,461	6,024
Total loans to customers..	**213,440**	**210,782**	**208,066**
Fair value adjustment for micro hedged risk[1]....................	350	430	549
Loans and advances to banks and similar institutions.........	2,478	2,860	3,052
Total	**216,268**	**214,072**	**211,667**

Notes:

(1) Under IFRS the carrying value of the hedged item is adjusted for the change in value of the hedged risk.

The following table presents the contractual maturity distribution for repayment for the loan portfolio held by us as at April 4, 2024:

	As at April 4, 2024					
	Due in less than 1 month	**Due in 1 month to 3 Months**	**Due in 3 months to 1 year**	**Due in 1 year to 5 years**	**Due after 5 years**	**Total**[1]
			(£ million)			
Loans and advances to customers	2,806	1,321	5,805	30,124	173,384	213,440
Loans and advances to banks	2,378	—	—	—	100	2,478
Total Loans portfolio net of impairment provisions	**5,184**	**1,321**	**5,805**	**30,124**	**173,484**	**215,918**

Note:

(1) The maturity analysis is produced on the basis that where a loan is repayable by installments, each installment is treated as a separate repayment.

Loans in Arrears

Loans in arrears refer to amounts that are unpaid at their contractual date. A customer is in arrears when they are behind in fulfilling their obligations such that an outstanding loan payment is overdue. Such a customer can also be said to be in a state of delinquency. When a customer is in arrears, the entire outstanding balance is said to be delinquent, meaning that delinquent balances are the total outstanding loans on which payments are overdue.

The following tables show the payment status of all residential mortgages as at April 4, 2024 and 2023:

	As at April 4, 2024				As at April 4, 2023			
	Prime	**Buy to let and legacy**	**Total**		**Prime**	**Buy to let and legacy**	**Total**	
		(£ million)		*%*		*(£ million)*		*%*
Not past due	159,036	42,524	201,560	98.6	155,849	43,270	199,119	98.7
Past due 0 to 1 month	1,080	418	1,498	0.7	1,044	376	1,420	0.7
Past due 1 to 3 months	352	207	559	0.3	310	213	523	0.3
Past due 3 to 6 months	213	121	334	0.2	155	108	263	0.1
Past due 6 to 12 months	173	101	274	0.1	111	65	176	0.1
Past due over 12 months	110	79	189	0.1	76	50	126	0.1
Possessions	17	36	53	-	13	22	35	-
Total residential mortgages	**160,981**	**43,486**	**204,467**	**100**	**157,558**	**44,104**	**201,662**	**100**

The proportion of loans more than three months in arrears has increased to 0.41% (April 4, 2023: 0.32%) and arrears levels remain low across prime and specialist lending. However, an increase in arrears from current levels is expected, due to rising inflation and increasing interest rates negatively impacting household finances. Impairment provision balances have increased to £321 million (2023: £280 million) due to deterioration in the economic assumptions used to model expected credit losses, including an increase in provisions for the impact of increasing interest rates on mortgage affordability. In total, £337 million (April 4, 2023: £245 million) of buy to let and legacy balances were more than 3 months past due or in possession, which includes the impact of the change.

As at April 4, 2024, the mortgage portfolios include 1,634 (April 4, 2023: 1,329) mortgage accounts, including those in possession, where payments were more than 12 months in arrears. The total principal outstanding in these cases was £218 million (April 4, 2023: £147 million), and the total value of arrears was £35 million (April 4, 2023: £26 million). The following tables show the payment status of all residential mortgages as at April 4, 2023 and 2022:

	As at April 4, 2023				As at April 4, 2022			
	Prime	Buy to let and legacy	Total		Prime	Buy to let and legacy	Total	
		(£ million)		%		*(£ million)*		%
Not past due	155,849	43,270	199,119	98.7	152,932	43,000	195,932	98.9
Past due 0 to 1 month	1,044	376	1,420	0.7	920	305	1,225	0.6
Past due 1 to 3 months	310	213	523	0.3	240	127	367	0.2
Past due 3 to 6 months	155	108	263	0.1	122	78	200	0.1
Past due 6 to 12 months	111	65	176	0.1	99	74	173	0.1
Past due over 12 months	76	50	126	0.1	109	95	204	0.1
Possessions	13	22	35	-	5	14	19	-
Total residential mortgages	**157,558**	**44,104**	**201,662**	**100**	**154,427**	**43,693**	**198,120**	**100**

The proportion of loans more than three months in arrears has decreased to 0.32% (April 4, 2022: 0.34%) and arrears levels remain low across prime and specialist lending. However, an increase in arrears from current levels is expected, due to rising inflation and increasing interest rates negatively impacting household finances. Impairment provision balances have increased to £280 million (2022: £187 million) due to deterioration in the economic assumptions used to model expected credit losses, including an increase in provisions for the impact of increasing interest rates on mortgage affordability. In total, £245 million (April 4, 2022: £261 million) of buy to let and legacy balances were more than 3 months past due or in possession, which includes the impact of the change.

As at April 4, 2023, the mortgage portfolios include 1,329 (April 4, 2022: 1,924) mortgage accounts, including those in possession, where payments were more than 12 months in arrears. The total principal outstanding in these cases was £147 million (April 4, 2022: £215 million), and the total value of arrears was £26 million (April 4, 2022: £30 million).

Loan Loss Experience

We assess 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 financial assets is impaired. Evidence of impairment may include indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments or the debt being restructured to reduce the burden on the borrower.

We first assess whether objective evidence of impairment exists either individually for assets that are separately significant or individually or collectively for assets that are not separately significant. If there is no objective evidence of impairment for an individually assessed asset it is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The resultant provisions have been deducted from the appropriate asset values in the balance sheet.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by us to reduce any differences between loss estimates and actual loss experience.

The following table sets forth the movement in our allowances for loan losses for the year ended April 4, 2024:

Reconciliation of net movements in balances and impairment provisions

	Non-credit impaired				Credit impaired [1]		Total	
	Subject to 12 month ECL		Subject to lifetime ECL		Subject to lifetime ECL			
	Stage 1		Stage 2		Stage 3 and POCI			
Group	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
				(£ millions)				
At April 5, 2023	172,058	50	37,457	410	1,502	305	211,017	765
Stage transfers:								

Transfers from Stage 1 to Stage 2	(16,072)	(3)	16,072	3	-	-	-	-
Transfers to Stage 3	(162)	(1)	(612)	(40)	774	41	-	-
Transfers from Stage 2 to Stage 1	13,432	100	(13,432)	(100)	-	-	-	-
Transfers from Stage 3	76	1	176	10	(252)	(11)	-	-
Net remeasurement of ECL arising from transfer of stage	-	(82)	-	102	-	82	-	102
Net movement arising from transfer of stage[(2)]	(2,726)	15	2,204	(25)	522	112	-	102
New assets originated or purchased[(3)]	25,526	12	1,681	39	12	7	27,219	58
Net impact of further lending/repayments [(4)]	(7,785)	(15)	(769)	(26)	(5)	2	(8,559)	(39)
Changes in risk parameters in relation to credit quality[(5)]	-	(3)	-	3	-	37	-	37
Other items impacting income statement charge/(reversal) including recoveries	-	-	-	-	-	(10)	-	(10)
Redemptions[(6)]	(12,213)	(5)	(3,270)	(20)	(238)	(11)	(15,721)	(36)
Income statement charge for the year								112
Decrease due to write-offs	-	-	-	-	(127)	(106)	(127)	(106)
Other provision movements	-	-	-	-	-	10	-	10
April 4, 2024	174,860	54	37,303	381	1,666	346	213,829	781
Net carrying amount		174,806		36,922		1,320		213,048

Notes:

(1) Group balances of credit impaired loans include £113 million (2023: £123 million) of purchased or originated credit impaired (POCI) loans, which are presented net of lifetime ECL impairment provisions on transition to IFRS 9 of £5 million (2023: £5 million).

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

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

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

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

(6) For any asset that is derecognised in the year, the value disclosed is the provision at the start of the year.

The following table sets forth our impairment provisions for the years ended April 4, 2024, 2023 and 2022:

Impairment provisions	**2024**	**2023**	**2022**
		(£ million)	
Prime residential	90	84	73
Buy to let and legacy residential	231	196	114
Consumer banking..	436	469	529
Commercial and other lending	24	16	30
Total..	**781**	**765**	**746**

The following tables show the allowances for loan losses as a percentage of total loans, analyzed by category for the years ended April 4, 2024, 2023 and 2022:

April 4, 2024	Total Balance	(%) of Total	Provision	Provision/Total Balance
Prime residential mortgages	160,891	75.38%	90	0.04%
Buy to let and legacy residential mortgages	43,255	20.27%	231	0.11%
Consumer banking	3,827	1.79%	436	0.20%
Commercial and other lending	5,467	2.56%	24	0.01%
Total	**213,440**	**100%**	**781**	**0.37%**

April 4, 2023	Total Balance	(%) of Total	Provision	Provision/Total Balance
Prime residential mortgages	157,474	74.71%	84	0.04%
Buy to let and legacy residential mortgages	43,908	20.83%	196	0.09%
Consumer banking	3,939	1.87%	469	0.22%
Commercial and other lending	5,461	2.59%	16	0.01%
Total	**210,782**	**100%**	**765**	**0.36%**

April 4, 2022	Total Balance	(%) of Total	Provision	Provision/Total Balance
Prime residential mortgages	154,354	74.19%	73	0.04%
Buy to let and legacy	43,579	20.94%	114	0.06%
Consumer banking	4,109	1.97%	529	0.25%
Commercial and other lending	6,024	2.90%	30	0.01%
Total	**208,066**	**100%**	**746**	**0.36%**

Deposits

The following table sets out the average balances and average interest rates for each deposit type for the year ended April 4, 2024:

	For year ended April 4, 2024	
	Average balance	Average rate paid
	(£ million, except percentages)	
UK retail member deposits	191,675	2.78%
Other customer deposits and amounts due to banks[1]	32,233	4.55%

Note:
(1) Amounts owed to other customers include time deposits, call deposits and retail deposits that do not grant "member" status.

The following table sets out the average balances and average interest rates for each deposit type for the year ended April 4, 2023:

	For year ended April 4, 2023	
	Average balance	Average rate paid
	(£ million, except percentages)	
UK retail member deposits	182,839	1.04%
Other customer deposits and amounts due to banks[1]	42,688	2.15%

Note:
(1) Amounts owed to other customers include time deposits, call deposits and retail deposits that do not grant "member" status.

The following table sets out the average balances and average interest rates for each deposit type for the year ended April 4, 2022:

	For year ended April 4, 2022	
	Average balance	Average rate paid
	(£ million, except percentages)	
UK retail member deposits	177,041	0.25%
Other customer deposits and amounts due to banks[1]	43,419	0.16%

Note:
(1) Amounts owed to other customers include time deposits, call deposits and retail deposits that do not grant "member" status.

Maturity of Deposits

The following table shows the maturity analysis of time deposits over $100,000 and certificates of deposit as at April 4, 2024:

	As at April 4, 2024			
	Time deposits	Certificates of deposit	Total	(%)
	(£ million, except percentages)			
Less than 3 months	204	1,506	1,710	95%
3 months to 6 months	44	-	44	2%
6 months to 1 year	56	-	56	3%
Over 1 year	-	-	-	0%
Total	**304**	**1,506**	**1,810**	**100%**

Return on Assets

The following table represents net income as a percentage of total average assets:

	For the year ended April 4,		
	2024	2023	2022
	(£ million, except percentages)		
Net income[1]	1,300	1,664	1,252
Total average assets[2]	285,128	285,610	272,174
Return on total average assets	0.46%	0.58%	0.46%

Notes:
(1) Net income represents profit for the financial year after tax.
(2) Total average asset is based on the total assets as of the end of each month during the financial year.

As a mutual organization, we are managed for the benefit of our members, primarily our retail savings and residential mortgage customers, rather than for equity shareholders. We return value to our members by offering generally higher interest rates on savings and lower interest rates on loans than those offered by our main competitors. As a result, we typically earn lower profits than our main competitors, which are typically banks or other non-mutual organizations. However, most of our net earnings are put into reserves and constitute Tier 1 capital for our capital adequacy requirements.

We have not presented any information regarding returns on equity because, as a mutual organization, we do not have equity.

FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

Financial instruments incorporate the vast majority of our assets and liabilities, both on a Group level and for the Society. Given the dominant position of the Society within the Group structure, the term 'Group' is used in the remainder of this section to cover the activities of both Group and Society.

We accept deposits from customers at fixed and variable interest rates for various periods and seek to earn an interest margin by investing these funds in high quality assets, predominantly mortgages. The principal risks which arise from this core activity, and which need to be managed by Nationwide, are interest rate risk (including basis risk), currency risk, credit risk and liquidity and funding risks.

All risks are monitored and managed within the Enterprise Risk Management Framework ("**ERMF**"). The ERMF comprises a Board-approved risk appetite, detailed risk management frameworks (including policies and supporting documentation), and independent governance and oversight functions.

We use derivative instruments to manage various aspects of risk. However, in doing so we comply with the UK Building Societies Act in relation to the use of derivatives for the mitigation of consequences arising from changes in interest rates, exchange rates or other factors defined by the UK Building Societies Act.

Derivatives

Our risk management approach is to use interest rate and currency derivatives to economically hedge the fair value of fixed rate assets and liabilities. The market risk from fixed rate assets and liabilities may be netted down before deciding to use derivatives. The derivatives used are predominantly interest rate swaps, which convert fixed rate cash flows to a benchmark floating rate such as SOFR or SONIA, and cross currency swaps which convert foreign currency cash flows to GBP cash flows. In addition, bond forwards are used to reduce swap spread risk within the investment securities portfolio and inflation swaps are used to economically hedge contractual inflation risk within investment securities.

While our derivative financial instruments are held for risk mitigation purposes, not all of these derivatives are designated as hedging instruments as defined by IFRS 9.

The following table describes the significant activities we have undertaken, the risks associated with such activities and the types of derivatives which are used in managing such risks. Such risks may alternatively be managed using cash instruments as part of an integrated approach to risk management:

Activity	Risk	Type of derivative instrument used
Savings products and funding activities involving instruments which are fixed rate or which have embedded options	Sensitivity to changes in interest rates and inflation risk including differential between Base Rate and SOFR/SONIA or inflation risk	Interest rate swaps including basis swaps, interest rate futures, swaptions, forward rate agreements and inflation swaps
Mortgage lending and investment activities involving instruments which are fixed rate or which include explicit or embedded options	Sensitivity to changes in interest rates, including differential between Base Rate and SOFR/SONIA and inflation risk.	Interest rate swaps including basis swaps, interest rate futures, swaptions, caps, collars, forward rate agreements
Investment and funding in foreign currencies	Sensitivity to changes in foreign exchange rates	Cross-currency swaps, FX swaps, foreign exchange transactions

The accounting policy for derivatives and hedge accounting is described in the Statement of Accounting Policies. Where possible, we apply hedge accounting to derivatives in order to reduce accounting volatility. We currently use two of the three types of hedge accounting permitted by IFRS 9: fair value hedge accounting and cash flow hedge accounting, but not hedging of a net investment in a foreign operation.

The Board and the ALCO are responsible for setting certain parameters respectively over our exposure to interest rates, foreign exchange rates and other indices. The Credit Committee sets our credit policy and regularly monitors and reviews credit exposures arising in all aspects of Group operations, including derivatives. All risk committees are overseen by the Executive Risk Committee, while the Board Risk Committee provides oversight of the risk framework for Nationwide including governance.

All exchange-traded instruments are subject to cash requirements under the standard margin arrangements applied by the individual exchanges. Such instruments are not subject to significant credit risk. Credit exposures arising on derivative contracts with certain counterparties are collateralized (e.g. with cash deposits), to mitigate credit exposures. To comply with EU regulatory requirements, we, as a direct member of a central counterparty (CCP), have central clearing capability which we use to clear standardized derivatives. Where derivatives are not cleared at a CCP they are transacted under the International Swaps and Derivatives Association (ISDA) Master Agreement.

Each of the principal financial risks to which we are exposed (interest rate, credit, foreign exchange, liquidity and funding risk) is considered below.

Interest rate risk

Our main market risk is interest rate risk. Market movements in interest rates affect the interest rate margin realized from lending and borrowing activities.

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

In addition to primary lending and borrowing activities, income volatility arising from certain rate insensitive products (including reserves and CCDS) are structurally hedged.

Our interest rate risk is measured using a combination of value-based assessments and earnings sensitivity assessments.

The VaR model incorporates risk factors based on historic interest rate and currency movements. A 10-day horizon and a 99% confidence level is typically used in day to day VaR monitoring. VaR is used to monitor interest rate, swap spread, currency and product option risks and is not used to model income. Exposures against limits are reviewed daily by management. Actual outcomes are monitored on an ongoing basis by management to test the validity of the assumptions and factors used in the VaR calculation. The values reported below are on the same basis as those used internally.

Although VaR is a valuable risk measure, it needs to be viewed in the context of the following limitations which may mean that exposures could be higher than modelled:

- The use of a 99% confidence level, by definition, does not take account of changes in value that might occur beyond this level of confidence;
- VaR models often under-predict the likelihood of extreme events and over-predict the benefits of offsetting positions in those extreme events;
- The VaR model uses historical data to predict future events. Extreme market moves outside of those used to calibrate the model will deliver exceptions. In periods where volatility is

increasing, the model is likely to under-predict market risks and in periods where volatility is decreasing it is likely to over-predict market risks;

- Historical data may not adequately predict circumstances arising from government interventions and stimulus packages, which increase the difficulty of evaluating risks.

To seek to mitigate these limitations, backtesting of the VaR model is undertaken regularly to ensure that the model is appropriate. This process compares actual performance against the estimated VaR numbers. To evaluate the potential impact of more extreme but plausible events or movements in a set of financial variables, the standard VaR metric is supported with sensitivity and stress analysis.

The table below highlights our limited exposure to interest rate risk, shown against a range of value-based assessments. These sensitivities do not include retail product behavioral changes, which are captured by other measures.

	For the year ended April 4, 2024			For the year ended April 4, 2023		
	Average	**High**	**Low**	**Average**	**High**	**Low**
			(£ million)			
VaR (99%/10-day)	0.8	3.7	0.2	0.6	1.4	0.1
Sensitivity analysis (PV01)	0.0	0.1	0.0	0.0	0.1	0.0

Earnings sensitivity assessments are also used to measure the risk that income is adversely impacted by changes in interest rates. These techniques apply rate shocks to the rates paid on liabilities and to the rates earned on assets and the impact on earnings is calculated. The absolute levels of interest rates can influence the flexibility to manage earnings. Illustratively, if interest rates were to fall or become negative, margins may be constrained because it is unlikely that the benefit to borrowers can be fully offset through current account or savings product rate changes.

We also measure interest rate risk through net interest income ("**NII**") and economic value of equity ("**EVE**") sensitivity measures, under a range of shock scenarios which include behavioral assumptions for retail products as interest rates change. These measures are assessed based on the standard shocks prescribed by regulatory guidelines, as well as against internally generated shock scenarios.

- NII sensitivities assess the impact to earnings in different interest rate shocks over a one-year period. Sensitivities are calculated based on a static balance sheet, where all assets and liabilities maturing within the year are reinvested in like for like products. The sensitivity also includes the impact arising from off-balance sheet exposures.

- EVE sensitivities measure the change in value of interest rate sensitive items, both on and off-balance sheet, under a range of interest rate shocks. Sensitivities are calculated on a run-off balance sheet basis.

Both NII and EVE sensitivities are measured regularly, with risk limits set against the various shocks.

Credit risk

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

- borrower / counterparty risk – the risk of loss arising from a borrower or counterparty failing to pay, or becoming increasingly likely not to pay the interest or principal on a loan, financial product, or service on time;

- security / collateral risk – the risk of loss arising from deteriorating security / collateral quality;

- concentration risk – the risk of loss arising from insufficient diversification of region, sector, counterparties or other significant factor;

- refinance risk – the risk of loss arising when a repayment of a loan or other financial product occurs later than originally anticipated.

At Nationwide, we lend in a responsible, affordable and sustainable way to ensure we safeguard members and our financial strength throughout the credit cycle. To this end, the Board Risk Committee sets the level of risk appetite it is willing to take in pursuit of our strategy, which is articulated as Board risk appetite statements and underlying principles:

We safeguard our members by lending responsibly:

- We will only lend to members, customers or counterparties who demonstrate that they can afford to borrow.

- We will support members and customers buying mortgageable houses of wide-ranging types and qualities.

- We will work with members and customers to recover their financial position should there be a delay, or risk of delay, in meeting their financial obligations.

We safeguard our financial performance, strength and reputation:

- We will manage asset quality so that losses through an economic cycle will not undermine profitability, financial strength and our standing with internal/external stakeholders.

- We will ensure that no material segment of our lending exposes the Society to excessive loss.

- We will proactively manage credit risk and comply with regulation, ensuring that robust economic sanctions and financial crime checks are in place.

We operate with a commitment to responsible lending and a focus on championing good conduct and fair outcomes. In this respect, we formulate appropriate credit criteria and policies which are aimed at mitigating risk against individual transactions and ensuring that our credit risk exposure remains within risk appetite. The Board Risk Committee and, under a governed delegated mandate structure, the Credit Committee, the Executive Sanctioning Committee and individual Material Risk Takers make credit decisions, based on a thorough credit risk assessment, to ensure that customers are able to meet their obligations.

At a portfolio level, we measure and manage our risk profile and the performance of our credit portfolios on an ongoing basis, through a formal governance structure. Compliance with Board risk appetite is measured against absolute limits and risk metrics and is reported to our Credit Committee monthly, with adverse trends being investigated and corrective action taken to mitigate the risk and bring performance back on track.

We are committed to helping customers who may anticipate or find themselves experiencing a period of financial difficulty, offering a range of forbearance options tailored to their individual circumstances. This is the case for residential mortgages, consumer banking and commercial lending. Accounts in financial difficulty/arrears are managed by our specialist teams to ensure an optimal outcome for our members, customers and the Society.

Credit risk within the Treasury portfolio arises from the instruments held and transacted by the Treasury function for operational, liquidity, and investment purposes. In addition, counterparty credit risk arises from the use of derivatives to reduce exposure to market risks; these are only transacted with highly rated organizations and collateralized under market standard documentation.

The treasury credit risk function manages all aspects of credit risk in accordance with our risk governance frameworks, under the supervision of the Credit Committee.

In accordance with IFRS 9, Treasury assets are assessed for credit risk deterioration each month. Scorecards are used to test current and expected performance and the results determine expected credit loss ("**ECL**") provisions. This process is part of an established governance structure that identifies under-performing assets and assesses the likelihood of, and options to minimize, future losses.

We have no exposure to emerging markets, hedge funds or credit default swaps.

The following table presents our maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account any collateral held or other credit enhancements and after allowance for impairment where appropriate. The maximum exposure to loss for off-balance sheet financial instruments is considered to be their contractual nominal amounts:

	2024			2023		
	Carrying value	Commitments	Maximum credit risk exposure	Carrying value	Commitments (1)(2)	Maximum credit risk exposure
			(£ million)			
Cash	23,817	—	23,817	25,635	—	25,635
Loans and advances to banks	2,478	—	2,478	2,860	—	2,860
Investment securities	26,532	5	26,537	27,615	—	27,615
Derivative financial instruments	6,290	—	6,290	6,923	—	6,923
Fair value adjustment for portfolio hedged risk	(3,330)	—	(3,330)	(5,011)	—	(5,011)
Loans and advances to customers	213,440	13,339	226,779	210,782	10,333	221,115
Total	**269,227**	**13,344**	**282,571**	**268,804**	**10,333**	**279,137**

Notes:

(1) In addition to the amounts shown above, we have revocable commitments of £10,394 million (2023: £10,444 million) in respect of credit card and overdraft facilities. These commitments represent agreements to lend in the future, subject to certain considerations. Such commitments are cancellable by Nationwide, subject to notice requirements, and given their nature are not expected to be drawn down to the full level of exposure.

(2) The fair value adjustment for portfolio hedged risk and the fair value adjustment for micro hedged risk (which relates to the commercial lending portfolio) represent hedge accounting adjustments. They are indirectly exposed to credit risk through the relationship with the underlying loans covered by Nationwide's hedging programs.

Currency risk

Currency exposure is managed through natural offsetting on the balance sheet, with derivatives used to maintain the net exposures within limits. ALCO sets and monitors limits on the net currency exposure. The table below sets out the limited extent of the residual exposure to currency risk:

	2024			2023		
	Average	High	Low	Average	High	Low
			(£ million)			
VaR (99%/10-day)	0.1	1.0	0.0	0.1	0.7	0.0

Liquidity and funding risk

Liquidity risk is the risk that we are unable to raise cash to settle our financial obligations as they fall due and maintain member and other stakeholder confidence. Funding risk is the risk that we are unable to maintain diverse funding sources in wholesale and retail markets and manage retail funding risk that can arise from excessive concentrations of higher risk deposits.

Our management of liquidity and funding risks aims to ensure that there are sufficient liquid assets at all times, both as to amount and quality, to:

- cover cash flow mismatches and fluctuations in funding

- retain public confidence
- meet financial obligations as they fall due, even during episodes of stress.

This is achieved through the management and stress testing of business cash flows, and through the translation of Board risk appetite into appropriate risk limits. This ensures a prudent funding mix and maturity profile, sufficient levels of high-quality liquid assets and appropriate encumbrance levels are maintained.

The liquidity and funding risk framework is reviewed by the Board as part of the annual Internal Liquidity Adequacy Assessment Process (ILAAP). ALCO is responsible for managing the balance sheet structure, including the Funding Plan, and its risks. This includes setting and monitoring more granular limits within Board limits. A consolidated cash flow forecast is maintained and reviewed weekly to support ALCO in monitoring key risk metrics.

A Liquidity Contingency Plan (LCP), which is part of the wider recovery plan framework, is maintained which describes early warning triggers for indicating an emerging liquidity or funding stress as well as escalation procedures and a range of actions that could be taken in response to ensure sufficient liquidity is maintained. The LCP is tested annually to ensure it remains robust. Our Recovery Plan describes potential actions that could be utilized in a more extreme stress.

For contingency purposes, we pre-position unencumbered mortgage assets at the Bank of England which can be used in the Bank of England's liquidity operations if market liquidity is severely disrupted.

The table below segments the carrying value of financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for the years ended April 4, 2024 and 2023. In practice, customer behaviors mean that liabilities are often retained for longer than their contractual maturities and assets are repaid faster. This gives rise to mismatches in funding on the balance sheet. The balance sheet structure and risks are managed and monitored by ALCO. We use judgment and past behavioral performance of each asset and liability class to forecast our likely cash flow requirements.

	As at April 4, 2024					
	Not more than one month[(2)]	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
	(£ million)					
Assets						
Cash	23,817	-	-	-	-	23,817
Loans and advances to banks and similar institutions	2,378	-	-	-	100	2,478
Investment securities	58	212	836	12,655	12,771	26,532
Derivative financial instruments	20	41	338	3,906	1,985	6,290
Fair value adjustment for portfolio hedged risk	(41)	(18)	(496)	(2,512)	(263)	(3,330)
Loans and advances to customers	2,806	1,321	5,805	30,124	173,384	213,440
Total financial assets	**29,038**	**1,556**	**6,483**	**44,173**	**187,977**	**269,227**
Liabilities						
Shares	139,238	4,595	35,379	13,254	900	193,366
Deposits from banks	7,129	7	3,982	5,270	-	16,388
Other deposits	1,283	1,585	1,582	80	-	4,530

	As at April 4, 2024					
	Not more than one month(2)	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
			(£ million)			
Fair value adjustment for portfolio hedged risk	1	3	40	6	-	50
Secured funding – ABS and covered bonds	176	533	762	9,315	6,488	17,274
Senior unsecured	1,527	73	843	9,290	592	12,325
Derivative financial instruments	21	42	102	732	554	1,451
Subordinated liabilities	37	2	45	5,092	2,049	7,225
Subscribed capital(2)	1	-	1	-	171	173
Total financial liabilities	**149,413**	**6,840**	**42,736**	**42,039**	**10,754**	**252,782**
Off balance sheet commitments(3)	13,344	-	-	-	-	13,344
Net liquidity difference	**(133,719)**	**(5,284)**	**(36,253)**	**1,134**	**177,223**	**3,101**
Cumulative liquidity difference	**(133,719)**	**(139,003)**	**(491,874)**	**(361,991)**	**3,101**	**-**

Notes:

(1) The analysis excludes certain financial assets and liabilities relating to accruals, trade receivables, trade payables and settlement balances which are generally short-term in nature and lease liabilities.

(2) Due less than one month includes amounts repayable on demand.

(3) The principal amount for undated subscribed capital is included within the due after more than five years column.

(4) Off-balance sheet commitments include amounts payable on demand for undrawn loan commitments, customer overpayments on residential mortgages where the borrower can draw down the amount overpaid, and commitments to acquire financial assets.

	As at April 4, 2023					
	Not more than one month(1)	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
			(£ million)			
Assets						
Cash	25,635	-	-	-	-	25,635
Loans and advances to banks and similar institutions	1,887	-	-	-	973	2,860
Investment securities	81	151	511	9,652	17,220	27,615
Derivative financial instruments	77	1	346	4,354	2,145	6,923
Fair value adjustment for portfolio hedged risk	(16)	(31)	(637)	(3,947)	(380)	(5,011)
Loans and advances to customers	2,784	1,371	6,256	31,446	168,925	210,782
Total financial assets	**30,448**	**1,492**	**6,476**	**41,505**	**188,883**	**268,804**
Liabilities						
Shares	149,642	2,153	21,720	12,697	931	187,143
Deposits from banks	7,882	13	1	17,160	-	25,056
Other deposits	1,806	1,559	1,701	125	-	5,191

	As at April 4, 2023					
	Not more than one month(1)	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
	(£ million)					
Fair value adjustment for portfolio hedged risk	-	1	1	-	-	2
Secured funding – ABS and covered bonds	1,501	41	2,089	7,258	5,142	16,031
Senior unsecured	1,685	12	1,379	6,562	1,957	11,595
Derivative financial instruments	56	-	27	539	902	1,524
Subordinated liabilities	8	2	45	4,020	2,680	6,755
Subscribed capital(2) ...	1	-	1	-	171	173
Total financial liabilities	**162,581**	**3,781**	**26,964**	**48,361**	**11,783**	**253,470**
Off balance sheet commitments(3)	10,333	-	-	-	-	10,333
Net liquidity difference..................	**(142,466)**	**(2,289)**	**(20,488)**	**(6,856)**	**177,100**	**5,001**
Cumulative liquidity difference..................	**(142,466)**	**(145,755)**	**(475,082)**	**(354,465)**	**5,001**	

Notes:

(1) The analysis excludes certain financial assets and liabilities relating to accruals, trade receivables, trade payables and settlement balances which are generally short-term in nature and lease liabilities

(2) Due less than one month includes amounts repayable on demand.

(3) The principal amount for undated subscribed capital is included within the due after more than five years column.

(4) Off-balance sheet commitments include amounts payable on demand for undrawn loan commitments, customer overpayments on residential mortgages where the borrower can draw down the amount overpaid, and commitments to acquire financial assets.

The following is an analysis of gross undiscounted contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest accrued at current rates for the average period until maturity, on the amounts outstanding at the balance sheet date.

	For the year ended April 4, 2024					
Gross contractual cash flows	**Not more than one month(1)**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
	(£ million)					
Shares	139,238	5,206	36,382	13,726	900	195,452
Deposits from banks and similar institutions	7,129	128	4,311	5,281	-	16,849
Other deposits	1,283	1,612	1,600	82	-	4,577
Secured funding – ABS and covered bonds	191	564	1,196	10,978	7,222	20,151
Senior unsecured funding	1,530	85	1,056	10,293	1,143	14,107
Subordinated liabilities	41	4	252	6,174	2,324	8,795
Subscribed capital(2)	1	-	9	44	188	242
Total non-derivative financial liabilities	**149,413**	**7,599**	**44,806**	**46,578**	**11,777**	**260,173**
Gross settled derivative outflows	366	841	2,812	14,948	7,758	26,725
Gross settled derivative inflows	(314)	(787)	(2,625)	(14,386)	(7,670)	(25,782)
Gross settled derivatives – net flows	52	54	187	562	88	943
Net settled derivative liabilities	254	695	2,877	5,933	3,442	13,201
Total derivative financial liabilities	**306**	749	**3,064**	**6,495**	**3,530**	**14,144**
Total financial liabilities	**149,719**	**8,348**	**47,870**	**53,073**	**15,307**	**274,317**
Off-balance sheet commitments(3)	13,344	-	-	-	-	13,344
Total financial liabilities including off-balance sheet commitments	**163,063**	**8,348**	**47,870**	**53,073**	**15,307**	**287,661**

Notes:

(1) Due less than one month includes amounts repayable on demand.

(2) The principal amount for undated subscribed capital is included within the due more than five years column.

(3) Off-balance sheet commitments include amounts payable on demand for undrawn loan commitments, customer overpayments on residential mortgages where the borrower is able.

	For the year ended April 4, 2023					
Gross contractual cash flows	**Not more than one month(1)**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
	(£ million)					
Shares	149,642	2,430	22,249	13,084	931	188,336
Deposits from banks and similar institutions	7,882	195	547	17,717	-	26,341

Gross contractual cash flows	For the year ended April 4, 2023 Not more than one month[(1)]	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
	(£ million)					
....						
Other deposits.............	1,806	1,573	1,710	126	-	5,215
Secured funding – ABS and covered bonds..........................	1,516	56	2,445	8,489	6,568	19,074
Senior unsecured funding	1,688	17	1,571	7,560	2,261	13,097
Subordinated liabilities	9	-	243	4,997	3,072	8,321
Subscribed capital[(2)] ...	1	-	9	46	181	237
Total non-derivative financial liabilities	**162,544**	**4,271**	**28,774**	**52,019**	**13,013**	**260,621**
Gross settled derivative outflows......................	1,477	106	903	11,970	10,934	25,390
Gross settled derivative inflows.........................	(1,439)	(89)	(830)	(11,709)	(10,422)	(24,489)
Gross settled derivatives – net flows.	38	17	73	261	512	901
Net settled derivative liabilities.....................	237	370	2,767	7,246	3,842	14,462
Total derivative financial liabilities	**275**	**387**	**2,840**	**7,507**	**4,354**	**15,363**
Total financial liabilities	**162,819**	**4,658**	**31,614**	**59,526**	**17,367**	**275,984**
Off-balance sheet commitments[(3)]...........	10,333	-	-	-	-	10,333
Total financial liabilities including off-balance sheet commitments.............	**173,152**	**4,658**	**31,614**	**59,526**	**17,367**	**286,317**

Notes:

(1) Due less than one month includes amounts repayable on demand.

(2) The principal amount for undated subscribed capital is included within the due more than five years column.

(3) Off-balance sheet commitments include amounts payable on demand for undrawn loan commitments, customer overpayments on residential mortgages where the borrower is able.

(4) Comparatives for derivative financial liabilities for the year ended April 4, 2023 have been restated to reflect outflows as a positive and inflows as a negative, consistent with the convention applied in the remainder of the table. Total financial liabilities including off-balance sheet commitments have been restated from £255,591 million to £286,317 million.

Fair values of financial assets and liabilities

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on our balance sheets at fair value:

	For the year ended April 4, 2024 Carrying value	Fair value
	(£ million)	
Financial assets		
Loans and advances to banks and similar institutions........	2,478	2,478
Investment Securities – Amortized Cost	4	4
Loans and advances to customers:		
Residential mortgages	204,106	198,123

	For the year ended April 4, 2024	
	Carrying value	Fair value
	(£ million)	
Consumer banking	3,827	3,737
Commercial and other lending	5,465	4,981
Total	**215,880**	**209,323**
Financial liabilities		
Shares	193,366	193,333
Deposits from banks	16,388	16,388
Other deposits	4,530	4,531
Debt securities in issue	29,599	29,937
Subordinated liabilities	7,225	7,365
Subscribed capital	173	173
Total	**251,281**	**251,727**

Note:

(1) The table above excludes cash and other financial assets and liabilities such as accruals, trade receivables, trade payables and settlement balances which are short-term in nature and for which fair value approximates carrying value.

	For the year ended April 4, 2023	
	Carrying value	Fair value
	(£ million)	
Financial assets		
Loans and advances to banks	2,860	2,860
Investment Securities – Amortized Cost	40	40
Loans and advances to customers:		
Residential mortgages	201,335	192,504
Consumer banking	3,939	3,821
Commercial and other lending	5,408	4,863
Total	**213,582**	**204,088**
Financial liabilities		
Shares	187,143	186,917
Deposits from banks	25,056	25,056
Other deposits	5,191	5,190
Debt securities in issue	27,626	27,865
Subordinated liabilities	6,755	6,731
Subscribed capital	173	171
Total	**251,944**	**251,930**

Note:

(1) The table above excludes cash and other financial assets and liabilities such as accruals, trade receivables, trade payables and settlement balances which are short-term in nature and for which fair value approximates carrying value.

Loans and advances to banks

The fair value of loans and advances to banks is estimated by discounting expected cash flows at a market discount rate.

Loans and advances to customers

The fair value of loans and advances to customers is estimated by discounting expected cash flows to reflect current rates for similar lending.

Consistent modeling techniques are used across the different loan books. The estimates take into account expected future cash flows and future lifetime expected losses, based on historic trends and discount rates appropriate to the loans, to reflect a hypothetical exit price value on an asset by asset basis. Variable rate loans are modeled on estimated future cash flows, discounted at current market interest rates. Variable rate retail mortgages are discounted at the currently available market standard variable interest rate (the "**SVR**") which, for example, in the case of our residential base mortgage rate (the "**BMR**") mortgage book, generates a fair value lower than the amortized cost value as those mortgages are priced below the SVR.

For fixed rate loans, discount rates have been based on the expected funding and capital cost applicable to the book. When calculating fair values on fixed rate loans, no adjustment has been made to reflect interest rate risk management through internal natural hedges or external hedging via derivatives.

Shares, deposits and borrowings

The estimated fair value of deposits with no stated maturity (including non-interest bearing deposits) is the amount repayable on demand. The estimated fair value of fixed interest rate shares, deposits and other borrowings without quoted market price represents the discounted amount of estimated future cash flows based on expectations of future interest rates, customer withdrawals and interest capitalization. For variable interest rate deposits, estimated future cash flows are discounted using current market interest rates for new debts with similar remaining maturity. For fixed rate shares and deposits, the estimated future cash flows are discounted based on market offer rates currently available for equivalent deposits.

Debt securities in issue

The estimated fair values of longer dated liabilities are calculated based on quoted market prices where available or using similar instruments as a proxy for those liabilities that are not of sufficient size or liquidity to have an active market quote. For those notes, where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

Subordinated liabilities and subscribed capital

The fair value of subordinated liabilities and subscribed capital is determined by reference to quoted market prices of similar instruments.

Fair value measurement

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

	For the year ended April 4, 2024			
	Level 1[(1)]	**Level 2[(2)]**	**Level 3[(3)]**	**Total**
		(£ million)		
Financial Assets				
Investments in debt securities[(4)]......	25,153	1,312	3	26,528
Investments in equity shares...........	—	—	60	60
Derivative financial instruments.....	—	6,095	195	6,290
Loans and advances to customers	—	—	42	42
Total..	**25,153**	**7,407**	**300**	**32,860**
Financial Liabilities				
Derivative financial instruments.....	—	(1,446)	(5)	(1,451)
Total..	**—**	**(1,446)**	**(5)**	**(1,451)**

Notes:

(1) Level 1: Fair value derived from unadjusted quoted prices in active markets for identical assets or liabilities, e.g. G10 government securities.

(2) Level 2: Fair value derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. a price) or indirectly (i.e. derived from prices), e.g. most investment grade and liquid bonds, ABS, certain CDOs, CLOs and OTC derivatives.

(3) Level 3: Inputs for the asset or liability are not based on observable market data (unobservable inputs), e.g. private equity investments, derivatives including an equity element, deposits including an equity element, some CDOs and certain ABS and bonds.

(4) Investment securities exclude £4 million (2023: £40 million) of investment securities held at amortized cost.

	For the year ended April 4, 2023			
	Level 1[(1)]	Level 2[(2)]	Level 3[(3)]	Total
	(£ million)			
Financial Assets				
Investments in debt securities.........	25,811	1,707	2	27,520
Investments in equity shares...........	—	3	52	55
Derivative financial instruments.....	—	6,766	157	6,923
Loans and advances to customers	—	—	100	100
Total..	**25,811**	**8,476**	**311**	**34,598**
Financial Liabilities				
Derivative financial instruments.....	—	(1,513)	(11)	(1,524)
Total..	**—**	**(1,513)**	**(11)**	**(1,524)**

Notes:

(1) Level 1: Fair value derived from unadjusted quoted prices in active markets for identical assets or liabilities, e.g. G10 government securities.

(2) Level 2: Fair value derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. a price) or indirectly (i.e. derived from prices), e.g. most investment grade and liquid bonds, ABS, certain CDOs, CLOs and OTC derivatives.

(3) Level 3: Inputs for the asset or liability are not based on observable market data (unobservable inputs), e.g. private equity investments, derivatives including an equity element, deposits including an equity element, some CDOs and certain ABS and bonds.

Other financial assets represent fair value movements in mortgage commitments entered into where a loan has not yet been made. We fair value a portion of the mortgage commitments on the balance sheet.

Our Level 1 portfolio comprises government and other highly rated securities for which traded prices are readily available. Asset valuations for Level 2 investment securities are sourced from consensus pricing or other observable market prices. None of the Level 2 investment securities are valued using models. Level 2 derivative assets and liabilities are valued using observable market data for all significant valuation inputs.

Instruments move between fair value hierarchies primarily due to increases or decreases in market activity or changes to the significance of unobservable inputs to valuation, and are recognized at the date of the event or change in circumstances which caused the transfer. There were no transfers between the Level 1 and Level 2 portfolios during the year.

The main constituents of our Level 3 portfolio are as follows:

Loans and advances to customers

Certain loans and advances to customers have been classified as FVTPL. Level 3 assets in this category include a closed portfolio of residential mortgages and a small number of commercial loans.

Investment securities

The Level 3 items in this category primarily include investments made in FinTech companies, of which £57 million (2023: £44 million) are equity investments which have been designated at FVOCI as the investments are being held for long term strategic purposes.

Derivative financial instruments

Inflation swaps are used to hedge the Group's investments in index-linked government debt. Adjustments to the inflation curve to reflect seasonality in inflation index publications is required to determine a valuation;

however, unlike most derivative valuation inputs, this market data is not available and therefore the input is internally derived rather than observable. During the year, the Group began transacting Euro and US Dollar inflation swaps, for which seasonality is a more significant input than for equivalent sterling swaps.

The tables below set out movements in the Level 3 portfolio, including transfers in and out of Level 3.

Level 3 portfolio – movements analysis

The table below analyzes movements in the Level 3 portfolio:

	For the year ended April 4, 2024			
	Investment securities	**Derivative financial assets**	**Derivative financial liabilities**	**Loans and advances to customers**
	(£ million)			
As at April 5, 2023	54	157	(11)	100
Gains/(losses) recognized in the income statement:				
Net interest income/(expense)	-	97	2	4
(Losses)/gains from derivatives and hedge accounting	-	58	7	-
Other operating (expense)/income	(4)	24	-	(2)
(Losses)/gains recognized in other comprehensive income:				
Fair value movement taken to members' interests and equity	5	-	-	-
Additions	8	-	-	-
Disposals	-	(24)	-	-
Settlements/repayments	-	(117)	(3)	(60)
Transfers out of Level 3 portfolio	-	-	-	-
As at April 4, 2024	**63**	**195**	**(5)**	**42**

	For the year ended April 4, 2023			
	Investment securities	**Derivative financial assets**	**Derivative financial liabilities**	**Loans and advances to customers**
	(£ million)			
As at April 4, 2022	**63**	**260**	**(176)**	**116**
Gains/(losses) recognized in the income statement:				
Net interest income/(expense)	-	(113)	(16)	4
(Losses)/gains from derivatives and hedge accounting	-	509	75	-
Other operating income	(3)	-	(9)	(11)
(Losses)/gains recognized in other comprehensive income:				
Fair value movement taken to members' interests and equity	(3)	-	-	-
Additions	1	-	-	-

	For the year ended April 4, 2023			
	Investment securities	Derivative financial assets	Derivative financial liabilities	Loans and advances to customers
Disposals	(4)	-	9	-
Settlements/repayments	-	(16)	4	(9)
Transfers out of Level 3 portfolio	-	(483)	102	-
As at April 4, 2023	**54**	**157**	**(11)**	**100**

	For the year ended April 4, 2022			
	Investment securities	Derivative financial assets	Derivative financial liabilities	Loans and advances to customers
		(£ million)		
As at April 4, 2021	**32**	**112**	**(52)**	**120**
Gains/(losses) recognized in the income statement:				
Net interest income/(expense)	-	48	(148)	2
(Losses)/gains from derivatives and hedge accounting	-	116	16	-
Other operating income	5	-	(16)	3
Losses recognized in other comprehensive income:				
Fair value movement taken to members' interests and equity	10	-	-	-
Additions	20	-	-	-
Disposals	(4)	-	16	-
Settlements/repayments	-	(16)	8	(9)
Transfers out of Level 3 portfolio	-	-	-	-
As at April 4, 2022	**63**	**260**	**(176)**	**116**

Level 3 portfolio – sensitivity analysis

The table below provides sensitivity analysis of reasonably possible alternative valuation assumptions for the assets in the Level 3 portfolio:

	For the year ended April 4, 2024		
	Fair value	Favorable changes	Unfavorable changes
		(£ million)	
Investment securities	63	2	(2)
Net Derivative financial instruments	190	29	(29)

	For the year ended April 4, 2024		
	Fair value	**Favorable changes**	**Unfavorable changes**
		(£ million)	
Loans and advances to customers	42	2	(2)
Total	**295**	**33**	**(33)**

	For the year ended April 4, 2023		
	Fair value	**Favorable changes**	**Unfavorable changes**
		(£ million)	
Investment securities	54	4	(3)
Net Derivative financial instruments	146	32	(32)
Loans and advances to customers	100	3	(2)
Total	**300**	**39**	**(37)**

	For the year ended April 4, 2022		
	Fair value	**Favorable changes**	**Unfavorable changes**
		(£ million)	
Investment securities	63	6	(4)
Derivative financial instruments – assets	260	16	(16)
Derivative financial instruments – liabilities	(176)	59	(59)
Loans and advances to customers	116	2	(2)
Total	**263**	**83**	**(81)**

Reasonable alternative assumptions applied take account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historic data. The scenarios applied are considered for each product and varied according to the quality of the data and variability of the underlying market.

MANAGEMENT

Our business is under the control of our Board of Directors. Each director is elected annually by the members. The executive directors are the Chief Executive and the Chief Financial Officer. All other directors are non-executive directors. The business address of all of the directors and officers is Nationwide House, Pipers Way, Swindon SN38 1NW, England.

Under our rules, the Board of Directors must consist of not less than eight directors of whom not less than five must be present at a Board meeting to form a quorum.

No potential conflicts of interest exist between any duties to us, as Issuer, of the persons on the Board of Directors and their private interests or other duties.

Management and Director Changes

On May 26, 2023, the Society announced that Sally Orton would be joining the Board with effect from June 1, 2023. On May 26, 2023, the Society further announced that Gunn Waersted would retire from the Board at the Annual General Meeting in July 2023 and that Tracey Graham would be appointed Senior Independent Director, subject to regulatory approval. Gunn Waersted and Mai Fyfield stepped down as Non-Executive Directors at the Society's Annual General Meeting on July 19, 2023.

Tracey Graham was appointed as Senior Independent Director on July 20, 2023.

On March 21, 2024, the Virgin Money Board and the Nationwide Board announced that they had agreed the terms of a recommended cash acquisition of Virgin Money by Nationwide. Following completion of this acquisition, Chris Rhodes, the Chief Financial Officer (CFO) of Nationwide, will take on the position of Chief Executive of Virgin Money with Muir Mathieson, Deputy Chief Financial Officer and Treasurer of Nationwide becoming the Chief Financial Officer of Nationwide. Both appointments are subject to regulatory approval and will report directly to the Nationwide Chief Executive, Debbie Crosbie.

Directors

The following table presents information with respect to current directors:

Name	Date of Birth	Position	Other Directorships
Debbie Crosbie	March 30, 1970	Chief Executive	SSE plc UK Finance Limited
Chris Rhodes	March 17, 1963	Chief Financial Officer	Arkose Funding Limited Derbyshire Home Loans Limited E-Mex Home Funding Limited Jubilee Mortgages Limited NBS Ventures Management Limited FN1 Nationwide Housing Trust Limited Nationwide Syndications Limited Silverstone Securitisation Holdings Limited The Mortgage Works (UK) plc UCB Home Loans Corporation Limited
Kevin Parry OBE	January 29, 1962	Chairman	Daily Mail and General Trust plc KAH Parry Limited Royal London Mutual Insurance Society Limited
Albert Hitchcock	January 16, 1965	Non-Executive Director	Pureprofile Limited
Phil Rivett	June 27, 1955	Non-Executive Director	Standard Chartered Plc

Name	Date of Birth	Position	Other Directorships
			Standard Chartered Bank
Tamara Rajah MBE	August 24, 1982	Non-Executive Director	Live Better With Limited London & Partners Limited
Debbie Klein	August 10, 1968	Non-executive Director	The Guardian Media Group Multichoice Group Showmax Africa Holdings Limited Gwanda Properties Limited Gwanda Global Limited Xyon Health Inc
Alan Keir	October 16, 1958	Non-executive Director	Majid Al Futtaim Holdings LLC Majid Al Futtaim Capital LLC Sumitomo Mitsui Banking Corporation
Gillian Riley	December 6, 1967	Non-executive Director	Tangerine Bank Roynat Capital Inc. St Michael's Hospital Foundation
Tracey Graham	July 20, 1965	Senior Independent Director and Non-executive Director	Close Brothers Group plc DiscoverIE plc Link Scheme Ltd and LINK Scheme Holdings Ltd
Sally Orton	March 5, 1970	Non-executive Director	

Biographies

Kevin Parry OBE

Chairman

Kevin Parry is a chartered accountant and brings to the Board expertise in audit, regulation, and governance risk management, finance and corporate finance. As a former Chairman of the Homes and Communities Agency, his perspective on housing is a valuable asset to the Society.

He has a wealth of experience across a broad range of organizations. He was Chairman of Intermediate Capital Group plc and Senior Independent Director of Standard Life Aberdeen plc as well as having been the Chief Financial Officer of Schroders plc and the Chief Executive Officer of Management Consulting Group plc. In addition, he is a former trustee and Chairman of the Royal National Children's Springboard Foundation.

Current external positions include:

Chairman, Royal London Mutual Insurance Society Limited

Non-executive director and Chairman of the Audit and Risk Committee, Daily Mail and General Trust plc

Director, KAH Parry Limited

Previous positions include:

Chairman, Intermediate Capital Group plc

Trustee, Royal National Children's Springboard Foundation

Chief Financial Officer, Schroders plc

Chief Executive Officer, Management Consulting Group plc

Managing Partner, Information Communications and Entertainment, KPMG LLP

Senior Independent Director, Standard Life Aberdeen plc

Debbie Crosbie

Chief Executive (CEO)

Debbie Crosbie joined Nationwide as CEO in June 2022. She has over 25 years of experience in financial services leadership. She was previously CEO at TSB where she led its successful turnaround by delivering a strategy to transform customer experience, made the bank more competitive, improved its reputation and increased colleague engagement – delivering the three-year growth strategy a year early. Debbie has extensive experience of leading turnaround strategies and, while Acting CEO of Clydesdale Bank, led preparations for its successful demerger and subsequent Initial Public Offering. She has overseen the execution of several major transformation projects.

Current external positions include:

Non-executive Director, SSE plc

Member of the FCA's Practitioner Panel

Director, UK Finance Limited

Member of the Prime Minister's 2024 Business Council

Previous positions include:

CEO, TSB plc

Group Chief Operating Officer and Executive Director, CYBG

Chris Rhodes

Chief Financial Officer

Chris Rhodes was appointed Chief Financial Officer in October 2019, having been a Board member since 2009. He is a chartered accountant with over 30 years' experience in retail and commercial banking, holding senior leadership roles across finance, treasury, operations, retail distribution and risk management. His previous positions include Group Finance Director of Alliance and Leicester Group, Board Director at Visa Europe and Deputy Managing Director for Girobank.

He has been a Director of the Lending Standards Board and a Trustee of National Numeracy. His broad background means he has a deep understanding of the Society and the mutual business model, and he is ideally placed to oversee the long-term financial stability of the Society, ensuring the Society continues to invest for the future on behalf of its members.

Current external positions include:

Arkose Funding Limited

Silverstone Securitisation Holdings Limited

Previous positions include:

Trustee, National Numeracy

Director, Lending Standards Board Limited

Group Finance Director, Alliance and Leicester Group

Deputy Managing Director, Girobank

Board of Director, Visa Europe

Albert Hitchcock

Non-Executive Director

Albert Hitchcock is a leader in information technology with over 30 years in the technology industry. His experience is of huge value to the Society as we continue our ambitious transformation program to meet the expectations of our members today and in the future.

He was previously a technology advisor to the Board of the Royal Bank of Scotland plc and has held executive positions as a Group Chief Information Officer at Vodafone plc and Nortel Networks. He was previously Chief Technology and Operations Officer of Pearson plc.

Current external positions include:

Non-executive Director, Pureprofile Ltd

LLP Member, Cumberland House BPRA Property Fund LLP

Previous positions include:

Technology Advisor to the Board, Royal Bank of Scotland plc

Group Chief Information Officer, Vodafone plc

Global Chief Information officer, Nortel Networks

Chief Technology and Operations Officer, Pearson plc

Philip Rivett

Non-Executive Director

Phil Rivett is a chartered accountant with over forty years' experience of professional accountancy and audit, with a focus on banks and insurance companies. He has a wealth of experience advising major financial services providers in the UK and on a global basis; he has held various senior positions at PricewaterhouseCoopers LLP and was Chair of its Global Financial Services Group prior to retiring from the firm. He has an exceptional leadership track record, advocating a collaborative and inclusive approach.

Current external positions include:

Non-executive director and Audit Committee Chair, Standard Chartered Plc

Non-executive director of Standard Chartered Bank

Previous positions include:

Global Chair, Financial Services Group, PricewaterhouseCoopers LLP

Tamara Rajah MBE

Non-Executive Director

Tamara Rajah has extensive experience in entrepreneurial ventures and technology and ran an award-winning, venture capital backed global consumer healthcare platform. She has published widely on high growth entrepreneurship and was formerly a non-executive director of the ScaleUp Institute Limited and Entrepreneur First Operations Limited. Prior to launching her own company Tamara was one of the youngest partners at strategy firm McKinsey where she spent a decade in the healthcare practice and led McKinseys knowledge and client work on entrepreneurship and technology clusters in life sciences, digital and technology. She brings to the Board vast experience of digital transformation, entrepreneurship and innovation.

Current external positions include:

Non-executive director of London & Partners Limited (stepped down from this role on 10 May 2024)

CEO Holland & Barrett Wellness Solutions and Chief Transformation Officer

Previous positions include:

Partner, McKinsey & Co

Scale Up Institute

Debbie Klein

Non-Executive Director

Debbie Klein has extensive experience in commercial brand and marketing roles. Until mid-2023, she was Group Chief Marketing, Corporate Affairs and People Officer at Sky. As part of her role, she was responsible, for Sky's corporate social responsibility (CSR) program, leading Sky's challenge to meet its 2030 net zero goals. Her expertise in sustainability and CSR matters assists in building Nationwide's future Environmental, Social and Corporate Governance (ESG) agenda.

She was previously Chief Executive Europe and Asia Pacific at The Engine Group, an integrated marketing services business, and held various leadership roles in her 20 years at the firm. Earlier in her career she worked in Strategy and Insight at Saatchi & Saatchi and Nielsen.

Current external position:

Non-executive director of The Guardian Media Group

Non-executive director of Multichoice Group

Non-executive director of Showmax Africa Holdings Limited

Non-executive Director, Xyon Health Inc

Previous positions include:

Group Chief Marketing, Corporate Affairs and People Officer, Sky

Alan Keir

Non-Executive Director

Alan Keir is an experienced banker who began his non-executive career when he retired as a Group Managing Director and CEO of EMEA at HSBC in 2016, where he had been leading the operations in 30 countries, including the UK home market. He has extensive experience in a full range of banking activity, including retail branches and investment banking. His expertise in the retail and commercial banking sector, and his proven track record of delivering a successful commercial banking strategy whilst redefining the culture and values of a large organization, assist the Board in setting and delivering strategic performance. He was previously on the Board of HSBC Bank plc as a non-executive director between 2018 and 2021.

Current external positions include:

Chair of the Sumitomo Mitsui Banking Corporation Bank International plc

Non-executive Director of Majid Al Futtaim

Previous positions include:

HSBC UK Bank plc (Non-Executive Director)

Gillian Riley

Non-Executive Director

Gillian Riley is a senior banker with an accomplished track record in consumer and commercial banking at Bank of Nova Scotia, which is Canada's third largest bank. Since 2018, she has been President and CEO of its subsidiary, Tangerine Bank, which she evolved from being a digital deposits bank to an everyday digital bank that is profitable and has a full suite of banking solutions which consistently wins awards for its client satisfaction. She also previously founded The Scotiabank Women Initiative to strengthen equality and support for women entrepreneurs. She is a champion for diversity and community values, contributing in areas such as health, youth issues and gender equality.

Current external positions include:

President and CEO, Tangerine Bank

Chair, Non-executive Director, Roynat Capital Incorporation

Non-executive Director, St Michael's Hospital Foundation

Tracey Graham

Senior Independent Director

Tracey Graham is an experienced non-executive director having served on several listed companies and mutual boards across a range of sectors, including financial services. She has extensive experience as a remuneration committee chair and as a senior independent director.

She was Chief Executive Officer of Talaris Limited, an international cash management business. Before that she held a number of senior roles in De La Rue plc, HSBC and at AXA Insurance.

Current external positions include:

Non-executive Director, Close Brothers Group plc

Non-executive Director, DiscoverIE Group plc

Non-executive Director, LINK Scheme Ltd

Previous positions include:

Non-executive Director, Ibstock plc

Non-executive Director Royal London Mutual Insurance Society

Sally Orton

Non-Executive Director

Sally Orton is a dual qualified chartered accountant in Australia and the UK, with a career spanning 30 years in financial services and professional services, bringing to the Board expertise in audit, regulation and finance. She was previously Group Chief Financial Officer (CFO) at GAM Holding AG (listed on the SIX Swiss exchange) where her remit included responsibility for all financial matters in the Group, including reporting, tax, treasury, capital management and related regulatory matters. Prior to joining GAM, she held CFO roles at LCH Ltd (part of the London Stock Exchange Group) and Howden Broking Group and also held senior roles at Man Group plc. Having started her career at KPMG in Australia, she moved to London in 1997 to join the Banking and Capital Markets industry groups of PwC and then EY. She has been Group CFO at Volante Group since April 2024.

Current external positions include:

Group CFO, Volante Group

Court Assistant, Committee Member, Worshipful Company of Chartered Accountants in England and Wales

Member, ICAEW Investment Management Committee

Previous positions include:

Group Chief Financial Officer, GAM Holding AG

Non-executive Director, GAM (Switzerland) Holding AG

Committees of Our Board of Directors

Our **Board of Directors** operates through its meetings and through its four main committees, the Audit Committee, the Nomination and Governance Committee, the Remuneration Committee and the Board Risk Committee. To the extent that matters are not reserved to our Board of Directors, responsibility is delegated to the Chief Executive Officer, who is assisted by the Executive Committee (Exco) and the Executive Risk Committee.

The **Audit Committee** provides oversight and advice to the Board in respect of among other things, financial reporting, financial crime, internal and external audit, and the adequacy and effectiveness of internal controls and risk management systems.

The purpose of the **Nomination and Governance Committee** is to assist the Chairman in keeping the composition of the Board under review, making recommendations to the Board on succession planning, executive level appointments and leading the appointments process for nominations to the Board. The Committee oversees the implementation of the Society's Inclusion and Diversity strategy and objectives. It also reviews the Board's governance arrangements and makes recommendations to the Board to ensure that the arrangements are consistent with best practice.

The **Remuneration Committee** is responsible for determining and agreeing with the Board the framework or broad policy for remuneration of the Chairman, the directors and other senior executives of the Society including employees who are identified as material risk takers under the PRA Remuneration Code. It determines, within the terms of the agreed policy, the specific remuneration packages for these roles. The Committee also reviews the ongoing appropriateness and relevance of the remuneration policy across the rest of Nationwide.

The purpose of the **Board Risk Committee** is to provide oversight and advice to the Board in relation to current and potential future risk exposures and future risk strategy, including determination of risk appetite. In addition, the Committee is responsible for monitoring compliance oversight, and the effectiveness of the Enterprise Risk Management Framework ("**ERMF**"). It also advises the Remuneration Committee on any risk adjustments to be made, including risk appetite, risk monitoring, and risk adjustments to remuneration.

Management Committees

The **Executive Committee** is our key operational committee which oversees the day-to-day operations of our business. This Committee meets weekly, reviews all matters that are to be presented to the Board of Directors, and is composed of our Chief Executive Officer, Chief Financial Officer and the Society's senior leadership team (this includes the Chief Internal Auditor who is an attendee of the Committee).

The **Executive Risk Committee**, which meets on average once a month, is responsible for ensuring a coordinated approach across all risks and oversight of its risk committees. The Committee's membership comprises members of the Executive Committee and it is chaired by the Chief Risk Officer. The sub committees of the Executive Risk Committee comprise:

- Assets and Liabilities Committee (ALCO);
- Credit Committee
- Model Risk Oversight Committee; and
- Economic Crime Risk Committee.

ALCO determines and amends the Society's approach to financial risk and sets thresholds for endorsement by the Executive Risk Committee and approval by the Board. It manages the financial risk profile of the Society in accordance with the Enterprise Risk Management Framework, Board Risk Appetite, Society Strategy and the Financial Plan.

ALCO comprises the Chief Financial Officer (Chair), Chief Executive Officer, Chief Risk Officer, Director of Treasury, Director of Retail, Director of Mortgages and Financial Wellbeing and Director of Retail Products. For more information about ALCO, see the section entitled "*Financial Risk Management*."

Credit Committee is responsible for determining and amending the Society's attitude to lending risk and set thresholds for endorsement by the Executive Risk Committee and the Board Risk Committee. It also manages the lending risk profile of the Society in accordance with the Enterprise Risk Management Framework, Board Risk Appetite, Society Strategy and the Financial Plan.

The Committee's membership comprises the Chief Credit Officer (Chair), Chief Risk Officer, Chief Financial Officer, Head of Secured Credit Risk, Head of Unsecured Credit Risk, Director of Mortgages and Financial Wellbeing, Head of Credit Risk Management, Director of Modelling. For more information about the Credit Committee, see the section entitled "*Financial Risk Management—Credit risk*."

The **Model Risk Oversight Committee** is responsible for overseeing the model risk profile of the Society, assessing whether models are fit for purpose and reviewing and challenging the Society's 1st Line use and management of models to manage the risk.

The Committee is comprised of the Head of Model Risk Oversight: Credit, Head of Model Risk Oversight; Finance, Head of Model Risk Management; Head of Business Risk Oversight, Head of Treasury Risk Oversight; Director of Modelling; Head of Credit Risk Management; Head of Balance Sheet Reporting and Forecasting, Head of Provision Reporting and Head of Balance Sheet Risk Framework and Modelling.

The **Economic Crime Risk Committee** is responsible for determining and amending the Society's attitude to economic crime risk and setting thresholds for recommendation to the Executive Risk Committee.

The Committee is comprised of the Director of Retail Products, the Director of Retail, The Director of Retail Services and the Director of Mortgages and Financial Wellbeing.

The **Conduct and Operational Risk Committee** was disbanded in April 2024.

Compensation

For the year ended April 4, 2024 the aggregate amount of compensation that we paid to the executive directors on the Board as a group totaled £4.0 million. We operate an annual performance pay plan for executive directors that only pays out if performance targets are met under a broad range of individual, strategic and financial corporate metrics. From the year ended April 4, 2023, we introduced a long-term performance pay plan for executive directors that will only pay out if sustainable long-term performance targets linked to financial and strategic objectives are met. Minimum regulatory deferral requirements apply across combined performance pay awards, with a portion of combined awards deferred for between three and seven years. The Remuneration Committee sets the performance targets under both the annual and long-term plans each year. For the year ended April 4, 2024, the maximum combined award opportunity under both plans for the current Chief Executive and Chief Financial Officer was 290% and 200% of base salary, respectively.

In addition, executive directors receive other benefits including travel, accommodation and other business-related costs incurred in connection with the performance of their duties, as well as medical insurance, car allowance and security.

Directors' Loans

As at April 4, 2024, we had loans to directors totaling £0.08 million. All of these loans were granted in the normal course of business and were largely made up of residential mortgage loans and balances on credit cards. While Nationwide previously offered directors and other employees' discounts on residential mortgage loans, these offers have been ceased. Some such loans originated before the offer cessation date may still be extant.

We maintain a register containing the details of all loans, transactions and other arrangements made between our directors (and persons connected with our directors) and Nationwide or its subsidiaries. This register is available for inspection at our annual general meetings and during normal business hours at our principal office during the 15 days prior to our annual general meeting.

Management Employee Pension Schemes

Executive directors (Debbie Crosbie and Chris Rhodes) receive a cash allowance in lieu of pension.

Related-Party Transactions

For information on transactions with related parties, see note 35 to our audited condensed consolidated financial statements incorporated by reference herein.

COMPETITION

Industry Background

Our main competitors are the five largest UK banking groups. In addition, we also compete with a range of other smaller challenger banks, with other building societies and with insurance companies. In recent years, new competitors have emerged in all areas of the UK personal financial services market where evolving technology and innovation have widened the range of competitive threats. A description of the traditional types of organizations with which we continue to compete as well as a description of certain new competitors is set forth below.

Major UK Banks

The UK financial services market is dominated by the five largest banking groups, namely Lloyds Banking Group, NatWest Group, Barclays, HSBC and Santander UK. These are our principal competitors in our core mortgages, savings and personal account markets.

In the recent past, prior to the coronavirus pandemic, mortgage competition was being driven by certain ring-fenced banks as they deployed surplus liquidity in lending markets. They had a further advantage from the lower cost of their deposits which stemmed from their significant market shares in low/zero cost transactional balances associated with personal current accounts. The COVID-19 pandemic accentuated this advantage, with the growth in retail deposits due to changes in customer behavior accruing in the ring-fenced banks, enhancing excess liquidity advantages.

In personal current accounts, and their associated non-rate-sensitive deposit balances, the scale of the existing customer bases and strategic investment programs of these banks makes them prime competitors.

Smaller UK Banks

We also compete with a series of smaller UK banks that have emerged as challengers to the industry leaders (e.g. TSB, Virgin Money, Co-op Bank and Metro Bank). While typically relatively small, some of these banks have sought rapid expansion via aggressive pricing, low-cost operating models and by use of digital and intermediary distribution aided by the absence of legacy IT and other issues. However, they have been unable to offset the scale advantages of the largest banks.

Building Societies

Over the past 30 years, many building societies have merged with other building societies or, in a number of cases, transferred their businesses to the subsidiary of another mutual organization or demutualized and transferred their businesses to existing or specially formed banks. As a result, the number of authorized building societies in the United Kingdom has fallen from 137 in 1985 to 42 as at February 1, 2024 (according to Bank of England data). Building societies today continue to hold an important share of the UK mortgage and savings market. For further information about the UK residential mortgage market and UK retail deposit market see below.

UK Insurance Companies

The UK insurance industry is dominated by large general and life insurance companies originating a range of products, distributed through building societies, banks, direct sales forces and independent financial advisors.

Other Competitors

A number of large retailers sell financial services to their customers, often through cooperation arrangements with existing banks and insurance companies. Retailing groups, namely Tesco and Sainsburys, have entered the market as manufacturers of financial service products in their own right, although more recently they have withdrawn from the mortgage market. In addition, foreign banks, investment banks, insurance and life assurance companies have at various times been active in UK personal financial services, particularly the mortgage and retail savings markets, and a number of companies have expressed a desire to enter the market. In recent years, two US global banks, JPMorgan Chase and Goldman Sachs have entered the UK banking market, with digital only subsidiaries, Chase UK and Marcus respectively.

The growth of internet price comparison sites has enabled consumers to have access to information that has increased price competition particularly in certain insurance markets. Online automated advice is likely to have an increasing impact on investment and protection markets. Companies are using low-cost telephone, internet and mobile distribution channels to offer competitively priced retail savings accounts, mortgages and other financial products. The internet and mobile communications technology provide opportunities for further competition from organizations from outside the traditional banking sector. This includes new banks specifically providing mobile-phone based banking (e.g. Starling, Atom and Monzo) and large technology companies either already using their core businesses as a platform for financial services, particularly in the payments arena, or being in a strong position to do so in the future should they choose to (e.g. the so-called Big Tech). The continued development of the intermediary sector also allows new entrants to gain access to the UK mortgage market and increase price-based competition on larger mortgage lenders. Competition regulation has and may eventually further assist potential entrants if it enforces the breakup of some of the larger participants or the sale of those in public ownership.

The UK Residential Mortgage Market

The table below sets out information for the last three years concerning year-end balances of UK lending secured on residential property and the proportions held by building societies, banks and us:

Year ended December 31,	Total Balances(1)	Banks & Building Societies(1)	Others	Our share of total UK residential mortgages(1)
		(£ billion, except percentages)		
2023	1,619.0	89.9%	10.1%	12.3%
2022	1,628.1	89.1%	10.9%	12.2%
2021	1,564.8	89.0%	11.0%	12.4%

Note:

(1) *Source*: Bank of England, except for information regarding our balances which are taken from our own data. Building society figures include our own balances.

Although the overall size of the new mortgage market has shrunk considerably since 2007, the nature of competition is essentially unchanged, in that it involves defending the existing stock of balances and competing for the flow of new lending.

Competition for new lending remains fierce and is driven by first-time buyers or next-time buyers remortgaging, changing homes or extending their mortgages. During the first period of lockdown from March 2021 to June 2021, mortgage activity across the UK fell sharply as a result of the measures imposed by the Government in response to the Covid-19 pandemic, and had since recovered strongly, particularly for house purchases. There has been a decline in the proportion of the UK population owning their own homes, from a peak of around 71% in 2003 to around 64% in 2021 (source: English Housing Survey). The aftermath of the global financial crisis is still evident in the mortgage market, with more limited credit availability at higher LTV ratios. This has been improving in recent years and though the pandemic initially led to increased caution amongst lenders, and high LTV products (>85% LTV) have returned to the market with widespread availability. For further information, see "*Risk Factors—Risks Related to Our Business—Changes to interest rates or monetary policy, whether by the UK, US or other central banking authorities, could affect the financial condition of our customers, clients and counterparties, which could in turn adversely affect us.*" Competition is driven by a combination of price, risk profile and access to funding by lenders.

Our market share of gross advances of 11.5% during the year ended April 4, 2024 was slightly above the prior year (April 4, 2023: 10.8%).

The UK Retail Deposit Market

The UK retail deposit market is dominated by banks, building societies and NS&I. Below is a table breaking down the total UK retail deposit market by type of financial institution compiled from details published by the Bank of England:

Year ended December 31,	Total UK retail deposits(1)	Banks' & Building societies' share of total UK retail deposits(1)	Others(1)	Our share of total UK retail deposits(1)
		(£ billion, except percentages)		
2023	1,995.9	88.4%	11.6%	9.5%
2022	1,958.8	89.2%	10.8%	9.6%
2021	1,883.4	89.1%	10.9%	9.5%

Note:

(1) *Source*: Bank of England, except for information regarding our balances which are taken from our own data.

The UK retail deposit market has become an increasingly commoditized market driven primarily by price, particularly for the flow of new money that generally seeks the most attractive rates available. However, the bank failures of 2007 and 2008 and the limits of the FSCS appear to have led some customers to spread their savings across a number of different companies. Older deposit balances have traditionally subsidized the cost of new retail deposits, primarily reflecting customer inertia.

In the last few years, competition for UK retail deposits has increased as new participants, such as foreign banks, supermarkets, insurance/life assurance companies and direct online banking providers have entered the market by offering attractive rates of interest. These new entrants have caused the cost of attracting new retail deposits to increase for existing players in the market and have impacted the flow of new retail deposits.

We believe that increased consumer awareness driven by the press and increased competition in the context of greater trust of smaller brands supported by FSCS guarantees has created potentially greater volatility of retail deposit balances both between different organizations and between different accounts within organizations. This, in turn, has resulted in a reduction in the differential between rates paid to existing and new balances as customers transfer to high rate accounts and organizations aim to retain existing balances.

Our deposit balances grew by £6.3 billion in the year ended April 4, 2024 and our market share of deposit balances reduced slightly to 9.5% (April 4, 2023: 9.6%), which reflected the competitiveness of our savings products.

Competitive Outlook

Prior to the coronavirus pandemic, while some weaknesses remained, the major banks had largely completed the process of financial repair upon which they embarked following the financial crisis. The end of significant costs for PPI customer redress and the completion of costly and disruptive ring-fencing re-organization had also left this group better able to compete and in recent years the major banks had begun to compete more aggressively.

With the onset of the Covid-19 pandemic, despite the availability of cheap Bank of England funding, the sharp fall in Base Rate has compressed the net interest margins of the ring-fenced banks, which, with their cost of deposits already very low, are left with less scope than other competitors to widen deposit spreads. As Base Rate has increased post-pandemic in response to inflationary pressures, ring-fenced banks have enjoyed improved net interest margins, even as consumers have been incentivized to move funds from 0% rated current accounts to higher cost savings products. Given the ring-fenced banks' large corporate and consumer finance loan exposures, the cost of living crisis may lead to increased credit losses, although investor guidance suggests the credit environment remains benign. As such, competitive pressure will remain high, with higher deposit income from the ring-fenced banks ensuring the mortgage pricing environment remains challenging, given high volume appetite from banks with meaningful levels of excess liquidity.

Competition for personal current accounts also looks set to remain intense as regulatory measures to allow customers to switch provider more easily are accompanied by both an increased appetite by providers to grow, or at least maintain, a current account base as a driver of active customer relationships and a smaller overall market given a more competitive savings market. Investment in new digital capabilities will continue at high levels, as major participants look to compete digitally against their existing competitors and to frustrate newer entrants and fintech innovators as they urgently seek to establish a volume base to secure their financial viability.

SUPERVISION AND REGULATION

Regulatory environment

Our principal regulators are the PRA and the FCA.

The PRA has four statutory objectives, including *inter alia*: (i) to promote the safety and soundness of the firms which it supervises; (ii) with respect to insurers, to contribute to the securing of an appropriate degree of protection for policyholders; (iii) a secondary objective to facilitate effective competition; and (iv) facilitate the international competitiveness of the UK economy (in particular the financial services sector) and its growth in the medium to long term. The PRA's regulatory and supervisory approach incorporates three key characteristics: to take a judgment-based approach, to take a forward-looking approach and to focus on key risks.

The FCA has a strategic objective to ensure that the relevant markets function well. In support of this, the FCA has three operational objectives: to secure an appropriate degree of protection for consumers; to protect and enhance the integrity of the UK financial system and to promote effective competition in the interests of consumers. The Financial Services and Markets Act 2023 also gives the FCA, as well as the PRA, a secondary objective to facilitate the international competitiveness of the UK economy and its growth, in the medium to long term.

The regulators are also required to have regard to certain regulatory principles when exercising their regulatory functions, including the need to contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (which contains the UK net zero emissions target) and section 5 of the Environment Act 2021 (which sets out other environmental targets) where they consider the exercise of their functions to be relevant to the making of such a contribution.

We operate in a heavily regulated environment, which continues to evolve. Certain elements of the regulatory environment which continue to attract regulatory focus are set out below; however, this does not purport to be a comprehensive overview of the regulatory regimes in which we operate.

Our capital, leverage and MREL requirements

Risk-based capital requirements

Under the prudential framework as at the date of this Registration Document, we are required to hold a minimum amount of regulatory capital equal to 8% of its RWAs (the "**Pillar 1 requirement**"), plus certain additional CET1 capital buffers (the "**buffer requirement**"). Certain buffer requirements may be extended to credit institutions designated as 'global systemically important institutions'("**G-SIIs**") or 'other systemically important institutions' ("**O-SIIs**"). We are not presently designated as a G-SII but we have been designated as an O-SII. The PRA has indicated that the O-SII buffer will be used to reflect an institution's domestic and global systemic importance, while a separate Systemic Risk Buffer ("**SRB**") will be used to prevent and mitigate macroprudential or systemic risks not otherwise covered by Pillar 1 requirements or the O-SII buffer.

Our total buffer requirement, as at the date of this Registration Document, is equal to 5.5% of RWAs (comprised of a capital conservation buffer of 2.5%, a counter-cyclical buffer of 2.0% and an O-SII buffer of 1.0%). The PRA is required to review O-SII buffer rates once a year and reassessed O-SII buffer rates in November 2023 with Nationwide's O-SII buffer remaining unchanged at 1.0%.

In addition, the PRA may impose additional individual capital requirements on us, which may comprise an add-on to the Pillar 1 requirement (the "**Pillar 2A requirement**") to address risks to us which the PRA considers are not adequately covered by Pillar 1 requirements, and/or an add-on to the buffer requirement (the "**PRA buffer**") to provide for additional capital buffers as a mitigation against future possible stress periods. The PRA presently requires that the level of the PRA buffer is not publicly disclosed and is set for each institution individually. Like the Pillar 2A requirement, the PRA buffer is a point in time assessment that, in respect of UK firms, is made by the PRA and is expected to vary over time. A failure to satisfy the PRA buffer could result in the Society being required to prepare a capital restoration plan.

We may also decide to hold additional amounts of capital, as part of its risk and growth strategies.

As at April 4, 2024, our CET1 ratio was 27.1% and our total regulatory capital ratio was 32.6%.

Leverage-based requirements

As of January 1, 2022 and in accordance with Policy Statement PS21/21, the leverage ratio framework applicable in the UK was simplified into a single leverage exposure measure. This includes mandatory leverage requirements for in-scope firms (such as the Society), as well as a PRA supervisory expectation with respect to the risk of excessive leverage for firms not subject to a minimum requirement.

The leverage ratio framework is intended to mirror aspects of the risk-weighted capital requirement. The calculation determines a ratio based on the relationship between Tier 1 capital and total exposures (i.e. non-risk-weighted assets), including off-balance sheet items. The leverage ratio does not distinguish between unsecured and secured loans, nor recognize the ratio of loan to value of secured lending. As at the date of this Registration Document, the leverage ratio requirement is set at 3.25% of exposures excluding central bank reserve exposures. At least three-quarters of the leverage ratio requirement must be met with CET1 capital and up to one-quarter may be met with Additional Tier 1 capital.

In addition, the leverage ratio framework includes two additional buffers that are to be met using CET1 capital only: an Additional Leverage Ratio Buffer ("**ALRB**"), applying to the largest UK banks and building societies (including the Society) and set at 35% of the relevant firm's G-SII or O-SII RWA-based buffer, and a macro-prudential Countercyclical Leverage Buffer ("**CCLB**"), which is set at 35% of the corresponding risk-weighted countercyclical buffer (and rounded to the nearest 0.1%, with 0.05% being rounded up).

Our leverage ratio was 6.5% at April 4, 2024. Given the nature of our balance sheet, which is underpinned by residential mortgage assets with a low risk profile (as demonstrated by a low level of arrears compared to the industry average), our current binding capital constraint is based on leverage-based (rather than risk-based) capital requirements. Based on our current understanding of the proposed changes to risk-weights, and subject to final implementation, we currently expect that the leverage ratio will continue to be our binding capital constraint in the near-term.

MREL and resolution strategy

MREL requirements have been introduced as part of a regime designed to make it easier to manage the failure of banks and building societies in an orderly way, without reliance on taxpayer bail-outs. These rules require all in-scope institutions to meet an individual MREL requirement by issuing own funds (capital instruments) and (depending on the preferred resolution strategy for the relevant institution) other 'eligible liabilities' which are available to be bailed-in (i.e. written down or converted to equity on the occurrence of certain trigger points), calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities.

MREL requirements are split into two elements: firstly, a loss absorption amount, to cover losses up to and in resolution, based on a firm's minimum going concern capital requirement; and secondly (to the extent relevant for the preferred resolution strategy for the relevant firm), a recapitalization amount, intended to enable the firm to continue as a going concern post-resolution and to access funds in the capital markets (and accordingly, for firms (such as the Society) with a "bail-in" resolution strategy, the recapitalization amount is likely to be at least equal to the minimum going concern capital requirement).

The Bank of England has set us an indicative MREL requirement of 6.5% of our leverage exposure. In addition to our MREL requirement, we must also hold applicable leverage ratio buffers of 1.05% of our leverage exposure. Together the MREL requirement and applicable buffers represent our "loss-absorbing capacity" requirement. As at April 4, 2024, our MREL resources were equal to 9.4% of our leverage exposure.

The preferred resolution strategy for us has been set by the Bank of England as "bail-in", reflecting our size and consequential risks of an insolvency process. 'Bail-in' would involve the write-down or conversion to equity instruments (such as core capital deferred shares ("**CCDS**")) of our liabilities, and would be expected to result in the write-down or conversion of all or a large part of our own funds and other eligible liabilities (and could in addition result in the write-down or conversion of our other, more senior-ranking liabilities). Notwithstanding this, the actual approach taken, should we require resolution, will depend on the circumstances at the time of a failure, and all available options would be considered by the Bank of England.

Stress Tests

Since 2014, the Bank of England has conducted annual stress tests of the UK banking system. The annual cyclical scenario ("**ACS**") includes all major UK banks and building societies with total retail deposits equal to, or greater than, £50 billion on an individual or consolidated basis, at a firm's financial year-end date. This group includes us.

On July 12, 2023, the Bank of England issued the results of its latest Concurrent Stress Test. The specified hypothetical annual cyclical scenario ("**ACS 2022**") considered a 31% decrease in house prices, 8.5% peak in unemployment and Bank Base Rate peak of 6% in the first year of the scenario. The results of the ACS 2022 show that the Society's capital position remained robust with our common equity tier 1 ratio at its lowest point in the stress, at 20.3%, remaining significantly above the 7.4% hurdle rate. Our leverage ratio remained unchanged at 5.6% which was above the 3.6% hurdle rate. Full distributions on all Tier 1 capital instruments continued to be made throughout the scenario. The PRA has confirmed we are not required to submit a revised capital plan or take additional actions as a result of the stress test exercise.

GENERAL INFORMATION

1. Our principal office is Nationwide House, Pipers Way, Swindon SN38 1NW, England.

2. There are no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened) of which the Society is aware in the 12 months preceding the date of this Registration Document which may have or have had in such period a significant effect on the financial position or profitability of the Group.

3. Since April 4, 2024, there has been no significant change in the financial performance or financial position of the Society or the Group. There has been no material adverse change in our prospects since April 4, 2024.

4. There are no material contracts having been entered into outside the ordinary course of our business, and which could result in any group member being under an obligation or entitlement that is material to our ability to meet our obligation to holders of Securities.

5. The financial statements as at April 4, 2024, 2023 and 2022, and for the years then ended, incorporated by reference in this Registration Statement, have been audited by Ernst & Young LLP, independent auditors, as stated in their reports incorporated by reference herein.

6. For so long as the Issuer may issue Securities with respect to which this Registration Document forms a constituent part of a Prospectus prepared by the Issuer relating to such Securities, the following documents may be inspected at https://www.nationwide.co.uk/investor-relations/usmtn-terms-of-access/usmtn-programme/, https://www.nationwide.co.uk/investor-relations/covered-bond-terms-of-access/covered-bond-programme/ and https://www.nationwide.co.uk/investor-relations/emtn-terms-of-access/emtn-programme/:

   (a) the Memorandum and the Rules of the Society;

   (b) the most recent publicly available audited consolidated financial statements beginning with such financial statements as of and for the years ended April 4, 2024, 2023 and 2022;

   (c) the audit report of EY in respect of our audited consolidated financial statements as of and for the year ended April 4, 2024; and

7. This Registration Document (including any documents incorporated by reference herein) will be available for viewing at https://www.nationwide.co.uk/about/investor-relations. For the avoidance of doubt, unless specifically incorporated by reference into this Registration Document, information contained on the website does not form part of this Registration Document.

8. The Legal Entity Identifier (LEI) code of the Issuer is 549300XFX12G42QIKN82.

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