Interim Results 2025-26 Webinar Transcript

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(Amended in places to improve accuracy and readability)

Nationwide Attendees:

Debbie Crosbie, Group Chief Executive Officer

Muir Mathieson, Group Chief Financial Officer

Vikas Sidhu, Head of Investor Relations & Treasury Sustainability

Debbie Crosbie: Good morning and thanks for joining us at Nationwide's Interim Results call. I'm Debbie Crosbie, the Chief Executive Officer, and joining me is Muir Mathieson, our Chief Financial Officer.

So, delighted to say that once again, we are number one for growth in mortgages and retail deposits, and we have sustained momentum in consumer lending and business banking. We remain number one for customer satisfaction, but with a growing lead, and more people switched their personal current account to us than any other brand.

All of this, combined with the benefits of our acquisition of Virgin Money, has led to an increase in underlying profit, whilst delivering £1.2 billion of value back to our members.

I'm also delighted that our successes have been recognised across the industry. Nationwide was named Which? Banking Brand of the Year and UK Brand of the Year by Kantar. Our long-standing approach to provide better value products aligned with outstanding service was once again demonstrated through strong growth despite persistent competitive pressures.

Mortgage net lending exceeded £4.7 billion. That's the strongest performance across the UK banking sector in the six-month period. This was led by our highly competitive mortgage pricing and an increased focus on supporting first-time buyers through our expanded Helping Hand proposition.

We've also continued to enhance our leading digital mortgage journey, combining new automated income verification and valuation tools to enable instant offers, and delivering API integration with brokers to make the application process even more simple and straightforward. And our digital self-service Mortgage Manager platform is enabling over half of our customers to switch to our best rates at deal maturity in a matter of minutes, supporting market-leading levels of retention.

This was matched by market-leading growth in retail deposit balances, notably through strong flows into ISA products and supported by deposit rates that were on average 31% higher than the market. Together with our competitive mortgage pricing, that contributed to £1.2 billion of value delivered to our members and that includes our Fairer Share payment that we announced in May.

Momentum in current accounts continues. We comfortably achieved the highest volume of switchers in the market and became the first provider to pass one million switchers since the launch of the current account switching service.

We've had another standout performance in the student market, achieving a 46% market share of new openings, showing the broad appeal and reach that we have with the younger demographic as they start out their financial journeys.

We're also seeing strong momentum in business banking. Our stock volume of business current accounts grew by 5%, and that included our best quarter for sales on record. And the rate of growth in our business deposits was one of the strongest in the market.

So, alongside sustained growth and customer volumes, we continue to excel in service, delivering an outstanding experience, irrespective of how customers are choosing to interact with us.

As you all know, our branch network remains fundamental to support our customers, which is why we've extended our Branch Promise to the start of 2030. We continue to see tangible benefits and value from maintaining face-to-face service, evidenced by more branch visits and an increase in new account openings compared to the same period last year.

We've seen more than a 29% increase in current account openings where Nationwide is the last branch in town, underlining the value that a significant group of our customers place on having access to physical touchpoints.

We're also continuing to invest and enhance our digital services at pace, delivering ten new mobile app features in the last six months alone. This includes app authentication to make identification on telephone banking slicker, and a new digital hub, providing a very flexible new tool within the app where we can give customers useful features, for example, access to their insurance policies and the Just Eat vouchers for our student accounts, in a really easy-to-access, single repository.

In an industry-first, we migrated payments processing to a dual cloud platform to increase resilience. We also became the first institution globally to adopt the Microsoft Sentinel Lake unified security data platform, which enables us to keep pace with evolving AI-driven threats, and reduce response times.

We're carefully using AI solutions to help colleagues make non-customer-facing tasks more efficient and more effective, and this is shown across our service metrics with some of our complaints and our response times at all-time lows.

Our continued technology innovation and delivery is not only improving experience and satisfaction with our customers, but it's also resulting in major productivity gains. Combined with market-leading growth and record transaction volumes, we continue to meet our long-term strategic objective of containing business-as-usual cost growth below the rate of inflation.

Alongside the strong momentum in the underlying business, I'm pleased to say our plans for integration with Virgin Money are progressing at pace, and we're tracking ahead of expectations.

Within twelve months, we streamlined our governance and our management structures and taken significant steps to simplify our Group capital structure through a liability management exercise. We've completed our strategic review and simplified the business by agreeing to dispose of Virgin Money Investments. We're also trialling a customer journey to offer Virgin Money business banking to Nationwide customers.

In April next year, and subject to court approval, we will complete a Part VII legal transfer of Clydesdale Bank's assets and liabilities into Nationwide Building Society. This is a key milestone that will enable us to move into the next and important stage of integration of customer and systems migration.

We plan to complete most of the migration to end-state platforms in the next two to three years following that Part VII completion. As a result, you will see our expenditure on integration activities increase in the coming 18 months and thereafter you will see declining integration spend, all of which is faster and more cost-efficient than on our original business case assumptions.

Whilst we've made good progress to date and have confidence in continued efficient delivery, we will continue to take a customer-first approach throughout, with a focus on good customer experiences in order to maximise retention and enable future growth.

And with that, I'm now going to hand over to Muir, who's going to take you through the financials.

Muir Mathieson: Thank you, Debbie, and good morning everyone.

Our strong growth in the first half of the year was delivered alongside £977 million in underlying profit and a robust balance sheet. Income was better diversified and arrears remained low. Our financial strength means we have been able to return significant value to our members, while continuing to lead on customer service.

Underlying profit increased by 2% year-on-year to £977 million. Income, costs and impairments all increased, reflecting the larger group following acquisition. I will comment on each of these lines later.

Member value totalled £1.2 billion in the period, including £409 million distributed through the Fairer Share payment announced in May 2025 and £780 million from what we term Member Financial Benefit, which principally reflects the positive rate differential between the rates our members enjoy and the average of the rest of the market.

Our growth in mortgages and in retail deposits over the six-month period was market-leading, with mortgage net lending of £4.7 billion and an increase in retail deposit balances of £5.3 billion.

Consumer lending grew comfortably over the period, despite our withdrawals from historic higher risk lending segments following the acquisition. And, we were one of the fastest growing in the business deposit market over the six months. Business lending fell marginally, as we chose not to participate in some segments where margin and criteria did not meet our appetite.

Our balance sheet ratios remain highly robust.

NIM reduced by 2 basis points on the prior six months, primarily due to lower completion margins on mortgages and balance sheet growth, partly offset by ongoing structural hedge tailwinds.

Given the overall robust levels of profitability in the period, we once again chose to provide better rates for our members and sustain growth rather than maximise profits.

Our strong mortgage performance was delivered through competitive new business pricing, differentiated first-time buyer propositions, and market-leading levels of retention.

New business completions in the period were written at 58 basis points over swap rates across the group, broadly in line with the guidance I provided in May.

Competition in the retail deposit market has increased over the past six months. Despite this, the group recorded market-leading retail deposit growth, supported by competitively priced products, strong inflows into ISAs and outperformance in personal current account balances.

Business banking deposits also increased in the period, ahead of the overall market, and supported by the 5% increase in Business Current Accounts, as Debbie referenced.

The average Nationwide member rate for retail deposits was 272 basis points, 63 basis points higher than the market average, as we chose to continue to support our members despite the decline in the Bank of England base rate.

Turning to NIM trajectory over the rest of the financial year, our expectation is that headwinds and tailwinds will remain broadly balanced.

The mortgage market remains competitive, with the blended margin on the pipeline today at circa 60 basis points. We expect deposit margins to continue to compress as base rate reduces, with the broad expectation that the margin widening which occurred as rates increased, will be reversed as rates fall. These headwinds however, will be broadly mitigated by the continued repricing of our structural hedging.

We continue to maintain strong cost discipline. The increase in underlying costs primarily reflects the larger business we now operate following the acquisition, as well as integration costs totalling £43 million, which have been incurred in order to progress the Part VII transfer work and back-office systems migrations.

The costs of running Nationwide, on a like-for-like basis, grew by less than the rate of inflation, despite our market-leading growth. This has been delivered through ongoing productivity improvements, but not to the detriment of our members, as evidenced through our growing lead in customer service satisfaction.

Below the-line costs of £81 million relate to acquisition-specific items, most material of which is £56 million for amortisation of the intangible assets created as part of the Purchase Price Allocation accounting process. This amortisation is net neutral for our capital position, given the intangible assets are already fully deducted from capital resources.

As indicated at our full year results, our expenditure on integration will rise in the coming period. Over the next 18 months, we will increase integration activity and associated spend, as we progress systems and customer migration, following completion of the Part VII process. To date, overall integration related spend has been lower than originally anticipated, whilst progress is ahead of plan, and we now anticipate end state synergies which are above our original expectations.

Our overarching ambition remains to contain like-for-like costs below the rate of inflation, and we continue to improve productivity across our business accordingly.

Asset quality across all portfolios remains robust, with low and stable levels of arrears.

The multiple economic scenarios used for IFRS 9 provisions remain broadly consistent with last year. The weightings applied to each scenario remain unchanged, with a 15% weighting applied to the severe downside scenario reflecting both domestic and global uncertainties.

The net underlying group impairment charge was £146 million in the period, equivalent to a 10 basis point annualised cost of risk and broadly in line with the 11 basis points reported in H2 last year. It is materially higher than the 1 basis point cost of risk reported in H1 last year, which included a £40 million reduction in modelled adjustments for borrower affordability challenges.

Group mortgage three-month plus arrears fell to 42 basis points and were around half of the industry average. Mortgage forbearance balances were unchanged at £1.4 billion. The average LTV of new mortgage business was broadly stable at 72%, reflecting our ongoing support of first-time buyers. The average stock LTV is also broadly stable at 57%.

Consumer lending three-month plus arrears continued to trend lower, decreasing from 111 basis points to 99 basis points.

The 12-month average Group LCR was 163%, slightly lower than the 174% reported at the end of the last year. The reduction reflects the lower average TFSME drawings over the last 12 months compared with the 12-month period prior to year end, with less than £1 billion now left outstanding across the group.

On-balance sheet group liquidity totals over £57 billion, which comprises cash and high-quality liquid assets. In addition, we have over £100 billion of drawdown capacity at the central bank, much of which can be drawn intraday, with our facilities regularly tested.

We have issued approximately £8 billion sterling equivalent of wholesale funding in mainly sterling, euros and US dollars in the financial year to date, including £900 million of issuance in October.

Our expectation is that Nationwide Group issuance will total circa £10 billion sterling equivalent this financial year, across our secured and unsecured programmes, which is at the upper end of the guidance I provided in May.

All new funding and capital instruments continued to be issued from Nationwide, with proceeds downstreamed to Virgin Money as required. Our issuance plans continue to take account of credit rating agency requirements for loss absorbing capacity.

Group capital resources remain comfortably above regulatory requirements, with substantial buffers across risk-based, leverage and MREL frameworks.

The group CET1 and leverage ratios were 18.4% and 5.2% respectively. The CET1 surplus to MDAs increased to 5.7 percentage points.

The reduction in the CET1 ratio was driven by a one-off £3 billion increase in the temporary adjustment applied to Virgin Money's hybrid IRB mortgage modelled RWA's, following ongoing discussions and process with the PRA. As a result, Virgin Money's average mortgage risk rate density has increased by 5 percentage points to 21% - this is above the Nationwide average density of 15%, noting that Nationwide's hybrid IRB models were approved by the PRA in 2024.

We do not anticipate any further material increases, and we will continue to work with the regulator to transition and align legacy VM IRB models with Nationwide's over the coming period.

Absent the increase in the temporary adjustment, profits were sufficient to service both the Fairer Share payment and support our market-leading growth.

The new Basel 3.1 standardised output floor is anticipated to eventually bind over existing risk-based requirements, albeit towards the end of the transitional implementation period, which ends in 2030. However, leverage requirements are expected to endure as our binding Tier 1 constraint throughout.

Given our significant progress in simplifying and aligning the Group capital structure following the Virgin Money liability management exercise in June, we are in discussions with the PRA regarding the removal of the sub-consolidation requirement that currently allows the two legacy Virgin Money AT1 instruments to contribute to group capital requirements until December 2028. This would reduce the group leverage ratio by approximately 5 basis points.

All legacy Virgin Money instruments will continue to contribute to the group's MREL requirements. For the avoidance of doubt, these instruments will not be included in the Part VII legal transfer.

Thank you and I will now pass back to Debbie.

Debbie Crosbie: Okay, hopefully that has given you a helpful run through, I'm going to pass to Vikas now who will facilitate the question-and-answer session.

Q&A

Vikas Sidhu: Thanks a lot Debbie and good morning everyone. Just a reminder again though, to please submit your questions through the portal., although I see we've already had some come through, so thank you for that. Perhaps I'll kick off with a question from Lee Street at Citi.

He's asked what has come out of your review of Virgin Money and have there been any surprises?

Debbie Crosbie: Okay. So look, I think, has there been any surprises? I think broadly no is the answer to that.

I think what we are really impressed with is how quickly after investment, we've seen an increase in both volumes of business in certain areas, and I'll touch on that in a minute, and very importantly, customer service. With about, an injection of about 350 people into customer service roles our answer rate is now above 95% in all of our call centre activity and importantly, complaints are at an all time low in Virgin Money now. I think what's surprising to me is how quickly colleagues in Virgin Money have enjoyed the benefits of that investment and turned the service around.

Great news. 5% growth in business current accounts, it's been a record quarter for sales, and that's just brilliant, right. So, what we've also discovered, which is one of the reasons why we're a bit ahead of where we are in terms of the integration programme is, there's actually lots of opportunity to simplify between the businesses. So, the services that we can provide through the Nationwide Group, have really given us, you know, a step up in terms of how fast we are confident to go.

We've got mirror boards now, so it's one group board, one group executive committee, everyone pulling in the same direction. And you know, Muir has touched on Hybrid IRB and it being just one of many examples where, the business that Virgin Money brings diversifies our income, gives us a broader products set, but we can service and support and use the infrastructure from Nationwide Group in a really constructive way to reduce overall costs, drive efficiency and deliver a better service to those Virgin Money customers.

So I think that's about it.

Vikas Sidhu: Thanks, Debbie. Perhaps if we just pivot across to margin and a question from John Cronin. He's asked what spreads are we writing new mortgages at on average at the moment, in both residential owner-occupied and in buy to let, please. And how do we expect that to evolve over the next six months?

Muir Mathieson: Yeah, thanks, as I covered in my earlier comments, John, we are writing about 60 basis points over swap rate today. That's what's in the pipeline, and that would be our spot margin as well. That breaks down as a little under 60 basis points owner-occupied; buy to let, which clearly is a much smaller proportion of the flows, would be typically 30, 40 basis points above that.

So that's broadly, where we're writing, and we see the market is very, very competitive, healthily competitive, good for borrowers, and we're really pleased to be number one for net lending and, very comfortable to continue to compete at these levels.

Vikas Sidhu: Thanks, Muir, and perhaps just a slight build on that from Lee. He's asked what is the general trend for NIM over the next two years? Not sure whether you can say too much on that?

Muir Mathieson: Yeah, as you know, Lee, we generally don't comment that far out. But, as I said in my earlier comments - headwinds, tailwinds broadly netting out is what we see as we sit here today.

Like all other major lenders in the UK, we've got a good tailwind coming in from our structural hedge. We're happy to reinvest that in remaining price competitive and giving value back to our members. And across those two, we see things as broadly stable.

Vikas Sidhu: Thanks, Muir. Just a couple of questions, which I'm going to couple together, actually, around the IRB models at Virgin Money. So the question is, what is the reason for the increase in the temporary adjustment applied to Virgin's IRB mortgage models, which saw that average risk weight density increase. And do we have an expectation when that might reverse, or when the temporary adjustments will be removed?

Muir Mathieson: Thanks, yeah, great question and thanks for giving me the opportunity to go into a little bit more detail on this topic. So, as most on this call will be aware, the PRA put out an expectation a number of years ago for the market to move to a hybrid approach on IRB mortgage models for risk weighted assets in the UK. So neither, overly point-in-time nor too through-the-cycle, but a hybrid between the both.

Nationwide was one of the first institutions in the UK to get that approved. I think as of today there’s only three lenders approved in the UK; vast majority of banks are still going through that approval process. Virgin Money was on that journey in the approval process, and through dialogue with the PRA and through Nationwide's review over the last six months, we've decided to make some adjustments to their modelling approach and that's resulted in this one-off, one-time, conservative, I would say, uplift of £3 billion in their risk weights. We're not expecting to have to uplift that anymore.

As I mentioned earlier in my comments, what we absolutely intend to do and have started the appropriate discussions with the PRA is move to one model suite for the group, that would just be the most sensible thing to do, and by the way, we've got an approved model at Nationwide. And directionally, as I think the questions alluded to, as I say, the Nationwide risk weight density would be 15%, Virgin Money, 21%. So, all other things being equal, hopefully you can see direction of travel there.

Just the other point I'd probably just take the opportunity to point out, is whilst RWAs went up during the period and hence a little bit of a dip to still market-leading 18.4% CET1, we did have a decrease in other capital requirements, so Pillar 2 requirements and greater efficiency in our capital stack. So headroom to MDAs for CET1, which I know many, many on this call care about a lot, actually increased during the period from 5.6% to 5.7%, which I know will be pretty good news for some of our holders on this call.

Vikas Sidhu: Thanks, Muir. A question from Aman Rakkar around our decisioning on mortgages. So please can we elaborate on how we prioritise volume and growth over margin? And is there a level below which you might change your approach and step back?

Debbie Crosbie: Well, look, I think this is a great question Aman, I'll lead off and then Muir.

I mean, I think we're not a business that's optimising profit. We're a business that wants to make the right level of profitability to keep us safe and sound, and give us confidence that you know, we stay safe and sound, and we can invest for the future. So we are very keen, particularly in areas like first-time buyers, to support as many people with the best rates that we can deliver.

The answer to this is it's a very dynamic market. So we are very tuned into what's happening externally, what do our customers need, so we're repricing on a segment basis very thoughtfully to get that balance right between value to the customers and retaining the profitability that we need to feel comfortable we're making, to ensure that we're not wasting members' money running around delivering mortgage services at pricing that's not profitable for us.

So it's a very fine balance and we're very dynamic in the way that we think about that.
I don't know whether you want to add, Muir?

Muir Mathieson: I'd just probably build on your point, Debbie, around how we think about minimum levels of profitability. So, just to recap, in the first half, the retained earnings that we generated, after payment of £400 million of Fairer Share, were sufficient to cover the organic growth in RWAs.

And remember, we've been market-leading in our growth, so even with market-leading growth, we can cover the growth in the balance sheet and pay Fairer Share, which just to remind everyone, we only pay that once a year, we won't be making a Fairer Share payment in the second half.

And leverage ratio stable as well, so leverage exposures growth was completely covered by the growth in profitability, etc.

So, that's how we think about minimum profit levels, and we stress test that through different economic cycles and different economic variables. But, as long as we are generating sufficient profitability to be balancing the growth in the balance sheet, even if that growth is market-leading, then we're happy to compete and give value back to our members.

Vikas Sidhu: Thanks both. Very clear. Aman did have a follow up on the retail deposit side, actually. I'm not sure how much we'll be able to say because we don't disclose the proportion of our deposit base which is ISA balances, but is there any comment we can make about what impact on our deposit base there might be if there is a change to the annual limit, as has been speculated as part of the budget?

Debbie Crosbie: Yeah, so look we've, as you would imagine, thought carefully about the range of impact. So the first thing is clearly we're not quite sure what's going to happen, but what I can give you reassurance on is, you know, that we've thought very carefully. I mean the first thing I say to you is that we have a very large range of deposits; of course, ISAs are very important, but I'd say, you know, we are very active right across the range, that's the first thing.

The second thing I'd say is, we've thought carefully about how many people contribute up to the maximum limit of the £20,000 limit. And, what you see is that's predominantly concentrated, as you'd expect, in people who are either at retirement or very close to retirement, so that's much more skewed to the older savers.

So I think, unless something very, very significant changes, we don't expect the impact to be significant. I think, for us, what would be important is that older savers are prioritised in those changes, and we'll wait and see what happens – I don't know if you want to add anything?

Muir Mathieson: Yeah. Just to reemphasise, I'm sure everyone in this call is aware, but all ideas or speculation around the change in the ISA limit would be a change to the flow, not the stock, so from a balance sheet perspective, we wouldn't expect any day one impact whatsoever.

And, also just to say, that even if there was a change to the amount that is cash free, certainly for some savers who do want cash savings rather than to go into stocks and shares or anything else, they could have that choice, of course, to go into taxed cash savings. There is an amount of interest which can still be tax free for some savers. So, we would expect all other things being equal, that there would be some substitution into taxed savings as well.

So the first order impacts might not be as big as you think, and it would only be on the flow.

Vikas Sidhu: Brilliant, thanks both. A broader question here from John. I know Debbie, you touched on this in some of your words, but are you able to comment a bit more on how the integration of physical and digital investments is driving efficiencies across the business?

Debbie Crosbie: Yeah, so look, this is a really interesting area.

So we've been doing a lot of work in a number of areas. Of course, we're very interested in the customer interface, so you'll see that we've made significant investments in upgrading facilities that are available in our digital app. We're in the process of, and doing a lot of work on an internet banking offering. We've really focused on making customer journeys and automation much more straightforward so that customers who want the convenience of digital can get the answer to the question or the account opened really quickly, and in a much slicker way.

And there's countless ways where we see that really have an impact on very simple things, like we allow customers who've got queries on disputed transactions to do that self-service and the containment that we're experiencing in chat is very high, it's very productive. So what we've done is thought about the customers, regardless of the channel, how can we make it really quick and easy?

But in addition to that, we're also investing quite significantly in what I describe as automation, use of AI and a range of new technologies to make our back office support functions more efficient and more effective. Now, that does not just represent opportunities for Nationwide. It offers, I think, pretty significant opportunities for synergies and cost savings through the integration programme.

We've got a very active engagement with our strategic partners in technology. I've mentioned a couple of areas where we're very proud to be market-leading and we'll continue to make sure that we do that in a very thoughtful basis.

But yeah, we're seeing, as you can see in our numbers, market-leading growth, the cost contained very effectively, so, we're very pleased with that. And you should expect to see, I think, an increasing range of options where we're going to increase productivity over the coming years.

Vikas Sidhu: Thanks, Debbie. Actually, just perhaps a related question around the branches, relative to online, what proportion of our current accounts are opened in the branch relative to online? And would we consider opening up new branches?

Debbie Crosbie: So look, depending on the type of current account, it works out, roughly about 20% of our current accounts. In last branch in town, it's risen by 29%. So we see a pretty significant proportion of our current accounts - older customers with deep relationships who want to not just bring the current account, but the savings, credit cards, you know, we're seeing a lot of those choosing to come to us when their alternative provider has closed. So we're really seeing the benefits of that.

And I'll tell you what's really interesting is, we're super proud of the market share that we delivered in student accounts, 46% of the entire market. Now, 1 in 10 of those was opened in person in our branch network, which some people find very surprising, because there are you know, some younger customers who do want the support of opening their branch as well.

We're not considering opening new branches at the moment. We'll always look carefully at what our customers want. We've got by far now the largest branch network. It's very productive. One thing I would say is we're increasingly introducing account opening capability, not just into Nationwide, but also into Virgin Money.

And look, it's early days there, but one number that I thought was super interesting is we've introduced an ISA account opening process into Virgin Money branches, so over 30%, 31% of those accounts, those ISA accounts that are opened in Virgin Money are being opened in person and branch and that's almost identical to what we see Nationwide. So what that tells you is, despite what you will hear from a lot of our competitors, the demand for in-person sales is really strong.

Final number for you is, if you look at all account openings in person and branches across the UK, 64% of those are occurring in Nationwide branches. We broke the record for the most sales within the last six months reporting period and I think a huge part of that remains the importance of branch face to face account opening.

Vikas Sidhu: Great, thank you Debbie. Just a question from Jean-Etienne at BNP for you, Muir. Do we consider the Cost of Risk at 10 basis points as a new through the cycle level?

Muir Mathieson: Yeah, I think that sort of ballpark - 10, 12, 13 basis points.

If you look at the historical Cost of Risk, at Virgin Money of around 30 to 35 basis points and historically, Nationwide would be 5, 6 or 7 basis points and take something of a blended average, that will equate to somewhere between 10 to 12 basis points. So I think that's a pretty good yardstick to hold us to.

I always look at how much we've actually written off in the period as well and that was in that sort of ballpark, too and that helps you look through the noise of the ups and downs in economic models, etc. So, yeah, I think it's a good yardstick.

Vikas Sidhu: Thanks, Muir. And a question from Soumya Sakkar - perhaps a bit of clarification around our plans to remove the sub-consolidation prudential requirements at the VM level?

Muir Mathieson: Yeah. It's just an efficiency thing for us, it removes certain reporting requirements and other things. Clearly once we are through the Part VII legal transfer process that we talked about earlier, pretty much all of the assets and liabilities will reside on the Nationwide balance sheet, and, hence, we won't need anything in place in terms of capital support for the subsidiary businesses.

And, hence why we think now is just a good time to, again, further simplify our regulatory requirements, and just be really crisp. And to repeat what I said earlier, that does mean the small amounts of additional tier one still outstanding from Virgin Money Holdco, won't count any more as capital, but it does still count as MREL, and the one outstanding MREL bond also continues to count as MREL, and we have that grandfathering in place until December 2028.

Vikas Sidhu: Thanks, Muir. And just a related question on capital, do we see any potential impact from the FPC review into requirements and what would happen if say, the countercyclical buffer came down by a percentage point?

Muir Mathieson: Well, if we could have that question again after the 2nd of December, that would be really helpful, because that's when we'll know exactly what the FPC are going to say and decide on capital. So we're pretty close to that date now. It'll be interesting to see where they land.

We would say that there is opportunity within overall capital requirements in the UK, especially for what we would say, are lower risk lending, predominantly mortgage lending. We're still 91% of our lending is mortgages, by law, we have to have over 75% of our lending in mortgages.

That, if you look at the actual crystallised realised losses on mortgages, and compare that to the amount of capital we have to hold on mortgages, there is a very, very significant disconnect. And so for certain parts of the framework, as I said earlier, we expect leverage regulatory requirements to remain our binding constraint and so for Nationwide Building Society, leverage has become a front stop rather than what it is intended to be - a backstop for your modelled risk weights.

Given the hybrid IRB and everything else I talked about earlier, the advent of Basel 3.1, it seems logical to me anyway, that now is a good time to review leverage ratio and specifically, some of the buffer requirements which are UK only. So it is feasible, possible, for UK authorities to tweak or change those buffer requirements without any international deviation. So that would seem quite logical and a good time to do on the advent of Basel 3.1.

So, we will see what happens with the FPC review. You'll have to remind me, Vikas, what was the second part of the question?

Vikas Sidhu: Do we foresee any impact if the countercyclical buffer was to reduce?

Muir Mathieson: Again, all things being equal, it's a slight reduction in our requirements.

You know, we pride ourselves on having a safe and secure balance sheet. We're not unhappy with our capital position and as you heard me say earlier, we do seek to at least maintain stability through sufficient retained earnings to cover off the growth in the balance sheet.

So, you shouldn't expect to see us doing anything radical, we don't have shareholders who are crying out for share buybacks and distributions. But, certainly mechanically there would be a reduction - both risk-based and leverage-based requirements - if there was a reduction in countercyclical buffer, because one of those unique to the UK read-across from risk-based to leverage basis countercyclical buffer.

Vikas Sidhu: Thanks. Muir. And I think the last question we have in for now is from Lee Street. Muir, what is our intention around continuing to review the permission to repurchase CCDS? And what is your intention in retaining that CCDS on the balance sheet?

Muir Mathieson: Yeah. Thanks very much, Lee, and thank you again for giving us the opportunity to talk about the permission.

So, we're renewing that permission on an annual basis. That gives us the permission to buy back some of our CCDS and we like to have that option, it's something that we can choose to deploy if there were ever a need and, in the name of keeping interest in the instrument alive as we've talked about on these calls a number of times before. And in terms of the ones that we have already bought back under the permission they're sat there, akin to Treasury shares, we could, if it was deemed to be a good time and if there was interest, redistribute those to the market and that's an option that we'll also keep open.

Vikas Sidhu: Great. Thank you very much. I think we're done with the questions, so Debbie back to you to close.

Debbie Crosbie: So, well, nothing more to say other than, thank you for joining the call. I hope you found it useful. We're very pleased with our results, and we look forward to giving you another fulsome update at the full year. Thank you.

[END OF TRANSCRIPT]