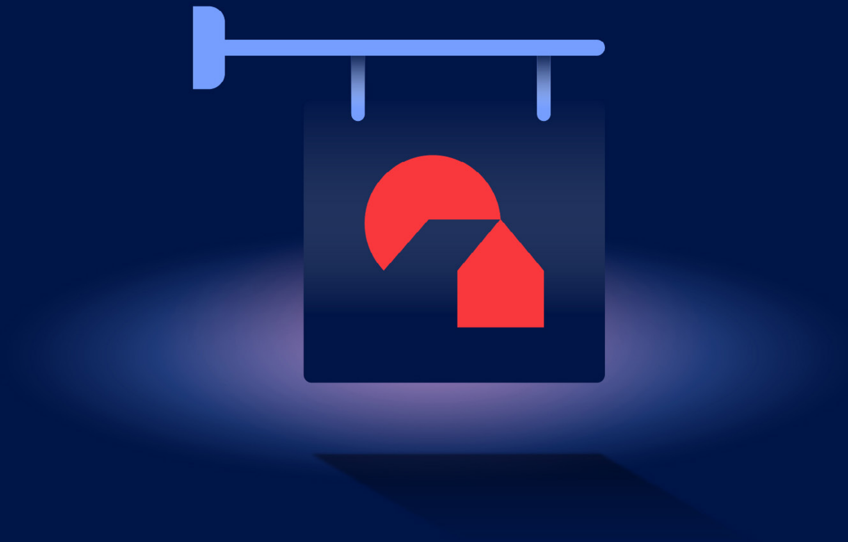
nationwide

Annual Report and Accounts 2024



Welcome to our Annual Report and Accounts 2024

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The Strategic report has been approved by the Board of directors and signed on its behalf by:

Deborah A Crosbie

Debbie Crosbie
22 May 2024

What your Society has achieved this year

No. 1

for customer satisfaction among our peer group for the 12th year running[1]

Branch Promise

Everywhere we have a branch, we promise to still be there until at least the start of 2028[2]

Almost £1 in every £10

of balances saved in the UK were looked after by us[3]

64,000 first time buyers

2023: 72,000

More net current account switchers

to us than to any other brand[4]

£15.5 million

committed to charitable activities[5]
2023: £9.6 million

Highest ranked

UK high street financial services provider in the Financial Times Diversity Leaders in Europe list, for the third year running[6]

The brand consumers are most likely to say they have

'heard good things about'[7]

£2,194 million in member value

through member financial benefit and our first Nationwide Fairer Share Payment
2023: £1,055 million in value from member financial benefit

£2,003 million underlying profit[8]

2023: £2,233 million

£1,776 million statutory profit[8]

2023: £2,229 million

6.5% leverage ratio

2023: 6.0%

1. Lead as at March 2024: 5.5%pts, March 2023: 3.8%pts. © Ipsos 2024, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to 12 months ending 31 March 2024. Results based on a sample of around 47,000 adults (aged 16+). The survey contacts around 51,000 adults (aged 16+) a year in total across Great Britain. Interviews were face to face, over the phone and online, taking into account (and weighted to) the overall profile of the adult population. The results reflect the percentage of extremely satisfied and very satisfied customers minus the percentage of customers who were extremely or very or fairly dissatisfied across those customers with a main current account, mortgage or savings. Those in our peer group are providers with more than 3.2% of the main current account market as at April 2023 – Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB. Prior to April 2017, those in our peer group were providers with more than 6% of the main current account market – Barclays, Halifax, HSBC, Lloyds Bank (Lloyds TSB prior to April 2015), NatWest and Santander.
2. All our 605 branches will remain open until at least 1 January 2028. Opening hours may vary. There may be exceptional circumstances outside of our control that mean we have to close a branch. But we will only do this if we do not have another workable option.
3. Market share of household deposit balances, based on Bank of England data, as at 31 March 2024: 9.5% (2023: 9.6%).
4. Pay.UK quarterly Current Account Switch Service data, 9 months to December 2023, based on the latest available data.
5. The £15.5 million includes £13.6 million of charitable donations and £1.9 million relating to supporting activity and staff costs.
6. The FT-Statista ranking of Europe's Diversity Leaders, as published by the Financial Times (www.ft.com). For more information, see footnote 2 on page 10.
7. Based on a study conducted by an international market research company commissioned by Nationwide Building Society. Based on total consumer responses, including non-customers, for the 6 months ending March 2024. Financial brands included are Nationwide, Barclays, Co-operative Bank, First Direct, Halifax, HSBC, Lloyds, Monzo, NatWest, Santander, Starling Bank and TSB.
8. The Nationwide Fairer Share Payment of £344 million, distributed in June 2023, accounted for the majority of the difference between underlying and statutory profit. More information can be found on page 68.

Our difference is our mutual ownership model

We are a building society, not a bank. That means we are owned by our members – our customers who have their current account, mortgage or savings with us.

Our purpose

Banking – but fairer, more rewarding, and for the good of society.

As a modern mutual, we make a positive difference for our members and customers, our communities and society as a whole.

Our business model

Nationwide holds a unique position in UK financial services. As the largest building society, we can deliver the value, service and benefits of mutuality to our customers and members that others cannot.

We aim to return additional value to our members as owners, including through our Nationwide Fairer Share products and payments.

We deliver our valuable banking products and services to all of our customers by helping them with:

- **managing everyday finances** – almost one in ten[1] of the UK's current accounts are with us and one in six current account switchers came to us last year[2]
- **owning a home** – we are the UK's third[3] largest mortgage provider
- **saving for the future** – we look after almost £1 in every £10 saved in the UK

We also support landlords, and those who rely on the private rented sector for their long-term housing needs, through our buy to let business, The Mortgage Works. This diversifies our income, and helps us give value back to our customers, through better product pricing and service. In addition, we offer a comprehensive range of wider retail financial services and products, including credit cards, personal loans and insurance.

In total, around 75% of our funding comes from our customers, and over 95% of our lending is to individuals, secured on residential property.

Our strategy

We have four strategic drivers that help us to fulfil our purpose. They are:

- **More rewarding relationships**
- **Simply brilliant service**
- **Beacon for mutual good**
- **Continuous improvement**

Our strategic drivers are supported by our Mutual Good Commitments, that seek to measure the positive impact we have on our customers, communities and wider society.

For more information on:

- Delivery against our strategic drivers, see pages 15 to 22.
- Our Mutual Good Commitments, see pages 46 to 51.

1. CACI's Current Account and Savings Database, Stock (February 2024).
2. Pay.UK monthly CASS data. 12 months to March 2024: 17.7% (12 months to March 2023: 19.2%).
3. UK Finance 2022 balance database (latest available data).

Our key stakeholders

Members and customers

Colleagues

Mortgage intermediaries

Communities

Regulators and policymakers

Investors and rating agencies

Suppliers

As a mutual, our members – customers who have their current account, mortgage or savings with us – are our owners and are our primary stakeholders. We also have other customers, including our buy to let and social housing customers.

In addition, we have other important stakeholders who we engage with and consider in our decision making.

We are committed to maintaining effective communications and building positive relationships with all our stakeholders. More information on our engagement with stakeholders can be found on pages 26 to 40.

What makes us different – our ownership model

As a mutual, we are owned by our members, which means we think about profit in a different way from our banking peers. We do not have to pursue profit to pay shareholders dividends. Instead, we balance our need to retain sufficient profit to remain financially strong, with rewarding members and our commitment to share our success through:

Delivering value and rewarding loyalty.

Product and service propositions that meet the needs and expectations of existing and future customers.

Providing brilliant and trusted service.

Committing at least 1% of our pre-tax profits[4] each year to charitable activities.

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

A letter from Kevin Parry

Your Society's Chairman

Dear fellow member

The past year has remained challenging as our members, customers and colleagues faced into economic uncertainties, including interest rate rises and higher costs of living. As a member-owned modern mutual, we support our customers by offering valuable banking and savings products to help them plan and save for their financial futures, and mortgages to help them buy their homes.

Last year was a year of several firsts for the Society. I am pleased to reflect on some of these as I take the opportunity to look back on 2023/24, and also look forward to the exciting but challenging year ahead.

I am pleased to report that our financial position remains strong, ensuring financial stability for the future in line with the Society's mutual ethos. Our pre-tax profit of £1,776 million allows us to deliver financial value to our members, including the Nationwide Fairer Share Payment.

Our first Nationwide Fairer Share Payment in 2023 enabled us to deliver financial value back to members during these economically challenging times, giving eligible members a share of our 2022/23 profits by making payments totalling £344 million. We also launched the Nationwide Fairer Share Bond, offering a highly competitive savings interest rate to our existing members for a limited time. Being a modern mutual enables us to reinvest our profits for our members' benefit, which is a huge differentiator between us and the big banks. The Board intends to declare an annual Fairer Share Payment going forward, subject to a formal approval each year, to ensure that any payment would not be considered detrimental to the financial strength of the Society. Helping our members in this positive and tangible way truly demonstrates our mutual difference.

The Society's first brand refresh in over 30 years was an exciting development and has been a great talking point for our colleagues and customers alike. Updating how we look, and expressing our mutual difference, will help us to attract and retain more customers. Increasing our customer base helps ensure that we can continue to offer competitive savings and mortgage rates now and in the future. We recognise that branches matter – and our customers value being able to speak to our staff face to face. Our branch promise[1] is a clear demonstration of our commitment to local communities.

On 21 March 2024, following full consideration and the appropriate due diligence, the Society confirmed its intention to buy Virgin Money. The Board's assessment is that this binding offer is in the best interests of the Society and its present and future members. I can confirm that following the acquisition, Nationwide will remain a building society and a modern mutual. This acquisition will strengthen the Society's ongoing financial position, enabling it to continue to provide further value to customers and members through its products and services. The Board expects that the acquisition will bring the benefit of mutual ownership to more people in the UK.

The Society's first online Annual General Meeting (AGM) was held on 19 July 2023. It was the best-attended AGM for many years, and the online format enabled more members to participate by attending, voting and asking questions online. My fellow Board members and I valued the opportunity to engage with you, respond to your questions, and receive your feedback and views. We look forward to welcoming even more of you to our AGM in 2024.

Nationwide continues to be an inclusive organisation that values the diversity of the communities it serves. The Board is also most effective when it reflects the diversity of its colleagues and members. This year I am pleased that the Society's diversity has been recognised in both the 2024 Financial Times' Diversity Leaders list[2], where we were ranked fourth out of 850 and, in the FTSE Women Leaders Report[3], where we ranked sixth for female representation on our Board of Directors across 50 of the UK's largest private businesses.

1. All our 605 branches will remain open until at least 1 January 2028. Opening hours may vary. There may be exceptional circumstances outside of our control that mean we have to close a branch. But we will only do this if we do not have another workable option.
2. The FT-Statista ranking of Europe's Diversity Leaders is based on independent surveys of more than 100,000 employees across Europe, on their perceptions of their organisation's diversity and inclusion practices. For the 2024 list, the employee surveys accounted for 70% of the final score, and three new indicators accounted for 30% of the score (the share of women in management positions, the communications made in favour of diversity, and a diversity score calculated by data provider Denominator).
3. FTSE Women Leaders Review (February 2024).

Our Society strategy – Blueprint for a modern mutual – continues to set our direction. It is centred around our purpose: Banking – but fairer, more rewarding, and for the good of society. It is supported by four strategic drivers: More rewarding relationships; Simply brilliant service; Beacon for mutual good and Continuous improvement. Our customers' interests are at the heart of how we do things. More information on the success of our strategy can be found in the later sections of the Strategic report.

The Governance report on page 76 sets out the key changes to the Board during the year. I would like to pass on my thanks and that of the Board to Gunn Waersted and Mai Fyfield who both stepped down from the Board at the 2023 AGM. Additionally, Tracey Graham was appointed Senior Independent Director with effect from 20 July 2023 and Sally Orton was appointed to the Board with effect from 1 June 2023.

The Society has a lot to be proud of and we all look forward to the opportunities ahead. Our members, customers and colleagues continue to be at the heart of everything we do.

Kevin Parry
Society Chairman

Chief Executive review

Reflections on 2023/24 from Debbie Crosbie

Your Society's Chief Executive

My reflections on 2023/24

Last year, we set a new strategic direction and a clear and compelling purpose: Banking – but fairer, more rewarding, and for the good of society. We continue to seek and respond to member and customer feedback, and the progress we are making against our strategy is leading to a better customer experience and a strong financial performance.

Our financial performance means we can provide our customers with great value products, choice in the way they bank with us, and simply brilliant service.

We delivered our highest ever level of member financial benefit, which included better pricing than the market average. We offered valuable savings products, such as our member-exclusive Fairer Share Bond, and passed a greater proportion of the Bank of England's interest rate rises on to savers.

We continue to stand out as a genuine alternative to the shareholder-owned banks. Following your feedback last year, we have continued to develop our propositions and are providing more ways for members to benefit from our financial strength and to share in our success. In 2024, for a limited period, our members can benefit from the preferential interest rate on our Member Exclusive Bond[1]. In addition, eligible members who have chosen us for their everyday banking will receive a Nationwide Fairer Share Payment[2]. For members who do not have their main current account with us, we are offering a member-only £200 incentive to switch to us using the Current Account Switch Service[3].

As well as sharing in our success, members have benefitted from our great services and commitment to branches. We take time to consult with our members through our Member Connect Panel, frequent surveys and by regularly tracking customer experience, responding to their feedback. As a result, satisfaction amongst those who use our branches is now at its highest ever level[4].

We are also proud to have remained first among our peer group for customer satisfaction for 12 years running[5].

We continue to provide choice in how customers bank with us. We know from your feedback that customers value face-to-face banking and so we again extended our Branch Promise until at least the start of 2028. While others close their doors, we have promised to keep ours open. We now have the largest single-brand branch network across the UK and remain committed to the high streets, our customers, and their communities.

We also launched our new banking app, with a refreshed look and added features. With almost five million customers using our banking app, we will continue to innovate and add the features that you have asked for to improve the app and make banking even easier.

We continue to work hard to protect our customers from fraud. Last year, our fraud defence systems and specialist fraud team helped prevent more than £130 million of attempted fraud on card and online transactions, and our Scam Checker Service helps protect customers too.

Over the year, we revealed our most significant rebrand in over 30 years. This was supported by a high-profile marketing campaign, bringing to life our purpose and the difference we make as a modern mutual. This will help us to build stronger relationships with our customers, now and into the future. We are now first among our peer group when consumers rate the brands that they have 'heard good things about'[6].

Our overall progress has resulted in record numbers of people switching their current account to Nationwide. More net current account switchers came to us than to any other brand[7].

1. More information can be found on nationwide.co.uk/member-bond. Available only to those who were a member on 22 May 2024 and at the point of application. Members need to be UK resident and aged 16 or over to apply for the Bond. We may vary or withdraw the Bond at any time.
2. T&Cs apply. Qualifying current account and either qualifying savings or mortgage required on 31 March 2024. Visit nationwide.co.uk/about-us/fairer-share/
3. To qualify you must have held a qualifying mortgage, savings or current account on 31 March 2024. More information and full terms can be found on nationwide.co.uk. We may vary, withdraw or extend this offer at any time.
4. Based on branch face-to-face satisfaction within our Customer Experience Score, for the 3 months ending 31 March 2024.
5. © Ipsos 2024, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to the 12 months ending 31 March 2024. For more information, see footnote 1 on page 5.
6. Based on a study conducted by an international market research company commissioned by Nationwide Building Society. Based on total consumer responses, including non-customers, for the 6 months ending March 2024. Financial brands included are Nationwide, Barclays, Co-operative Bank, First Direct, Halifax, HSBC, Lloyds, Monzo, NatWest, Starling Bank and TSB.
7. Pay.UK quarterly Current Account Switch Service data, 9 months to December 2023, based on the latest available data.

Looking ahead to the future

In the coming year, we will continue to deliver good value and great customer service.

We will build on the launch of our new mobile banking app, invest in internet banking, and continue to drive the service advantage we have through our branch network. In doing so, we aim to build broader, deeper and more lifelong relationships, that meet our customers' key needs, through all stages of their lives.

Our Member Exclusive Bond, Nationwide Fairer Share Payment and member-only current account switching incentive demonstrate our mutual difference. We also remain committed to demonstrating our mutual good in the communities we serve. Last year, we committed £15.5 million[8] to charitable activities. In 2024/25, we will launch our new social impact strategy, making a meaningful difference on the key societal issues that impact across a range of customer life stages, including young people, families and older people.

In March 2024, we confirmed our offer to buy Virgin Money. We continue to make good progress on our plans and Virgin Money shareholders have now voted in favour of the acquisition, with completion expected in Q4 2024, subject to regulatory approval. We believe this deal will strengthen Nationwide financially and offers an exciting opportunity to create a more diverse business that delivers even more value to our members in the future.

I wish to thank our colleagues for engaging so enthusiastically in our new purpose, and for their passion in delivering so much for our members.

Building on all that we have achieved, I look forward to another exciting year ahead, and delivering on our purpose: **Banking – but fairer, more rewarding, and for the good of society**.

Deborah A Crosbie

Debbie Crosbie
Chief Executive

8. The £15.5 million includes £13.6 million of charitable donations and £1.9 million relating to supporting activity and staff costs.

More rewarding relationships

Deeper, broader, more lifelong relationships that provide the best value in banking.

Delivered £2,194 million in value to our members, through member financial benefit[9], and our Nationwide Fairer Share Payment
(2023: £1,055 million in value from member financial benefit)[10]

Re-entered the young savers market with our FlexOne Saver

Almost 1 in 10[11] of the UK's current accounts are with us
2023: 1 in 10[11]

Helped 64,000 first time buyers into a home of their own
2023: 72,000

3.53 million engaged customers, who have their main personal current account, and either savings or a mortgage, with us[12]

We aim to provide our customers with 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 want to extend this beyond monetary value and to create deeper, lifelong relationships with our customers.

Our engaged customers have deeper relationships with us: they have 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. For more information, see page 24.

Creating value for our customers

Over the year, we delivered £2,194 million in value to our members. This included our highest ever member financial benefit of £1,850 million (2023: £1,055 million) from better pricing and incentives than the market average. We delivered valuable savings products, such as our Fairer Share Bond, which was offered exclusively to our members. It also included our inaugural Nationwide Fairer Share Payment of £344 million, distributed in June 2023 to 3.4 million eligible members with the deepest banking relationships with us.

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. Almost 80% of our total member financial benefit related to our member deposits. For more information, see page 69.

In addition, we delivered a total of £22 million of cashback to current account customers on their supermarket shopping in April 2023, as part of our three-month cashback offer that ran between February and April 2023.

9. Member financial benefit is the additional financial value delivered to members as a result of better pricing and incentives across our competitive mortgage, savings and banking products compared to the market average. More information on can be found on page 69.
10. The comparative includes the value delivered through member financial benefit only, as our Nationwide Fairer Share Payment was distributed for the first time in the 2023/24 financial year.
11. CACI's Current Account and Savings Database, Stock (February 2024 and February 2023).
12. Engaged customers have their main personal current account with us, plus either a residential mortgage of at least £100, or at least £100 in personal savings.

Encouraging more people to bank with us

Banking is core to our purpose and helps us build deeper, lifelong relationships with our customers.

Overall, we opened 761,000 (2023: 679,000) new current accounts, whilst achieving more net gains in current account switches than any other brand[13]. This was supported by our market-leading current account switcher incentive, which ran between September and December 2023 and offered £200 cashback to those who switched to us[14]. Overall, we held almost one in ten current accounts (2023: one in ten)[15].

Alongside the launch of our current account switcher incentive, we launched a top-of-the-market Flex Regular Saver, that had an interest rate of 8%. These propositions demonstrate our commitment to building more rewarding relationships with our customers and to delivering the best value in UK banking.

Supporting those who save with us

We want to encourage good savings habits, as this can provide customers with financial security in the long term. We offered a competitive range of products over the year, including our Flex Regular Saver, Nationwide Fairer Share Bond and FlexOne Saver. We also made saving easier through our banking app, with Impulse Saver and Round Up tools, and Savings Goals. And we continued to inform customers signed up to our SavingsWatch service of our latest, and best, savings rates and products.

Over the year, customer deposits increased by £6.3 billion (2023: £9.1 billion), supported by our competitive fixed-rate products and increased levels of accrued and capitalised interest due to higher average savings rates. Our market share of deposit balances reduced slightly to 9.5% (2023: 9.6%).

We also re-entered the young savers market, launching our FlexOne Saver for 11 to 17 year olds. Our FlexOne Saver is available to our FlexOne current account customers, offering an interest rate of 5% during the year and no restrictions on withdrawals. It represents one of our first key deliveries in improving our offering for our younger customers, and we plan to broaden our range further over time to meet a wider range of needs.

Helping people into homes

We were founded to help people into homes of their own, and this remains important to our strategy today. Our share of total mortgage balances increased to 12.3% (2023: 12.2%), in a competitive market with subdued growth. Net lending was £2.6 billion (2023: £3.3 billion), supported by our continued focus on retention through highly competitive products provided to existing customers.

Our existing mortgage customers have access to rates that are at least as good as those for new customers remortgaging to us. We were proud to be awarded Best Fixed Rate Mortgage Provider at the Moneyfacts Awards 2023.

We also made it easier for our customers to stay on top of their mortgage payments with our online Mortgage Manager service, where they could switch product or extend their mortgage term to reduce their borrowing costs.

We signed up to the Government's Mortgage Charter, reinforcing our support for our mortgage customers, and providing them with options for reducing payments without impacting their credit score. We continued to offer a range of tailored options to our customers through our specialist support team.

We helped 64,000 (2023: 72,000) first time buyers into a home of their own. Our Helping Hand mortgage supported affordability, enabling first time buyers to borrow more (up to 5.5 times their salary) on 5 and 10-year fixed rate mortgages. It also extends to 95% loan to value, reducing the pressure on first time buyers of saving for a larger deposit, and we offered £500 cashback to support them further. We continued to lend responsibly, with robust underwriting checks, but without relying on the Government's 95% mortgage guarantee scheme.

The buy to let market was smaller overall, as higher interest rates impacted landlords' affordability and profitability, limiting their ability to expand portfolios or raise capital. The gross lending market share of our buy to let subsidiary, The Mortgage Works, increased slightly to 11.2% (2023: 10.7%[16]) as we continued to balance our new lending volumes and pricing to preserve an appropriate level of interest margin in a challenging market.

We continued to enable our landlords to switch mortgage products up to 13 weeks ahead of maturity and offered competitive rates for existing landlords switching products. We introduced new fee options that offered more choice for landlords, including those looking for larger loan sizes. In addition, we improved our affordability and lending criteria, making us more competitive and able to support more landlords.

Over the year, we also increased our lending to social housing, both through new lending and the refinancing of existing facilities, demonstrating our support for this important sector.

13. Pay.UK quarterly Current Account Switch Service data, 9 months to December 2023, based on the latest available data.
14. To earn the £200 cashback, customers must have completed a full switch to us, from a current account held with another provider, using the Current Account Switch Service.
15. CACI's Current Account and Savings Database, Stock (February 2024 and February 2023).
16. Comparative has been restated to reflect updates to UK Finance total industry lending data.

Simply brilliant service

Personalised service you can **trust, at every touchpoint.**

No. 1 for customer satisfaction among our peer group for the 12th year running[17]. Our own customer experience score[18] of 76.8% was 0.8%pts below our target

Awarded Branch Network of the Year at the Moneyfacts Consumer Awards 2024

Launched our new mobile banking app

Extended our telephone opening hours to include later evenings and Sundays, complementing our 24/7 chat availability

Delivering excellent customer 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 personalised and trusted support. Through the year, we continued to invest in our branches, telephone and mobile banking services.

In 2024, we ranked 1st for customer satisfaction among our peer group for the 12th year running[17]. 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[19].

We also measure the experience our customers have when they interact with us in our branches, by telephone or digitally, through our customer experience score. This enables us to act on their feedback and improve our services further to continue to meet our customers' needs. In March 2024, our customer experience score of 76.8% was 0.8%pts below our target. Customers were satisfied with the service across our channels, particularly the support provided by colleagues across our branches. However, our score was impacted in the short term as customers transitioned to using our new mobile banking app. Our key performance indicators can be found on page 24.

Launching our new mobile banking app

In 2024, we launched our new mobile banking app, improving our customers' banking experience and empowering them to take better control of their money. The new app has a fresh look and feel aligned to our brand, and provides new features and functionality, including an updated navigation with easier access to the features that customers use most.

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.

17. © Ipsos 2024, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to the 12 months ending 31 March 2024. For more information, see footnote 1 on page 5.
18. For more information on our customer experience score measure, see page 24.
19. 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. Learn more at Ipsos.uk/personal-banking-service-quality.

We now have almost five million (2023: 4.6 million) customers who actively use our mobile banking app. This represents 64% of all our active current account customers. Payments and transfers through the banking app increased by 13% over the year.

Extending our Branch Promise

We recognise 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[20]. 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 have enabled our branch colleagues to serve more of our customers in different ways, including by telephone and through online chat, helping us increase resilience in our customer service. As at 4 April 2024, 142 (2023: 50) of our branches were closed for one or two days each week so our colleagues could support our customers in these other ways. We also re-introduced face-to-face current account, credit card and personal loan opening across around 150 of our branches, offering further support to our customers.

We continue to make ourselves more accessible to our customers, so that they can reach us at a time that suits them. Over the year, 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.

Protecting our customers in challenging circumstances

Our dedicated cost of living helpline has now handled over 11,000 calls. Our branches continued to provide face-to-face practical support, including free financial healthchecks, and our online cost of living webpage provides access to self-service options for managing money and budgeting.

We also make referrals to support charities, including Citizens Advice, StepChange and PayPlan, in situations where customers have debts across several lenders.

We work hard to protect our customers from fraud. Last year, our fraud defence systems and specialist fraud team helped prevent £134 million (2023: £115 million) of attempted fraud on card and online transactions. In addition, since its launch in 2021, our Scam Checker Service has helped prevent around £12.9 million of potential scams. In the Payment Systems Regulator's (PSR) independent benchmarking report published in October 2023[21], Nationwide was recognised as having the second highest reimbursement rate for Authorised Push Payment (APP) fraud losses across the industry over 2022, both in terms of the value reimbursed and the percentage of cases reimbursed. We refunded 78% of all APP fraud losses by value in 2022.

Our specialist teams support our most vulnerable customers, and we partner with gambling, debt and mental health charities where customers need assistance beyond their banking needs. Last year, we made gambling blocks available in our banking app and our branches, supporting customers who may be impacted by the harms of gambling. We also rolled out over 430 safe spaces across our branches – private rooms where anyone experiencing domestic abuse can come to access supporting information or discreetly contact friends, family, charities or the police. We can also put them in touch with our specialist support team where appropriate.

In addition, we collaborated with Experian and six other financial and energy service providers to create an industry-first: a free, digital service that enables consumers to notify multiple organisations about their vulnerabilities and support needs in one go, reducing the need for repeat conversations.

20. All our 605 branches will remain open until at least 1 January 2028. Opening hours may vary. There may be exceptional circumstances outside of our control that mean we have to close a branch. But we will only do this if we do not have another workable option.
21. Payment Systems Regulator, Authorised Push Payment (APP) fraud performance report, October 2023.

Beacon for mutual good

Famous for having a **meaningful impact on customers, communities and society,** by being bigger and doing better.

First among our peer group when ranked by consumers as to which brands they had 'heard good things about'[22]

£15.5 million[23] committed to charitable activities
2023: £9.6 million

Published our Intermediate (by 2030) net-zero-aligned Transition Plan 2023

Continued to source 100% renewable electricity to support our business operations, and removed the use of gas from over 80% of our branch network

We have a bold social ambition and strive to have a positive impact in communities. The power of mutuality means we can do more together than we could each do alone.

We measure our reputation through an independent brand survey. This allows us to understand how recognised we are for doing good things. In March 2024, we were first among our peer group when ranked by consumers as to which brands they had 'heard good things about'[22]. In addition, we were first among non-customers[22], which was above our target of at least third place. For more information, see page 25.

Having a meaningful impact in our communities

We commit at least 1% of our pre-tax profits[23] each year to charitable activities. This money is split between our own social investment programmes (including our Community Grants programme, funding our partnership with Shelter and the internal costs of managing our social investment agenda) and the Nationwide Foundation.

In 2023/24, this amounted to £15.5 million[23] (2023: £9.6 million), our highest ever commitment.

Last year, we continued to focus our charitable giving around:

- Helping people into a home
- Preventing people from losing their home
- Supporting people to thrive in their home environment

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 across the UK. The grants were distributed through our Community Boards, under the direction of customer and colleague volunteers, and will benefit around 30,000 people across the UK. 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. Through our Colleague Grants programme, we awarded £945,000 to 125 registered charities.

22. Based on a study conducted by an international market research company commissioned by Nationwide Building Society. Based on total consumer responses, including non-customers, for the 6 months ending March 2024. Financial brands included are Nationwide, Barclays, Co-operative Bank, First Direct, Halifax, HSBC, Lloyds, Monzo, NatWest, Santander, Starling Bank and TSB. Nationwide's key performance indicator is based on non-customer responses only.
23. Our charitable commitment of 1% of pre-tax profits is based on average profits over the previous three years. For 2023/24 this amounted to £15.5 million, which included £13.6 million of charitable donations and £1.9 million relating to supporting activity and staff costs.

We have partnered with the national housing charity, Shelter, for 23 years. Last year, our colleagues and customers raised £210,000 to support their services, on top of the £730,000 we provided directly. Our donation helps to fund advisers for their helpline and directly enabled them to answer around 2,300 calls. It also funds community engagement workers at their 11 national hubs, broadening their reach and impact at a community level. Over the 23 years, our funding has supported more than 155,000 people in housing need.

Last year, we made one-off donations to charities to support their innovative work. We donated £790,000 to The Diana Award, to support its anti-bullying programme in schools and to help with its mentoring programme. 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.

Each year, at least a quarter of our charitable funding is awarded to the Nationwide Foundation, an independent charity. For more information on its work, see page 41.

Launching our new social impact strategy

In 2024, we are excited to be launching our new social impact strategy – Nationwide Fairer Futures. This will support us in delivering the Society's new purpose and ambitions for being a Beacon for Mutual Good. Our investment through Nationwide Fairer Futures will have a meaningful impact on key societal issues and help people at different stages of their lives. Our focus will be on helping:

- **young people** avoid homelessness
- **families** living in poverty
- **older people** living with dementia

We are partnering with Action for Children, Centrepoint and Dementia UK for the next three years to support our ambitions.

Reducing our environmental impact

Nationwide is committed to a net-zero future and supporting the UK in achieving its ambition to be net zero by 2050.

We are a member of the Net-Zero Banking Alliance and part of the Glasgow Financial Alliance for Net Zero. As part of this, we set and disclosed intermediate (by 2030) science-based emissions targets in December 2022. In December 2023 we published our Intermediate (by 2030) net-zero-aligned Transition Plan 2023, detailing the actions, and potential actions, needed for us to progress towards our targets.

We are proud of the progress we have made to reduce the emissions of our own business operations. Since 2018, we have continued to source 100% renewable electricity, and by the end of 2023, we had removed the use of gas from over 80% of our branch network, replacing it with electrical solutions. We are on track to remove 100% of gas from our branches by the end of 2025. We are in the process of removing gas from our data centres, with work expected to complete by the end of 2024. And we are exploring the removal of gas from our admin sites by 2030 (either by removing gas or moving to gas-free sites). More information on our approach and progress can be found in our Transition Plan 2023.

We offer a range of green finance propositions and initiatives to support our customers in making energy efficient home improvements. Last year, we launched a 0% interest green additional borrowing product as a pilot. This will enable up to 5,000 households with a Nationwide mortgage to borrow, interest-free, when making energy efficient home improvements, such as solar panels, air source heat pumps and insulation[24]. At present, take-up remains limited, implying other factors beyond access to finance are having an impact on customers' behaviour towards retrofitting their homes. We will continue to monitor take-up and use our findings to develop future green finance propositions and engage with policymakers on practical steps to reduce the environmental impact of housing. We also launched a Home Energy Efficiency Tool, with the Energy Saving Trust, supporting our customers with a personalised energy saving action plan, including suggested improvements, potential costs, and projected savings.

Action by government, customers and cross-industry to date indicates that the UK is not going to achieve the emissions reductions required to green UK homes in line with its ambition to be net zero by 2050. Therefore, we do not believe that our intermediate (by 2030) science-based target for mortgages will be achieved. Over the next 12 months, we will reflect on the appropriateness of setting a more realistic intermediate residential mortgages target. In doing so, we will give due consideration to the current UK green homes policy landscape, the outcome of the general election and any policy changes that follow, and our 0% interest green additional borrowing research.

24. Our 0% interest green additional borrowing pilot enables up to 5,000 households with a Nationwide mortgage the opportunity to borrow £5,000 – £15,000, up to a maximum of 90% loan to value across a two or five-year product term, to finance a range of retrofit home improvements.

Continuous improvement

Being **focused, fit and fast,** and delivering at pace.

Leverage ratio of 6.5% (2023: 6.0%)

Invested £100 million to modernise our payments systems to provide customers with a more stable and resilient service

Made significant progress in our core banking transformation

Removed the need for our card reader when making payments on our new banking app

Simplified our processes to improve and increase support for customers

Making our workspaces fit for the future and investing in our branches and customer support

Making our business operations more productive, simplifying our processes and continuously managing risk and improving controls helps us to deliver services safely and efficiently for our customers. Being fit for the future also means ensuring our ongoing financial strength.

Our financial performance remained strong; we delivered underlying profit of £2,003 million (2023: £2,233 million) and statutory profit of £1,776 million[25] (2023: £2,229 million).

As a result, our leverage ratio and Common Equity Tier 1 (CET1) ratio, which demonstrate our financial strength by measuring our ability to withstand economic shocks, increased to 6.5% (2023: 6.0%) and 27.1% (2023: 26.5%) respectively. Our leverage ratio is one of our key performance indicators and more information is included on page 25. Our financial strength means we can invest in meeting customers' needs and expectations, now and into the future.

Over the year, we achieved a number of important deliveries, focused around modernising our technology, transforming our operating model and becoming more data led in our approach.

Modernising our technology

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

By prioritising our most important strategic change programmes, we enabled a more focused and faster approach to delivery.

During the year, we completed the first phase of modernising 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.

25. The Nationwide Fairer Share Payment of £344 million, distributed in June 2023, accounted for the majority of the difference between underlying and statutory profit. For more information, see page 68.

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 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. And we reinforced our fraud detection system for payments and improved our scam warnings, making them more targeted to reflect the nature and circumstance of the payment being made.

For customers buying a home, we piloted shorter mortgage advice appointments of one hour instead of two hours. We intend to roll these out over the year ahead, which will provide more availability to serve more customers. We also automated more applications, delivering faster certainty on lending decisions earlier in the application process.

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.

Colleagues in our specialist support teams are benefiting from artificial intelligence capabilities within ChatBots, which are providing them with key information during conversations with customers who are experiencing financial difficulties. We plan to expand the use of this capability to other customer servicing teams, to support an improved customer experience. We also continue to explore ways to innovate our complaints process to efficiently and effectively provide the right outcomes for customers and provide the experience they would expect from Nationwide.

Transforming our workspaces

We are making sure that the size and location of our workplaces reflects how our colleagues work, reduces our carbon footprint, and releases cost savings that enable us to invest further in our branches and customer support.

Last year, we re-opened our Threadneedle Street office in London. As well as bringing us closer to key stakeholders, the move allowed us to reduce workspace requirements elsewhere in London and will significantly reduce our related costs in future years. In February 2024, colleagues relocated from our previous building in Dunfermline to a smaller, more sustainable building nearby, reducing costs and responding to our workplace requirements.

Improving our operating models

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

As part of this, we streamlined some of our head office workforce, which has resulted in around 600 colleagues[26] across the UK leaving the Society. We have also rationalised the number of our third-party suppliers, improving productivity and efficiency.

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 programmes for senior leaders and people managers, as described on page 30.

We aspire to be an organisation 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 personalisation that provides relevant, tailored and real-time offers through digital channels.

Last year we initiated a new three-year security strategy. As part of this, we are investing to ensure we continue to have the right security skills in place across our workforce to protect our customers and their data. In 2023/24, this amounted to an additional investment of £2.0 million, with up to £4.7 million to be invested annually. We also strengthened our cyber defences, so we remain cyber resilient and well placed to prevent, detect and respond to potential security risks.

We are also streamlining our operations to drive greater efficiency and, in February 2024, we transferred our financial planning service to our longstanding partner, Aegon UK, which will give our customers a broader proposition.

26. This is the number of colleagues leaving the Society over 2023/24. Of the 600 colleagues, 370 of these departures were announced in our Annual Report and Accounts 2023.

How we performed in 2023/24 against our key performance indicators

Last year, we updated our key performance indicators to support more effectively the delivery of our strategy. Our four measures for 2023/24 are set out below and on the next page.

More rewarding relationships

Deeper, broader, more lifelong relationships that provide the best value in banking.

Our key performance indicator:

Engaged customers New in 2023/24

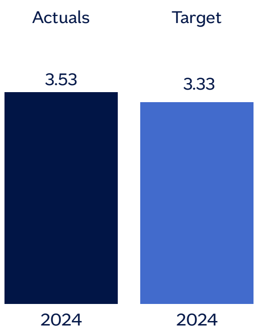
What does it measure?

Our engaged customers measure reflects the depth of our relationship with our customers, through the number of core products that they hold with us[1].

How did we perform against our target over 2023/24?

We have 3.53 million engaged customers, which is above our 3.33 million target for 2023/24. Growth in this measure was supported by the strength of our competitive products and propositions through the year, including our current account switching incentive and Flex Regular Saver.

Engaged customers
Million



Simply brilliant service

Personalised service you can trust, at every touchpoint.

Our key performance indicator:

Customer experience score New in 2023/24

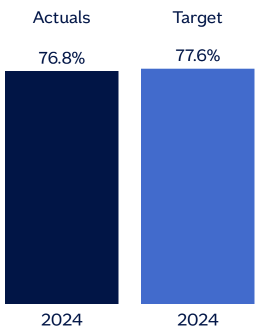
What does it measure?

Our customer experience score is based on the feedback score customers provide when they complete our survey after they interact with us, in our branches, telephone and digital channels[2]. Customers are asked to rate their satisfaction with our service.

How did we perform against our target over 2023/24?

Our customer experience score of 76.8% was slightly below our target of 77.6%. Customers were satisfied with the service across our channels, particularly the support provided by colleagues across our branches. However, our score was impacted in the short term as customers transitioned to using our new mobile banking app.

Customer experience score
%



1. Engaged customers have their main personal current account with us, plus either a residential mortgage of at least £100, or at least £100 in personal savings.
2. Our customer experience score measure is based on a 12-month average score over the 12 months ending 31 March 2024, and is calculated by weighting the aggregated scores across channels reflecting the way customers interact with us. Digital channels include our mobile banking app, internet bank, webchat and our website (nationwide.co.uk).

Beacon for mutual good

Famous for having a meaningful impact on customers, communities and society, by being bigger and doing better.

Our key performance indicator:

Heard good things about Nationwide — New in 2023/24

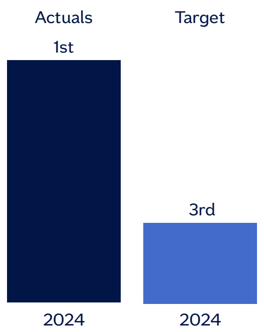
What does it measure?

We measure our brand reputation through Kantar's brand study, which asks non-customers: "Which of the brands have you heard good things about?", with respondents asked to rate Nationwide and peer brands from a list[3].

How did we perform against our target over 2023/24?

We were first among our peer group when rated by non-customers for 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 peers, has had a positive impact on improving awareness of, and engagement with, our brand.

Heard good things about
Ranking



Continuous improvement

Being focused, fit and fast, and delivering at pace.

Our key performance indicator:

Leverage ratio

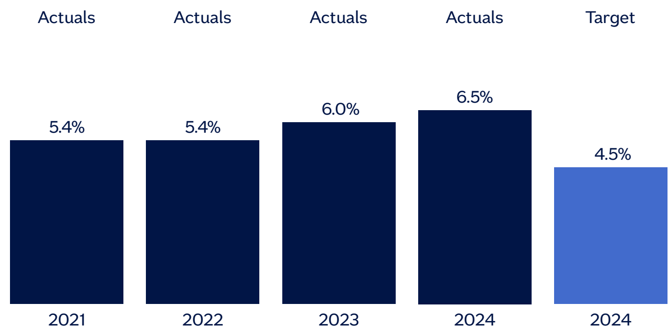
What does it measure?

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. More information on the leverage ratio can be found on page 74.

How did we perform against our target over 2023/24?

Our leverage ratio of 6.5% exceeded both regulatory requirements and our own internal minimum target threshold of at least 4.5%.

Leverage ratio
%



3. Based on a study conducted by an international market research company commissioned by Nationwide Building Society. Based on non-customer responses for the 6 months ending March 2024. Financial brands included are Nationwide, Barclays, Co-operative Bank, First Direct, Halifax, HSBC, Lloyds, Monzo, NatWest, Santander, Starling Bank and TSB.

Engaging with our stakeholders

Section 172(1) statement

This section describes how the directors considered matters set out in section 172(1) of the Companies Act 2006 (the 'Companies Act'). It also forms the directors' statement required under section 414CZA of the Companies Act. Although Nationwide, as a building society, is not required to follow the Companies Act, we seek to apply its requirements where appropriate.

Our stakeholders

Listening to and engaging regularly with our stakeholders is fundamental to the way we do business, and it ensures we operate in a balanced and responsible way, both in the short and longer term. Their views are important to us and help to guide our decision making.

In this section, we summarise how we have engaged with, and responded to, feedback from each of our key stakeholder groups during the year, both at a broader Society level and at Board level. In addition, key decisions taken by the Board in the year, and its related consideration of relevant stakeholders, are set out on pages 35 to 40.

Separately, in 2024, we ran our third materiality survey, to understand from a range of our stakeholders the environmental, social and governance (ESG) topics that mattered most to them. These responses will continue to help guide our ESG ambitions, as articulated through our Mutual Good Commitments (see pages 46 to 51).

Members and customers

As a mutual, we are here to support our customers, including our members (who are our customers with a current account, mortgage or savings with us). It is important we understand their needs, now and in the future. More information on how we have delivered simply brilliant service and value can be found on pages 15 to 18.

Our engagement

At our Annual General Meeting (AGM), our members can have their say and vote on important issues. Our AGM in July 2023 was fully online, a first in the UK financial services industry. The 2023 AGM was attended by 367 members, which was the highest in 12 years. Members could vote online during the meeting and ask questions to the Board via an online platform.

In addition, we engaged with members through the year via our Member Connect online forum, which provides a platform for them to share their views with us on a range of subjects. It has a cohort of over 6,500 members.

Our branches also ran more than 60 digital lessons over the year, held face to face in local branches and streamed online, to help customers manage their money online, safely and securely.

The themes of the topics raised at our AGM and via Member Connect, included:

- Nationwide Fairer Share
- Cost of living support
- Protection from fraud and scams
- Mutuality and the benefits of membership
- Maintaining access to branches and to cash
- Our brand refresh (including the advert and logo)
- Executive remuneration
- Children's accounts
- Mobile banking app improvements
- Acting responsibly, including our approach to climate change and our net-zero ambitions

Our response included:

- Delivering value through competitive products and propositions, including our Nationwide Fairer Share products and payments (see page 15)
- Supporting customers with our cost of living helpline and Scam Checker Service (see page 18)
- Extending our Branch Promise (see page 18)
- Launching our new mobile banking app (see page 17)
- Re-entering the young savers market (see page 16)

Board engagement

Following the success of last year, the 2024 AGM will be hosted online again. Members will be able to submit live questions and vote during the meeting.

The Board reviews customer service and satisfaction data regularly and supported the extension of the Branch Promise.

The Board and the Board Risk Committee reviewed and challenged the approach and activity being undertaken by the Society to ensure it was fully prepared for the implementation of the FCA's Consumer Duty.

Non-executive directors visited branches to strengthen their understanding of customer and colleague needs. Board directors also took part in Closer to Customer events where they engaged with customers on specific topics, including cost of living challenges.

Buy to let customers

We support landlords and those who rely on the private rented sector for their long-term housing needs. We do this through our buy to let mortgage business, The Mortgage Works.

Our engagement

We provided education and help through our website to support landlords' understanding of their responsibilities and the provision of better homes for renters. This benefits all types of landlords, including those running their portfolios as a limited company.

Over the year, we extended our telephone opening hours for landlords, to include later evenings and Saturdays. We also emailed over a third of our customer base, letting them know how they can reach us for support, and highlighting our new online Help Centre[1]. And we proactively contacted many of our landlords with their certificate of interest, to support them with their end-of-year tax returns.

We work with our research providers to gain monthly and quarterly feedback from landlords. In 2024, we formed our own dedicated research team to engage with landlords on specific issues, to understand what they find challenging and where we can better help them.

Themes discussed included:

- Keeping them updated with helpful and timely information that may impact them
- Providing easier viewing of their mortgage details
- Providing additional information and support at term expiry
- Support in a changing Bank rate environment

We responded with supportive initiatives:

- Our new Help Centre[1] provides landlords with relevant and timely information, to support their understanding of the latest legislation changes and housing market news that may affect them and their tenants.
- In April 2024, we launched a new digital platform for landlords to have an easier view of their mortgage details.
- We emailed landlords approaching the maturity of their fixed-rate mortgage with guiding tools for supporting their next steps.
- We maintained a 13-week period for landlords to switch product ahead of product maturity, so they could secure a new rate earlier. And we priced competitively to support the retention of existing landlords switching products.

Board engagement

While the Board has not engaged directly with buy to let customers, it received regular reports on buy to let lending and engagement and discussed the pressures facing landlords and tenants as part of these updates.

Colleagues

Our colleagues are at the heart of serving our customers and delivering our strategy and we want to have a supportive and inclusive environment for them at work. This means helping them to thrive in a culture where they feel supported and valued, and can grow their careers. On page 30, you can read more about how we support our colleagues.

Our engagement

Nationwide's strong culture remains as important as ever to us. Following feedback from colleagues and leaders, we introduced a new listening approach for 2023/24. This consisted of quarterly surveys, two of which focused on our culture in more depth. We invite all colleagues to share their views on working at Nationwide, the challenges they face and what works well. On average, 61% of colleagues responded to these surveys over the year.

1. Help Centre | The Mortgage Works

We also gathered colleague insights and feedback through other surveys, and through engagement with Employee Network Groups and the Nationwide Group Staff Union (NGSU). In addition, we answered questions and sought feedback during webcasts, such as our Chairman and non-executive director Townhall events, that discussed important and timely topics.

Key topics raised by colleagues included:

- Cost of living support
- Changes to our workplaces
- Our hybrid working approach (see page 31)
- Leadership, strategy and organisational changes
- Pay, bonuses and pensions
- Resourcing, training and development
- Inclusion, diversity and wellbeing

We responded to this by:

- Improving our communication approach to share more on the progress made against our strategy and celebrating the successes of our colleagues
- Continuing to engage colleagues on how we are responding to their feedback
- Providing clarity on our hybrid working policy
- Strengthening our inclusion and diversity approach to be more data driven and to provide more support to our employee network groups
- Launching our leadership development and people manager programmes (page 30)
- Partnering with Gympass, to give colleagues access to a broader wellbeing offering.

Board engagement

The Society's culture remains a key focus of the Board to support the Society's purpose and delivery of its strategy. To ensure the Board has a strong understanding of the Society's culture, they received updates on the results of colleague culture surveys. They also met with the outgoing and incoming General Secretaries of the NGSU where the alignment of interests between the NGSU and the Society were discussed.

The Board has appointed one director (Tamara Rajah) with specific responsibility for the Employee Voice in the Boardroom. She holds quarterly events with colleagues across locations and job levels, to better understand how our colleagues are feeling.

The Chairman led non-executive director Townhall events, face to face and virtually, where colleagues were able to engage with our Board.

The Board will continue to sponsor and monitor progress in all areas of our culture in the coming year.

A focus on our colleagues

We aim to build a supportive and inclusive environment for our colleagues.

In doing so, we seek to create a high-performance, purpose-driven culture where they can thrive and develop rewarding careers.

Engaging colleagues in our new purpose, strategy and values

In 2022/23, Nationwide approved a new strategy and business purpose: Banking – but fairer, more rewarding, and for the good of society. Our new simplified strategy, with its four strategic drivers, helps us to fulfil our purpose. To support the delivery of our strategy, we introduced customer first behaviours. These are based on our cultural values and inform how colleagues behave, putting members and customers at the heart of how we work together.

Our colleagues are integral to the delivery of our strategy. In April 2023, we began a cultural transformation, engaging colleagues in our new purpose, strategy and values. We improved our performance management approach, linking colleagues' performance to the delivery of our strategy and our behavioural framework, to focus on both what we do and how we do it. As a result, colleagues are clear on expectations and priorities, and regular engagement with colleagues (described on page 28) provides insight on how our culture is evolving. Our cultural transformation is supporting the successful delivery of our strategy.

Supporting performance and development

Our leaders and people managers are critical in driving the culture and capabilities we need to stay relevant and evolve. In 2023, we rolled out a new leadership development programme for senior leaders, focused on developing commercial and business leadership skills, and skills for building high-performing teams. We also launched a new people manager programme.

In addition, we introduced live data covering a range of people measures, to enable managers to manage and support their teams effectively.

Building our inclusive culture

We want to ensure that we have an inclusive culture where everyone can thrive, and where our workforce better reflects the diversity of society. 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.

Our Board and Executive Committee are committed to progressing our inclusion and diversity approach, with diversity measures around gender and ethnicity at senior levels forming part of our Directors' Long-Term Performance Pay awards (see pages 112 to 113). Our diversity measures (page 51) are reported each month to the Board. In June 2023, we also made inclusion and diversity data available to our senior leaders, to enable better informed action.

A focus on our colleagues

In 2022, we began our focus on social mobility, and partnered with Progress Together, a membership body centred on progression, retention and socio-economic diversity in financial services, to benchmark our socio-economic diversity against our peers and inform our future priorities. Their market analysis showed that, based on colleagues who shared their socio-economic background with us, we show greater socio-economic diversity than most financial services firms who were surveyed. In 2024, our approach will focus on prioritising actions and initiatives that remove the barriers to recruitment, retention, progression and inclusion.

Our 11 employee networks focus on initiatives that support Nationwide's ambition of being an inclusive employer. They cover: gender; race and ethnicity; LGBTQ+; disability; faith and belief; working carers; working families; veterans and reservists; mental wellbeing; social mobility and sustainability. Our networks build awareness through Ask Me Anything sessions, covering a diverse range of lived backgrounds and experiences. Collaborating with our employee networks, we introduced new supportive policies on domestic abuse and on transitioning and change of gender expression, and enhanced our becoming a parent policy.

In the 2024 Financial Times' Diversity Leaders list, we were the highest-ranked UK high street financial services provider for the third year running[2]. We were also the highest-ranked UK financial services provider for female representation on our Board of Directors in the FTSE Women Leaders Report[3], across 50 of the UK's largest private businesses.

Refreshing our hybrid working commitments

This year, we introduced our new hybrid working policy, effective in January 2024, with a transition period that ran until April 2024. The new policy, agreed in conjunction with the Nationwide Group Staff Union, combines the positive aspects of working flexibly, with the benefits of coming together regularly in our office spaces to share knowledge and skills, collaborate, and strengthen working relationships, all critical to creating a healthy and high-performing culture.

Under the policy, colleagues are expected to work two days a week at one of our offices (or 40% of their working hours if part time). This remains an attractive and competitive proposition and we continue to support a range of flexible working options, including part-time hours and job sharing.

Understanding gender and ethnicity pay gaps

Our statutory mean gender and ethnicity pay gaps at 5 April 2023 were 22.2% (2022: 30.0%) and 5.8% (2022: 7.4%) respectively. These take into account a one-off payment of £500, made as part of our annual pay review in April 2023.

Without this one-off payment, our mean gender pay gap at 5 April 2023 was 27.5% (2022: 30.0%), reflecting an improvement in our overall gender balance, although we acknowledge more needs to be done to increase women in senior roles. The improvement was supported by our hiring approach, including our use of diverse interview panels.

Without the one-off payment of £500, our mean ethnicity pay gap at 5 April 2023 was 6.4% (2022: 7.4%), driven by an increase in the proportion of ethnically diverse colleagues in mid-level roles and senior roles.

Pay gaps are different to equal pay. Equal pay compares the pay of colleagues doing the same or similar work. We regularly monitor pay to ensure our pay policies are not biased. Our Gender and Ethnicity Pay Gaps report provides more information[4].

2. The FT-Statista ranking of Europe's Diversity Leaders is based on independent surveys of more than 100,000 employees across Europe, on their perceptions of their organisation's diversity and inclusion practices. For the 2024 list, the employee surveys accounted for 70% of the final score, and three new indicators accounted for 30% of the score (the share of women in management positions, the communications made in favour of diversity, and a diversity score calculated by data provider Denominator).
3. FTSE Women Leaders Review (February 2024).
4. Pay gaps at Nationwide, nationwide.co.uk/about-us/inclusion-and-diversity/pay-gaps

Mortgage intermediaries

We have around 25,000 mortgage intermediaries who place business with us, accounting for over 80% of all the mortgages we provide.

Our engagement

We regularly survey our mortgage brokers on their views on our products and service. This includes using third-party firms to obtain feedback on applications submitted and perceptions of us as a mortgage provider.

We also gathered feedback through six-monthly and ad hoc workshops, where brokers provided feedback on their experiences directly to our colleagues responsible for formulating products and policy.

Our engagement with mortgage intermediaries included discussion on the following topics:

- Improving service
- Digital integration
- Implementation of Consumer Duty rules
- Supporting first time buyers
- Supporting customers with additional support needs or vulnerabilities

We responded to this by:

- Simplifying the submission process for digital mortgage applications.
- Enabling our mortgage intermediaries to notify our specialist support team directly of any additional support our customers may need.
- Engaging with trade bodies and having representatives in important forums such as the Intermediary Mortgage Lenders Association so we can influence how the mortgage industry develops.
- Maintaining a constant presence in the mortgage market, providing consistency for both our intermediaries and our borrowers.

Board engagement

The Board has been updated on intermediary engagement during the year, including receiving updates on broker recommendation scores.

Communities

Our purpose: **Banking – but fairer, more rewarding, and for the good of society** sets out the role we play in the lives of our customers, communities and society as a whole. It means having a positive impact on broader society. That is why we commit at least 1% of our pre-tax profits[5] each year to good causes. Last year, these largely focused on supporting housing activity and our work with community partners and charities.

Our engagement

Our Community Grants programme enables UK charities across the UK to apply for grants that support people and communities in housing need. We held 11 Community Boards, where community grants were distributed under the direction of member and colleague volunteers.

We also engaged with, and supported, our communities through our employee volunteering programme, and our partnership with charity Shelter.

Our engagement with communities included the following topics:

- Awareness of housing issues and emergencies
- Challenges faced by local charities, particularly as a result of cost of living pressures

Our response included:

- Increasing the size of our Community Grants from £50,000 to £60,000, in recognition of the increased costs faced by charities.
- Supporting those in housing need through our partnership with Shelter (see page 20).
- Encouraging colleagues to use their allocated volunteering hours to help local communities, with 31,000 hours volunteered during the year.

In addition, we engaged with the local communities near to our Oakfield housing development in Swindon, and opened the Oakfield Park, a green space for local people.

Board engagement

The Board received updates on our social investment activity through the year, and on proposals around our new social impact strategy – Nationwide Fairer Futures – which will commence in 2024. This included a summary of the activities, impact and learnings of our housing-related social investment strategy over the past six years, and detail of the charitable activity that the new strategy will support over the next three years. More information on our new social impact strategy can be found on page 20.

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

Regulators and policymakers

Regulators and policymakers oversee our activities and undertake consultations and policy reform. We aim for the highest possible standards of regulatory compliance to protect and enhance the integrity of the UK financial system and ensure good outcomes for our customers.

Our engagement

We engaged effectively with regulators and policymakers through the year to influence them on behalf of the Society and its customers. Most notably, we worked with others to secure a Private Members Bill to modernise the Building Societies Act which, if passed into law, would provide a more up-to-date regulatory environment for Nationwide to operate within.

We engaged through one-to-one meetings, roundtable discussions, and conferences and events, which were attended by members of the Board, the Executive Committee and subject matter experts. This included our Chairman attending meetings with the Chief Secretary to the Treasury, the Economic Secretary to the Treasury, the Chief Executive of the PRA and the Director General of Financial Services at HM Treasury. Our Chief Executive was appointed to the Prime Minister's Business Council for 2024, attended roundtables with the Chancellor of the Exchequer and had individual meetings with other politicians, including the Economic Secretary to the Treasury and the Shadow Chancellor. We gave evidence to the Treasury Select Committee, and we also engaged with senior Labour party members and leading Conservative party politicians at their respective party conferences.

At a global level, we continued to build links through the Net-Zero Banking Alliance (NZBA) and Glasgow Financial Alliance for Net Zero (GFANZ), contributing to reports on transition planning and public policy frameworks.

During the year, our engagement with regulators and policymakers included the following topics:

- Modernisation of the Building Societies Act through the Building Societies Act 1986 (Amendment) Bill
- Our implementation of the FCA's Consumer Duty
- The importance of mutuality through research with the Social Market Foundation[6]
- Access to cash and banking hubs
- Support for mortgage customers, including our participation in the Government's Mortgage Charter
- The FCA's Cash Savings Market Review and 14-point action plan on cash savings
- Authorised Push Payment (APP) fraud, including our findings from our fraud research report, produced with the Social Market Foundation
- Economic crime and operational resilience
- Our branch strategy
- Reform of the private rented sector via the Renters (Reform) Bill
- First time buyers
- Social mobility and creating opportunities in the workplace
- Green homes and climate change

We responded through:

- Answering information requests and Select Committee inquiries on key issues of interest.
- Providing input to consultations from government departments.
- Organising over 60 MP branch visits.
- Engaging with the Shadow Treasury team on financial services regulatory topics, and joining roundtable discussions with senior Government and Opposition policymakers, including on fraud, green homes and mortgage support.

Board engagement

The Board received regular updates on interactions with regulators and taxation authorities, and how the changing regulatory environment impacts Nationwide. This included the FCA's Consumer Duty.

Board members attended regular meetings with regulators, and regulators attended Board meetings to present on key topics.

Investors and rating agencies

Our wholesale funding investors support us in meeting our funding and capital requirements. Our investors are interested in our financial performance and sustainability practices and use our credit and Environmental, Social and Governance (ESG) ratings to support their understanding.

Our engagement

We maintain an active dialogue with our investors. This includes during the due diligence process ahead of wholesale funding issuances and in responding to general queries. Our Investor Relations programme provides existing and potential investors with the opportunity to meet senior managers and executive directors of the Society. In the year, we updated our investors on our latest financial performance and ESG credentials, and on other areas of interest.

6. Social Market Foundation in partnership with Nationwide Building Society and Royal London – Mutuals can meet public demand for responsible business (June 2023).

To support investors' understanding of our performance and risk management, we continued to engage with credit and ESG rating agencies to ensure the Society is rated appropriately.

Key areas of interest for our investor base included:

- Strategic objectives
- Housing market outlook and implications for the mortgage market
- Deposit market competition, pricing and volumes
- The outlook for asset quality as the UK macroeconomic outlook evolves
- Capital strength and expected wholesale funding requirements
- Approach to climate change risk and our net-zero commitment
- Achievements related to our social ambitions, including financial inclusion and social investment activity

We responded to this by:

- Providing timely strategic and financial updates to our investors, to meet their information needs.
- Further enhancing our sustainability-related disclosures. In December 2023, we published our Intermediate (by 2030) net-zero-aligned Transition Plan 2023. We also published our inaugural Sustainability Report 2023, describing our ESG ambitions and progress.

Board engagement

On behalf of the Board, the Chief Executive and Chief Financial Officer engaged directly with investors following our external results announcements. The Chief Financial Officer led meetings with our largest investors in the weeks following our results announcements, and the Chief Executive hosted an ESG investor webcast on our Mutual Good Commitments and climate strategy.

Suppliers

Our suppliers help us run and improve our business and deliver quality service for our customers.

Our engagement

Our initial engagement with our suppliers is through direct negotiations or within a tender, and through our pre-onboarding due diligence. Once we enter into a relationship with a supplier, we engage with them as part of our ongoing due diligence. To support our engagement and monitoring, we use external industry tools to collect information from suppliers. This includes the Financial Services Qualification System (FSQS) for information on a supplier's policies and controls, and EcoVadis for sustainability ratings and data.

We updated our suppliers on any material announcements through email or webcast communications. This included:

- Our new Blueprint for a modern mutual
- The Society's financial performance
- Leadership updates
- A request for suppliers to update greenhouse gas emissions data on EcoVadis, to support our annual upstream scope 3 emissions calculations

Outcomes of our engagement with suppliers

Through engagement with our supplier Social Enterprise UK, we have entered into two new social enterprise relationships over the year.

To mark Anti-Slavery Day in October 2023, we reached out to key suppliers to reinforce our expectations, promote external resources, and ask if they wanted support to progress their own anti-slavery efforts. 14% responded that they would benefit from guidance and we plan to make this available in the coming year.

We also worked with 15 suppliers on a Skills Fair for 1,400 of our colleagues, as they supported us in building the skills we need for the future.

Board engagement

The Board Risk Committee received updates on key supplier relationships during the year and considered the Society's management of its key supply chains and the steps being taken to avoid undue risk. In the second half of 2023, the Board was kept updated on our response to the financial distress and insolvency of a key supplier. Using our incident management approach, we were able to deliver successfully replacement solutions for each service line that had been performed by the supplier.

The Board Risk Committee, under delegated authority from the Board, approved the Third-Party Risk Policy.

Board decisions

Central to modern mutuality is engaging, consulting with and acting in the interests of our stakeholders. The Board is responsible for setting a clear strategy and direction and ensuring the long-term success and sustainability of the Society.

In October 2022, the Board discussed and approved a refreshed strategy, comprising a set of actions to deliver focused outcomes over a three to five year ambition. The strategy followed a thorough assessment of the current financial services landscape and a review of the needs and aspirations of our members. Horizon one of the strategy, set until 2023/24, focused on strengthening the foundations for future execution as well as starting to transform the value we provide for members, including through new Fairer Share products and payments. Horizon two, set until 2025/26, focuses on improving our propositions and digital capabilities, while Horizon three, set until 2027/28, will build on core strengths to further differentiate Nationwide in the market.

When making decisions, the Board considers the outcome for all relevant stakeholders, as well as the need to maintain a reputation for high standards of business conduct, the need to act fairly, and the consequences of its decisions. The terms of reference of the Board and Board committees (available at nationwide.co.uk) reflect the importance of considering the requirements set out in section 172(1) of the Companies Act. Our Board and Board committee papers must include a section for authors to outline how the matter directly or indirectly impacts our key stakeholder groups. The Board reviews this as part of its assessment to determine the relevant stakeholder impacts.

Principal decisions are those decisions taken by the Board, including decisions taken by or delegated to management which the Board has oversight of, that are of strategic importance, material to the operations of the business and are significant to the Society's key stakeholders.

The following pages set out a description of the process and approach for three of the principal decisions taken by the Board during the year against the backdrop of its overarching strategy.

> "The Board plays a pivotal role in providing strong governance and oversight of the Society. Our goal is not only to fulfil our statutory obligations as a Board but also to ensure the Society is managed in line with our mutual values. Among these values is the strong commitment from the Board to engage directly with our stakeholders, to listen to their views and to consider their interests during Board discussions and decision making."
>
> **Kevin Parry**
> Chairman

Which stakeholders were considered?

- Members and customers
- Buy to let customers
- Colleagues
- Mortgage Intermediaries
- Communities
- Regulators and policymakers
- Investors and rating agencies
- Suppliers

Nationwide Fairer Share

What was the decision-making process?

At its Strategy Conference in October 2022, the Board discussed the concept of paying a portion of profit to members. This would present a tangible, fair and inclusive way of rewarding members financially. The Board was positive about the initial concept but required further modelling around eligibility, the amount of the distribution, and the extent to which it would enhance member engagement. The Board also considered whether future payments could be made within the context of financial sustainability, operational capacity and potential complaints which may arise.

The Board received regular updates on progress and continued to challenge during the planning process. At its March 2023 meeting, management set out the proposed eligibility criteria, explained how operational testing was progressing and updated on the marketing campaign being developed. The Board challenged the eligibility criteria and operational planning to ensure these were sufficiently robust and that customer vulnerability had been considered.

At its April 2023 meeting, the Board considered and approved the eligibility criteria for the Fairer Share Payment: members with a qualifying current account and either qualifying savings or a qualifying mortgage on 31 March 2023. These criteria strongly aligned to the Society's long-term strategy of growing and deepening member relationships by encouraging more customers to hold their current account and other products with us. The Board also considered the needs of members who only held deposits with Nationwide and supported the launch of a Fairer Share Bond with a preferential savings rate that all members could access. This would be offered alongside the Fairer Share Payment.

At its May 2023 meeting, the Board recommended that the Nationwide Fairer Share Payment be made to eligible members, following due and careful consideration of the full year financial results to ensure that the payment was affordable. The Board intends to declare annual distributions going forward, provided they would not be detrimental to the financial strength of the Society.

How did the directors fulfil their duties under section 172 and how were stakeholders considered?

The Board considered that the Society's strategic ambition to grow and deepen current account relationships was in the best long-term interests of the Society. Achieving this ambition would in turn help the Society provide more benefit to a wider group of members. The Board considered that paying a portion of profit to members in the form of the Nationwide Fairer Share Payment, rewarding membership and loyalty and hopefully encouraging new members, was in the long-term interests of the Society. In addition, by launching the Fairer Share Bond, with a preferential savings rate, the benefits of mutuality would be shared with more members.

It was vital the Society was operationally ready to make payments to a wide cohort of members. End to end journeys were mapped, including consideration of direct communications, opt outs, eligibility investigation and complaints. The requirements of vulnerable customers were considered. Front line colleagues were trained to handle eligibility queries and related complaints.

Regulators were engaged on plans to reward members' loyalty throughout the process. A Member Reward Distribution Policy was agreed by the Board in April 2023 which set out the affordability test for any future Nationwide Fairer Share Payment.

What were the actions and outcomes?

The total Fairer Share Payment of £344 million was paid to 3.4 million eligible members who received a payment into their current account in June 2023 and over 116,000 Fairer Share Bonds were opened by members.

Which stakeholders were considered?

- Members and customers
- Colleagues
- Regulators and policymakers
- Investors and rating agencies

Proposed acquisition of Virgin Money

What was the decision-making process?

In October 2023 the Board held its annual strategy session where, amongst other things, earnings diversity and long-term financial sustainability in a highly competitive market and challenging macroeconomic environment were considered. The Board considered ways to compete with the large incumbent UK retail banks. To do this, the reliance on mortgage income and the sensitivity to Bank rate movements would need to be reduced. Greater levels of earnings generated from other product areas would also help the Society to achieve scale. The Board reviewed business banking case studies and Nationwide's previous attempts to develop a business banking proposition organically. It noted the high costs of creating these services, the length of time that it would take to generate scale and the difficulties start-up providers had in making profitable returns through organic growth. It asked management to identify target banks or building societies to acquire when the opportunity presented that would deliver business banking capability cost-effectively and diversify earnings more quickly than had been delivered through historical current account growth.

At the end of 2023 the Board met a number of times and considered a proposal to acquire the whole of the issued share capital of Virgin Money. The proposal would combine two complementary businesses and bring the resulting scale of being the second largest provider of mortgages and savings in the UK as well as providing greater earnings diversity through business banking and a larger credit card book. After seeking assurances that the requisite resource capacity and capabilities existed within the Society to execute the transaction, the Board began a process of initial due diligence under a formal project framework with appropriate governance, to consider whether the acquisition of Virgin Money would be in the best interests of the Society and its members as a whole, both present and future. The Board appointed specialist financial and legal advisers to assist the Board and management on the application of laws such as the Building Societies Act 1986, the Society's Rules, the deal structure and the City Code on Takeovers and Mergers.

The Board thoroughly considered the business case and initial due diligence and determined that the acquisition would benefit members by bringing a profitable bank into the Nationwide Group, allowing it to create greater value by retaining profits that would otherwise have been paid out to Virgin Money shareholders as dividends. These retained profits would improve Nationwide's financial strength and ability to provide greater member financial benefit and incentives, including through better savings and mortgage rates compared to the market average. Customer service excellence would be maintained as the acquisition would allow more investment in branches, digital platforms and contact centres as well as fraud prevention and support for vulnerable customers. The Board determined that bringing the established business banking services of Virgin Money into the Nationwide Group would not only respond to some members' demands to support small and medium-sized businesses but also create a broader and more diverse product range and make income more resilient to economic changes.

The Board also considered the resulting capital strength of a combined group and were satisfied that, following the acquisition, Nationwide would still remain best in class in Common Equity Tier 1 ratio compared to peers. The Board also agreed that being a mutual would afford Nationwide time to carefully integrate Virgin Money and therefore it would be run as a separate entity for a number of years, in a similar way to how Nationwide successfully runs its buy to let mortgage business. The Board would be able to use this period to decide whether it is in the interests of members to combine some systems or services. Virgin Money will retain its own banking licence, and so the Financial Services Compensation Scheme protection will cover up to £85,000 of deposits per customer in each of Nationwide and Virgin Money.

Which stakeholders were considered?

- Members and customers
- Colleagues
- Communities
- Regulators and policymakers
- Investors and rating agencies
- Suppliers

How did the directors fulfil their duties under section 172 and how were stakeholders considered?

A key consideration for directors was the benefits that would flow to members and customers. The Board carefully considered the needs of members and their feedback on the things that are important to them. Following appropriate due diligence and review, the Board was confident in the quality of Virgin Money's assets and the opportunities the deal would bring for members. The Board considered that the price agreed for the Virgin Money business represented good value and would lead to immediate financial benefits for the Society and its members.

The Board also considered the wider community and how Nationwide's impact and contribution would be affected. The Board was clear that Nationwide would continue to be committed to remaining a building society and a modern mutual. The acquisition would make the Society the second largest provider of mortgages and savings in the UK, increasing the impact it could have on customers and wider communities by continuing to commit 1% of its profits to charitable activities.

Board directors were guided by the City Code on Takeovers and Mergers, which regulates public takeovers in the UK. These rules cover directors' responsibilities, confidentiality, announcements, shareholdings and dealings, and processes leading up to and following a public announcement.

The directors considered the interests of current and future members when considering the acquisition and took appropriate independent legal and financial advice on whether a member vote was required under section 92A of the Building Societies Act 1986 (the Act). The assessment of those matters is one that is reserved to the opinion of the Society's directors alone and, given the objective thresholds in the Act were not met, no member vote was required.

A significant part of the Board's decision-making process to determine whether the acquisition was in the best interests of current and future members was the assessment of the value of Virgin Money. To support this, the Board undertook two separate due diligence processes that looked at the risks that might impact the Board's value assessment. This due diligence focused on reputation risks, transaction risks, regulatory risks, customer and conduct risks, business assumption risks and integration risks. The Board were assured by the support from advisers, the quality of the information available on Virgin Money and the openness of Virgin Money management. The Board also noted the robust regulatory standards that Virgin Money operates within and the financial resources that would be available to invest in any areas requiring enhancement.

The Society's regulators, the PRA and FCA, were briefed at regular intervals on the proposed acquisition and their feedback was taken into account.

The Board considered the impact on the Society's employees, and following the public announcement, the CEO kept them informed of the progress of the proposed acquisition.

What were the actions and outcomes?

In early 2024 the Board approved the initial approach to the Board of Virgin Money, followed by approval to make an offer which was announced publicly on 7 March 2024. Following agreement between the Nationwide and Virgin Money boards, it was announced on 21 March 2024 that the terms of a recommended cash acquisition of the entire issued and to be issued share capital of Virgin Money by Nationwide had been agreed.

The Chairman wrote to all members twice in March 2024 to outline the proposed transaction and surveys of members were undertaken. As at May 2024, more than 30,000 members have been surveyed and over 90% of respondents have been positive or neutral about the proposed deal. The Board is updated regularly on all member feedback.

Refreshing our Society's brand

What was the decision-making process?

In May 2023 the Chief Customer Officer outlined to the Board the opportunities and challenges facing the Nationwide brand. The unchanged logo and iconography made the brand feel old fashioned and staid, limiting the Society's appeal and ability to broaden its customer base. Retaining what made the Society uniquely special whilst embracing modern mutuality presented a unique challenge, but it was proposed that improving brand strength would leverage better member engagement, inspire loyalty and avoid brand decay.

A proposal to modernise the appearance of the brand and transform the effectiveness of marketing communications was presented to the Board. A new logo and advertising campaign was discussed. The refreshed branding would feature a modern, premium design and align with a revitalised advertising strategy.

The Board considered market research which had been conducted with customers, and challenged management on how the success of the marketing campaign would be measured. It was informed that outcomes measuring engagement, customer experience metrics and customer satisfaction would all be monitored closely and reported to the Board regularly to inform on the success of the campaign. The rebrand would not focus exclusively on the physical branding such as billboards and branches but would also include a better digital member experience.

The Board challenged that existing customers may not recognise the new branding and therefore a strong member communication strategy must run alongside the changes to raise awareness. The Board recognised that significant investment was already needed in many branches and was satisfied that the costs associated with the rebrand were appropriate and represented a cost-effective and responsible investment in the Society's future.

The refreshed branding and advertising strategy was presented to the Board at its September 2023 meeting ahead of the relaunch on 7 October 2023. The Board agreed that it would monitor the impact of the brand refresh through the "Heard good things about Nationwide" strategic measure and other key metrics.

How did the directors fulfil their duties under section 172 and how were stakeholders considered?

Refreshing the Society's brand for the first time in over 30 years was a big step forward for the Society in distinguishing itself as a modern mutual. It presented a tangible change, and using slogans such as "Nationwide, a better way to bank" was a simple way of communicating to a wide audience that Nationwide was a more rewarding banking provider.

All customers who bank, save or have a mortgage with Nationwide were contacted directly about the rebrand so that they could familiarise themselves with what was changing and how messages from the Society would look going forward. Customers using the mobile app were also informed of how its appearance would change following the brand refresh.

Colleagues were invited to attend brand launch events with Board members and senior management before being launched externally. These provided an opportunity for staff to ask questions about the rebrand activity.

Regulators were consulted on the proposed changes to ensure that they were aware of the forthcoming change.

The Procurement Team engaged with strategic partners and suppliers to inform them of the brand changes and involve them in scheduling updates of any materials with the new Nationwide logo.

Which stakeholders were considered?

- Members and customers
- Colleagues
- Communities
- Regulators and policymakers
- Investors and rating agencies
- Suppliers

What were the actions and outcomes?

Following the launch of the refreshed brand on 7 October 2023 and new advertising campaign, our key brand metrics ("Prompted advertising awareness", "Heard good things about Nationwide" and "Spontaneous advertising awareness") all increased in absolute score and rank position for Nationwide[1] amongst our peer group, when ranked by all consumers, including non-customers. By the end of the 2023/24 financial year the Society was first among its peer group when ranked by all consumers, including non-customers, as to which brands they had 'heard good things about'[2].

1. Based on a study conducted by an international market research company commissioned by Nationwide Building Society. Based on total consumer responses, including non-customers, for the 3 months ending September 2023 vs. 3 months ending December 2023. Financial brands included are Nationwide, Barclays, Co-operative Bank, First Direct, Halifax, HSBC, Lloyds, Monzo, NatWest, Santander, Starling Bank and TSB.
2. Based on a study conducted by an international market research company commissioned by Nationwide Building Society. Based on total consumer responses, including non-customers, for the 6 months ending March 2024. Financial brands included are Nationwide, Barclays, Co-operative Bank, First Direct, Halifax, HSBC, Lloyds, Monzo, NatWest, Santander, Starling Bank and TSB. Nationwide's key performance indicator is based on non-customer responses only, as set out on page 25.

Nationwide Foundation

The Nationwide Foundation is an independent charity set up by the Society in 1997. We donate at least 0.25%[1] of Nationwide's pre-tax profits to the Nationwide Foundation – £3,870,000 in 2023/24 – as part of the 1% of pre-tax profits[2] we commit each year to good causes.

The Nationwide Foundation's vision is for everyone in the UK to have access to a decent home that they can afford. It is currently focused on delivering its Decent Affordable Homes Strategy, which is being implemented through three programmes. Through these programmes, it seeks to increase the availability of decent affordable homes for people in need, by using the learning and evidence from the work it funds, and its own activity, to influence change to the housing system.

1. Nurturing ideas to change the housing system

This programme supports innovative solutions to change the housing system so that more decent and affordable homes are available for those most in need. Its work in 2023/24 included:

- Continuing work with the Joseph Rowntree Foundation and FrameWorks UK to promote the 'How to talk about homes' toolkit and develop workshops for organisations and campaigners. This project provides guidance on the best ways for campaigners to communicate, to help the public understand the need for more affordable and decent homes, and to encourage support for solutions.
- Supporting and funding work by the Town and Country Planning Association on new legislation to make sure homes are built to benefit the health of the people who live in them.
- Funding 'We Can Make', a pioneering project in Bristol that provides homes for people in need, situated on microsites around existing houses with a large amount of surrounding space. The Foundation is working to bring this project to more areas.
- Working in partnership with the Church of England and political representatives from the House of Lords to create a cross-party national housing strategy for England, which will outline a vision of what a good housing system should look like in the longer term.

2. Backing community-led housing

Community-led housing gives communities the power to create decent, affordable homes in the places where they are wanted and needed. The Nationwide Foundation is a major funder of this sector and in 2023/24 it:

- Continued to advocate for the importance of government funding to help the community-led housing sector grow further.
- Announced a new partnership with the Scottish government to invest in two community-led housing trusts, helping the Scottish government to deliver good quality and genuinely affordable homes in Scotland.
- Funded research to further understand the benefits and challenges to scaling up the community-led housing sector.

1. The 0.25% is calculated based on average pre-tax profits for the current and previous two years.
2. The 1% is calculated based on average pre-tax profits over the previous three years.

3. Transforming the private rented sector

The Nationwide Foundation campaigns and funds other organisations to reform the private rented sector so that it provides more affordable, secure and decent-quality homes. In 2023/24, this included:

- Continuing its research into the impact of tenancy reform in Scotland, especially on the tenants who are most vulnerable to harm, and using the findings to influence further reforms across the UK. This included giving evidence to a government committee investigating reform of the English private rented sector.
- Funding a programme of work across the UK to support renters to have their voices heard in local and national decision making.
- Funding, and being a key member of, the Renters Reform Coalition, a group of leading organisations supporting private renters. The coalition has been at the forefront of the campaign for the Government to bring forward the Renters (Reform) Bill, and to make sure this provides real change for renters.

Next steps for the Nationwide Foundation

The Nationwide Foundation is committed to its Decent Affordable Homes strategy until 2031. During 2024/25, the Foundation will continue to focus on delivering this strategy, generating and using robust evidence to influence positive change to the UK's housing system.

Committed to doing the right thing

Statement from Debbie Crosbie, Chief Executive

We strive to do the right thing in a responsible way for the benefit of our customers, colleagues, communities and the environment.

In 2019, we committed to the UN Global Compact and I am pleased to reaffirm our support for the Ten Principles of the United Nations Global Compact, which includes our commitment to protect and promote Human Rights, Labour Rights, the Environment and Anti-Corruption.

The social, political, economic and environmental challenges facing the world today make it more important than ever that we act to progress activities that support these Ten Principles. Our Mutual Good Commitments help us to hold true to our ethical principles and mutual purpose, and further reinforce the UN Sustainable Development Goals (SDGs).

Deborah A Crosbie

We continue to integrate the principles of the UN Global Compact into our business strategy, culture and daily operations. Outside of our Annual Report and Accounts 2024, further information on how we are progressing can be found in our Sustainability Report (available at nationwide.co.uk) and on our Responsible Business policies and statements website.

For more information on:

- our alignment with the UN Sustainable Development Goals, see page 45.
- our Mutual Good Commitments, see page 46.

Our broader Environmental, Social and Governance (ESG) disclosures can be found on our investor relations website. These include our:

- Sustainability Report 2023.
- Principles for Responsible Banking 2024.
- Climate-related Financial Disclosures 2024.
- Intermediate (by 2030) Net-Zero Ambitions 2022: Basis of Preparation.
- Intermediate (by 2030) net-zero-aligned Transition Plan 2023.

UN Sustainable Development Goals

Being a responsible business is part of our mutual heritage. We remain committed to doing business in a way that positively impacts our customers, employees and communities.

As a signatory to the United Nations Principles for Responsible Banking, we are committed to a strategic alignment with the UN Sustainable Development Goals (SDGs) and to our net-zero ambition. Our Mutual Good Commitments, as set out on the next page, are most closely aligned to the SDGs listed below.

SDG 1 No poverty
We take positive action against homelessness, and to enhance financial inclusion and wellbeing, and support and protect our customers' money.

SDG 5 Gender equality
We promote gender equality and are working towards equal representation of women in our leadership population by 2028.

SDG 7 Affordable and clean energy
Since 2018, we have sourced 100% of our electricity for our own operations from renewable sources.

SDG 8 Decent work and economic growth
We are a Real Living Wage employer, promote positive work practices and take action to enhance the wellbeing, diversity and inclusion of our people.

SDG 10 Reduced inequalities
We are working to reduce economic inequality in our communities and seek to ensure everyone has access to good and secure housing, finances and work opportunities.

SDG 11 Sustainable cities and communities
Our social investment programme helps us give back to our communities. And we work on solutions to create affordable, accessible and sustainable homes.

SDG 12 Responsible consumption and production
We divert as much waste as possible from landfill, recycle our office equipment and source food locally. Sustainable considerations are also built into our procurement and supply chain management processes.

SDG 13 Climate action
We are part of the Net-Zero Banking Alliance, committing to a net-zero future by 2050. We have published intermediate (by 2030) science-based targets and our Intermediate (by 2030) net-zero-aligned Transition Plan 2023. Our green propositions are intended to encourage our customers to improve the energy efficiency of their homes.

Our Mutual Good Commitments

Our ESG ambitions are embedded within our Society strategy, and are focused in areas where we believe we can make the most significant, positive impacts for our members and customers, our communities and society as a whole. Our ESG ambitions are articulated through a set of Mutual Good Commitments, which demonstrate how our business aligns to, and supports, the UN Sustainable Development Goals (SDGs) and our net-zero ambitions. Our Mutual Good Commitments are overseen by the Executive Committee and the Board, and the measures that support them are set out over the following pages.

Our strategic drivers

More rewarding relationships Deeper, broader, more lifelong relationships that provide the best value in banking.	**Simply brilliant service** Personalised service you can trust at every touchpoint.	**Beacon for mutual good** Famous for having a meaningful impact on customers, communities and society, by being bigger and doing better.	**Continuous improvement** Being focused, fit and fast, and delivering at pace.

Our mutual good commitments

We will help more people into safe and secure homes, both our customers who have relationships with us and more broadly.	We will offer customers a choice in how they bank with us, and support their financial resilience.	We will make a positive difference for our customers, communities and society as a whole.	We aim to build a more sustainable world by supporting progress towards a greener society.	We will enhance our performance by better reflecting the diversity of our society.
More on our measures can be found on page 47.	More on our measures can be found on page 48.	More on our measures can be found on page 49.	More on our measures can be found on page 49 and pages 53 to 61.	More on our measures can be found on pages 50 to 51.

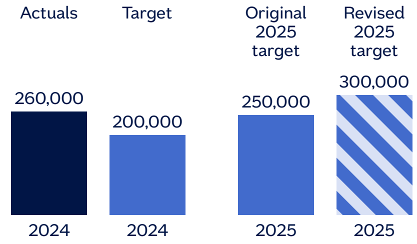
UN Sustainable Development Goals supported by our mutual good commitments

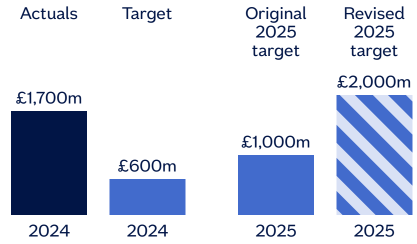
SDG 1 No poverty	**SDG 1** No poverty	**SDG 1** No poverty	**SDG 7** Affordable and clean energy	**SDG 5** Gender equality
SDG 10 Reduced inequalities	**SDG 8** Decent work and economic growth	**SDG 11** Sustainable cities and communities	**SDG 11** Sustainable cities and communities	**SDG 8** Decent work and economic growth
SDG 11 Sustainable cities and communities	**SDG 10** Reduced inequalities		**SDG 12** Responsible consumption and production	**SDG 10** Reduced inequalities
			SDG 13 Climate action	

More rewarding relationships

Deeper, broader, more lifelong relationships that provide the best value in banking.
We will help more people into safe and secure homes, both our customers who have relationships with us and more broadly.

Our measures	Our progress
By 2025, we will help 250,000 people, through our first time buyer proposition, to buy a home[1].	We continue to focus on helping people, through our first time buyer proposition, into homes. We are working to address the two main challenges that first time buyers face – raising a deposit and being able to borrow enough to afford a property. Since setting our target in November 2020, we have helped 260,000 people into a home, ahead of both our cumulative target for 2024 and our 2025 target. This reflected a stronger overall mortgage and first time buyer market in 2021 and 2022, having set our target in a more subdued market in 2020. It also reflects the continued success of our Helping Hand mortgage, which launched in 2021 (see page 16). As a result, we will uplift our cumulative March 2025 target to help 300,000 people to buy a home.
We will ensure 100% of our new buy to let lending on rental properties meets our minimum standards, which are informed by and exceed the Decent Homes Standard[2]	Over a fifth of the 4.6 million households that rent privately in England endure the poor conditions associated with substandard housing[3]. With many of our customers in rented accommodation, we seek to enable a private rented sector that works for the mutual good of both landlords and tenants. We ensure that the buy to let properties we lend on meet our minimum standards, which are informed by and exceed the Decent Homes Standard[4] recommendations, so that tenants can live in safe and decent homes. Assessments against our minimum standards are undertaken by Royal Institute of Chartered Surveyors (RICS) qualified valuers. We inspect the buy to let properties we originate new loans to. Properties that do not meet these conditions must complete remedial work prior to us lending on the property.
By 2025, we will have provided £1 billion of new lending to support the social housing sector[5].	Our target demonstrates our support for the social housing sector, benefiting those in more vulnerable housing situations. Since our target began in March 2022, we have provided £1.7 billion of new lending to the sector, ahead of both our cumulative target for 2024 and our 2025 target. This has reflected the evolution of our lending criteria, which has enabled us to become more competitive and support a broader range of customers with their financing requirements. As a result, we will uplift our cumulative March 2025 target to provide £2 billion of new lending to the social housing sector.

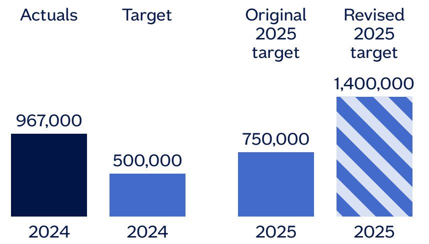




1. Set against a baseline of 30 November 2020. Nationwide's definition of first time buyers is set out in the Glossary for the Annual Report and Accounts, available on nationwide.co.uk.
2. We inspect the buy to let properties we originate new loans on, to ensure they meet our minimum standards, which are informed by and exceed the Decent Homes Standard.
3. Reforming the Private Rented Sector: Government's response to the Committee's Fifth Report of Session 2022-23 - Levelling Up, Housing and Communities Committee (parliament.uk).
4. A Decent Homes Standard in the private rented sector: consultation (www.gov.uk).
5. Set against a baseline of 31 March 2022.

Simply brilliant service

Personalised service you can trust at every touchpoint.
We will offer customers a choice in how they bank with us, and support their financial resilience.

Our measures	Our progress
Our Branch Promise: Everywhere we have a branch, we promise to still be there until at least the start of 2028[6].	In March 2024, we extended our Branch Promise again, providing reassurance to our customers who rely on our branches, or prefer to speak to us face to face. We now have the largest single-brand branch network across the UK financial services sector, with a branch manager in every branch. We won the Branch Network of the Year award at the Moneyfacts Consumer Awards 2024. In April 2023, we closed one branch, which was in close proximity to another and was in keeping with the wording of our Branch Promise at the time. Since this time, we have further strengthened and extended our Branch Promise to at least the start of 2028, committing to no further closures.
By 2025, we will protect 750,000 customers with our Scam Checker Service[7].	We strive to protect our customers from fraud. In 2021, we launched our Scam Checker Service. This enables our customers to check their payments with us before they make them, if they have concerns, providing additional support and reassurance. Since our target began in March 2022, we have protected 967,000 customers through this service, ahead of both our cumulative target for 2024 and our 2025 target. Usage was higher than expected, supported by more people using our branches (which is the main channel for use of our Scam Checker Service), and by our advertising approach, which increased visibility and awareness of our service. As a result, we will uplift our cumulative March 2025 target to protect 1.4 million customers through our Scam Checker Service. 

6. All our 605 branches will remain open until at least 1 January 2028. Opening hours may vary. There may be exceptional circumstances outside of our control that mean we have to close a branch. But we will only do this if we do not have another workable option.
7. Set against a baseline of 31 March 2022. We protect our customers by enabling them to check their payments with us before they make them, if they have concerns it could be a scam. If a customer has used the service and the payment does not appear suspicious, but later turns out to be a scam, our promise is to refund the customer every penny, unless we advised them not to make the payment.

Beacon for mutual good

Famous for having a meaningful impact on customers, communities and society, by being bigger and doing better.
We will make a positive difference for our customers, communities and society as a whole.

Our measures	Our progress
We will commit at least 1% of our pre-tax profits[8] to charitable activities each year.	We met our target in 2023/24, committing £15.5 million[8] (2022/23: £9.6 million). More information can be found on page 19.

We aim to build a more sustainable world by supporting progress towards a greener society.

Our measures	Our progress
We aim to reduce our scope 1 emissions that we control across our own business operations, in line with our 2030 scope 1 science-based target.	In December 2022, Nationwide published its intermediate (by 2030) science-based targets. Our Mutual Good Commitment measures reflect these. More information about our targets can be found in our Intermediate Net-Zero Ambitions 2022: Basis of Preparation and our Intermediate (by 2030) net-zero-aligned Transition Plan 2023. More on our progress towards our intermediate (by 2030) science-based targets can be found on pages 53 to 61 of our Climate-related Financial Disclosures 2024.
We aim to continue to source 100% renewable electricity for our own operations, in line with our 2030 scope 2 science-based target.	We are proud of the progress we have made to reduce the emissions of our own business operations. Since 2018, we have continued to source 100% renewable electricity, and by the end of 2023, we had removed the use of gas from over 80% of our branch network, replacing it with electrical solutions. We have also built climate change considerations into our third-party processes to support a greener supply chain. We offer a range of green finance propositions and initiatives to support our customers in making energy efficient home improvements, as described on page 20. Scope 1 and 2 emissions are included in our directors' long-term variable pay targets. More information can be found on page 128.
We will aim to reduce our scope 3 emissions for our mortgages, other secured lending activity, and our supply chain, by taking steps to reduce those emissions within our control and encouraging our customers and suppliers to do the same, in line with our 2030 scope 3 science-based target.	We do not believe that, at present, our intermediate (by 2030) science-based target for mortgages can be achieved under current government policies in connection with the UK's housing stock. Therefore, 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 outcome of our 0% interest Green Additional Borrowing research. Nevertheless, we continue to take action to seek to reduce emissions from our mortgages book.

8. The 1% is calculated based on average pre-tax profits over the previous three years. The £15.5 million includes £13.6 million of charitable donations and £1.9 million relating to supporting activity and staff costs.

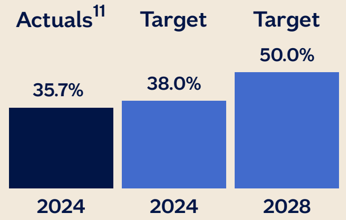
Continuous improvement

Being focused, fit and fast, and delivering at pace.
We will enhance our performance by better reflecting the diversity of our society.

Our measures	Our progress
By 2028, our people will better reflect the wider society that we represent. This includes seven measures that span across gender, ethnicity, disability and sexual orientation, as set out on the next page.	We achieved five of our seven measures to meet by 2024. These measures are set out on the next page. Of the two remaining measures, we made positive progress in the ethnically diverse representation across our leadership population; however, the proportion of women in our leadership population reduced. In the coming year, we will focus on the attraction and retention of diverse talent, with targeted interventions to support progression into senior roles. We will improve diverse representation and progression through processes, policies and practices that enable inclusion by design. This includes through our approach to talent identification, succession, development, leadership and people management, performance management and change processes, that will enable us to better help our colleagues reach their potential. Through a data-driven approach, we are sharing inclusion and diversity data with key decision makers to inform action. We continue to partner with the 10,000 Interns Foundation and support their Black Interns programme; last year we supported around 70 interns. Over 2024, we will broaden the programme to include students from low socio-economic backgrounds. We will also launch our Nationwide Scholarship programme, providing financial support to students from low socio-economic backgrounds through their university degree. For more information on the work we are doing to progress inclusion and diversity, including our gender and ethnicity pay gaps, see pages 30 to 31. Diversity measures are also included in our directors' long-term variable pay targets. More information can be found on page 128.

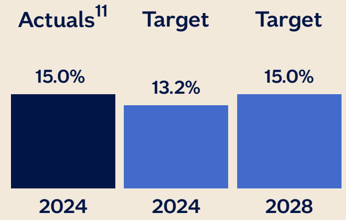
Gender[9]

Leadership population[10]

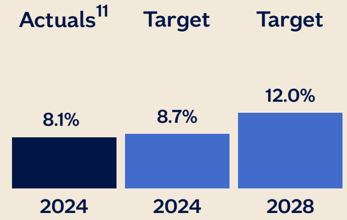


Ethnicity[12,13]

All employees

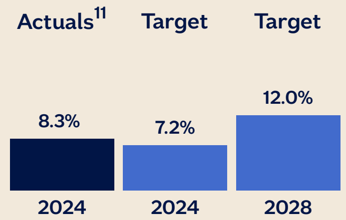


Leadership population[10]

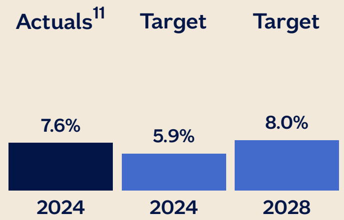


Disability[13,14]

All employees

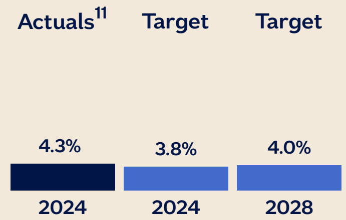


Leadership population[10]

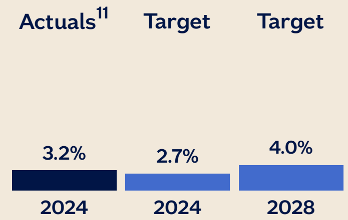


Sexual Orientation[13,15]

All employees



Leadership population[10]



We also report on other statutory diversity measures[16] separately to our Mutual Good Commitments. These are as below:

	Gender[9]	Ethnicity[12,13]
All employees	60.4% (10,825 females)	15.0%
Senior managers[16]	34.1% (31 females)	4.4%

9. Gender – Figures reflect female representation. Gender is as recorded in Nationwide's HR system.
10. Leadership population – A targeted and broader leadership population comprising around 1,000 of our leaders.
11. All data as at 4 April 2024, and based upon headcount not FTE (full-time equivalent value) of employees directly employed by Nationwide Building Society.
12. Ethnicity – Figures reflect Black, Asian, mixed and other. Excluded from the calculation are white majority and minority.
13. The percentage of colleagues meeting this diverse characteristic is based on their self-declaration recorded in Nationwide's HR system, which states that they consider themselves to belong to this characteristic.
14. Disability – Figures reflect those identifying as disabled or as having a long-term health condition.
15. Sexual Orientation – Figures reflect those identifying as bi-sexual, gay man, gay woman, lesbian and other. Excluded from the calculation are those identifying as heterosexual.
16. Statutory measures – We have presented additional measures that are not part of our Mutual Good Commitment targets but are statutory measures based on the Companies Act. Figures are based upon headcount and percentage headcount of each population. Senior manager figures reflect the Companies Act definition of an employee who has responsibility for planning, directing or controlling the activities of an entity or a strategically important part of it, which includes our executive population comprising the Executive Committee and their direct reports.

Non-financial and sustainability information statement

This statement provides an overview of topics and related reporting references as required by Sections 414CA and 414CB of the Companies Act 2006. Non-financial and sustainability (environmental, social and governance) information is integrated across the Strategic report and other publications and we have used cross-referencing in the table on the right to avoid duplication.

For further information on non-financial and sustainability matters, please see our separate reporting on nationwide.co.uk:

- Climate-related Financial Disclosures 2024
- Intermediate Net-Zero Ambitions 2022: Basis of Preparation
- Intermediate (by 2030) net-zero-aligned Transition Plan 2023
- Sustainability Report 2023
- Principles for Responsible Banking 2024 report
- Modern slavery statement
- Responsible business webpages (for information on our ESG policies and statements)

Supporting our colleagues with disabilities

It is the Society's policy to provide equal access to training, career development and promotion opportunities (with appropriate adjustments made to processes if required) to all colleagues, regardless of their gender, race and ethnicity, gender reassignment, sexual orientation, age, religion or belief, disability, marriage or civil partnership, or socio-economic background.

We are a Disability Confident Leader, the highest level under the Disability Confident scheme introduced by the Government's Department for Work and Pensions. We support colleagues with disabilities and long-term health conditions with appropriate workplace adjustments and access to occupational health support if needed. Should colleagues become disabled while employed, the Society will, wherever possible, make appropriate adjustments to support them in their existing role or re-deploy them to a more suitable alternative role. We also have an active and supportive disability employee network group, which all colleagues are welcome to join.

Reporting requirements	Section of Annual Report and Accounts	Page
Business model	Our difference is our mutual ownership model	6
Key performance indicators	How we performed in 2023/24 against our key performance indicators	23
Governance	Governance	75
Stakeholders	Engaging with our stakeholders	26
Social matters	Committed to doing the right thing	43
Key risks and their management	Risk overview	62
Colleagues	Our key policies and statements of intent are set out on our Responsible Business webpages on nationwide.co.uk, and are in place to ensure consistent governance in respect of our colleagues, environmental matters, human rights and economic crime and anti-corruption.	
Environmental matters		
Human rights		
Economic crime and anti-corruption		

For more information on how we support our colleagues more generally, see page 30.

Climate-related financial disclosures

Ambition and overview

Environmental and climate consciousness are aligned to our mutual purpose of **Banking – but fairer, more rewarding and for the good of society**. This compels us to take meaningful action by limiting the environmental impact of our business operations, helping customers to green their homes (so that they are warmer, healthier, more comfortable places to live, and more cost effective to heat in the long term), and better managing the impacts of a more unpredictable climate. In doing so, we can demonstrate our mutual difference, that extends beyond our own customers, and positively impacts our communities as well as wider society.

Climate change presents a risk to Nationwide and its customers, and so managing the risk from climate change, and aiming to build a more sustainable world by supporting progress towards a greener society, is core to Nationwide being a responsible business. In 2023/24, Nationwide has further embedded climate-related risk management across the organisation and continues to consider climate change as a cause to its principal risks, increasing internal capabilities to manage the impact climate change has on the Society and its customers. The impacts of nature-related risks are in the early stages of being considered as a causal factor in our Enterprise Risk Management Framework (ERMF).

Pages 55 to 58 below outline how we have aligned to the four categories of the Task Force on Climate-related Financial Disclosures (TCFD's) recommendations[1] (Strategy, Governance, Risk management, and Metrics and targets) and recommended disclosures, and aligns with the Financial Conduct Authority's Listing Rules (9.8.6R(8)). Across these categories are 11 sub-category headings which we have used to present our activities for this year, along with ongoing and future activity. Page number references have been provided to indicate where additional detail can be found in Nationwide's full Climate-related Financial Disclosures 2024.

Nationwide's full Climate-related Financial Disclosures 2024 can be found at **nationwide.co.uk**

1. Nationwide follows the TCFD's Annex: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (October 2021).

Nationwide's full Climate-related Financial Disclosures 2024 can be found at **nationwide.co.uk**

Strategy – The actual and potential impacts of climate-related risks and opportunities on Nationwide, our strategy, and financial planning	**Disclosures: pages 4-15**
The climate-related risks and opportunities Nationwide has identified over the short, medium, and long term	Disclosures: pages 4-11

Activity in 2023/24

- Re-evaluated the risks and opportunities across the short, medium, and long term, to support the UK's ambition to achieve net-zero by 2050 and explored these as part of our climate strategy and green finance proposition development.
- Published our Intermediate (by 2030) net-zero-aligned Transition Plan 2023, expanding upon our 2022 intermediate (by 2030) science-based targets disclosure, detailing the actions, and potential actions, across the short to medium term, the anticipated impact these will have, and the level of control and challenges faced.
- Requested some of our larger third parties (those with a minimum spend of £3 million, and a minimum contract tenure of 12 months) sign up to EcoVadis, set and disclose science-based targets for scope 1, 2, and 3 emissions, and publish their own climate change transition plan.

Ongoing and future activity

- Continue to embed climate change considerations into Nationwide's strategy and proposition development processes, including the identification of additional climate-related risks and opportunities.
- Continue to actively engage with Environmental, Social, and Governance (ESG) rating agencies to ensure Nationwide's credentials are fully understood and appropriately reflected in our ratings.
- Reflect on the appropriateness of setting a more realistic intermediate residential mortgages target, giving due consideration to the UK green homes policy landscape.
- Continue to work with policymakers, and cross-industry, to encourage the development of policies which support the greening of UK homes.
- Consider how to integrate nature-related risks and opportunities into our climate strategy.
- Continue to invite third-party suppliers to join the EcoVadis platform, disclose their carbon emissions, and set emissions reduction targets.

The impact of climate-related risks and opportunities on Nationwide's businesses, strategy, and financial planning	Disclosures: pages 5-7, 10-15

Activity in 2023/24

- Further embedded climate change into our strategic planning and financial planning processes, including consideration of the insights and financial outputs generated by our internal climate change scenario analysis activity within our IFRS9 provisions process.
- Launched the 0% interest Green Additional Borrowing to existing eligible members with a Nationwide mortgage. The loan supports customers in making energy-efficient home improvements, such as a boiler upgrade, solar panels, air source heat pumps, cavity wall insulation, or double glazing.
- Launched Nationwide's Home Energy Efficiency Tool to support customers in understanding the benefits of retrofitting their homes and helping them make better choices when considering different retrofit options.
- Maintained our participation in cross-industry forums, to understand new and emerging risks and opportunities across the financial sector, including continuing to campaign for further green home policy through engagement with policymakers.
- Removed the use of gas from over 80% of our branch network, replacing it with electrical solutions, and continued to source 100% renewable electricity for all our business operations.

Ongoing and future activity

- Continue to explore further green finance opportunities and propositions to support our customers in the greening of their homes and help progress towards our intermediate (by 2030) science-based targets.
- Continue to convene and participate in cross-industry working groups to drive real change, including raising awareness of the challenges of greening UK homes and encouraging further government action that supports greener homes.
- Undertake an outcome review of our 0% interest Green Additional Borrowing pilot, to understand the impact on customer behaviour in the greening of their homes. This will support future policy influencing and green finance proposition development.

Nationwide's full Climate-related Financial Disclosures 2024 can be found at **nationwide.co.uk**

The resilience of Nationwide's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Disclosures: pages 13-15

Activity in 2023/24
- Completed an internal climate change scenario analysis exercise in 2023, including the use of a dynamic balance sheet and two different scenarios (including a 2°C or lower scenario), to quantify better the financial risks arising from the physical and transitional impacts of climate change.
- Considered climate-related risk as part of this year's Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP).
- Incorporated climate change risk as a consideration when undertaking reverse stress testing, as part of Nationwide's stress testing framework.

Ongoing and future activity
- Further enhancements to our climate change scenario analysis capabilities, and how we use it to manage climate-related risks.

Governance – Nationwide's governance over climate-related risks and opportunities	**Disclosures: pages 16-19**
The Board's oversight of climate-related risks and opportunities	Disclosures: pages 16-17

Activity in 2023/24
- The Board continues to have ultimate accountability for all climate-related risk matters at Nationwide. In 2023/24 members of the Board engaged with a number of climate-related topics, including:
  - The Board approved the delivery of Nationwide's Intermediate (by 2030) net-zero-aligned Transition Plan 2023, including actions, and potential actions, to progress towards our intermediate (by 2030) science-based targets
  - Board Risk Committee noted and discussed the outcomes of our internal climate change scenario analysis activity
  - Audit Committee reviewed and recommended Nationwide's Transition Plan for Board approval, and reviewed and approved the Society's Climate-related Financial Disclosures.

Ongoing and future activity
- Continue to engage the Board on progress towards our intermediate (by 2030) science-based targets as part of our Mutual Good Commitments.
- Continue to evolve and optimise the climate risk governance model to ensure even greater focus at Board level.

Management's role in assessing and managing climate-related risks and opportunities	Disclosures: pages 18-19

Activity in 2023/24
- Ownership for responding to climate change sits with Nationwide's Director of Strategy, Performance, and Sustainability, who reports to the Chief Financial Officer (CFO), whilst Senior Managers Regime accountabilities sit with the Chief Executive Officer (CEO). In 2023/24, management engaged with a number of climate-related topics, including:
  - Our directors' long term incentive arrangement continued to be aligned with Nationwide's scope 1 and scope 2 carbon emission targets, which are captured within a wider ESG measure, with a defined weighting of 10%
  - Members of the Executive Committee (ExCo) supported the governance of Nationwide's Intermediate (by 2030) net-zero-aligned Transition Plan 2023.
- The Responsible Business Committee is now an executive management-level committee.

Ongoing and future activity
- Continue to engage management on progress towards our intermediate (by 2030) science-based targets and transition plan.
- Engage management on the integration of nature-related risk within our climate change risk governance approach.

Nationwide's full Climate-related Financial Disclosures 2024 can be found at **nationwide.co.uk**

Risk Management – How Nationwide identifies, assesses, and manages climate-related risks	**Disclosures: pages 20-23**
Nationwide's processes for identifying and assessing climate-related risks	Disclosures: pages 21-23
Activity in 2023/24 • Re-assessed the impacts of climate change against Nationwide's principal risks in line with our Enterprise Risk Management Framework (ERMF) and identified potential impacts over the short, medium, and long term. • Updated and improved the Society's climate change risk standard, including stakeholders' roles and responsibilities, and the inclusion of nature-related risk, ensuring the standard remains a robust key control of climate-related risk. • Continued to leverage physical risk assessment capabilities, through the Nationwide Property Risk Hub[2], while internal capabilities continue to be enhanced to assess transition risk across the Society's residential mortgages and social housing lending portfolios. • Updated our Housing Finance Credit Standards, which apply to our registered social landlord (RSL) borrowers, to include clear recommendations for borrowers to have an ESG strategy aligned to net-zero. We continued to encourage RSL borrowers to improve the energy performance composition of their portfolios. **Ongoing and future activity** • Consider further incorporating climate factors into Nationwide's business as usual financial forecasting activity. • Monitor progress of our suppliers to set and disclose science-based targets and supporting transition plans. • Continue to develop understanding of nature-related risk and how it applies to Nationwide's business model.	
Nationwide's processes for managing climate-related risks	Disclosures: pages 20-21
Activity in 2023/24 • Delivered a refreshed climate-related risk implementation plan to further embed climate-related risk capabilities to meet future disclosure recommendations. • Submitted a report to the PRA in response to a thematic review request regarding climate-related risk, detailing how we have further embedded the requirements of SS3/19 and evolved our climate scenario analysis capabilities. **Ongoing and future activity** • Consider the management of nature-related risk as part of our climate risk assessments. • Continue to review our lending policy to ensure customers are not unduly exposed to physical and transition risks.	
How Nationwide's processes for identifying, assessing, and managing climate-related risks are integrated into the Society's overall risk management	Disclosures: pages 20-21
Activity in 2023/24 • Climate change continued to be embedded as a cause within our existing ERMF. We are considering how nature-related risk is embedded into the ERMF as a causal factor. • Enhanced our climate change risk standard which aids the embedding, monitoring, and management of climate-related risk as a cause to the Society's most significant risks. **Ongoing and future activity** • Further broaden understanding of climate-related risk through continued development of Nationwide's scenario analysis approach.	

2. Nationwide's Property Risk Hub assesses all mortgage applications for several physical risks at the decision in principle stage of a mortgage application. More information on our Property Risk Hub can be found in the Strategy section of Nationwide's Climate-related Financial Disclosures 2024, on page 12.

Nationwide's full Climate-related Financial Disclosures 2024 can be found at **nationwide.co.uk**

Metrics and Targets – The metrics and targets used to assess and manage relevant climate-related risks and opportunities	**Disclosures: pages 24-41**
The metrics used by Nationwide to assess climate-related risks and opportunities in line with our strategy and risk management process	Disclosures: pages 38-41

Activity in 2023/24
- Continued to utilise a robust set of metrics to assess climate-related risks and opportunities. These include:
  - Physical risk data, including flood, subsidence, coastal, and storm risk
  - Transition risk data, such as Energy Performance Certificate (EPC) exposure of our mortgage book
  - Data that shows the take-up of our green finance propositions.
- Enhanced internal climate change Management Information (MI) which supports better decision making by management and the Board.
- Incorporated nature-related metrics into our MI dashboard, including waste and water usage data.

Ongoing and future activity
- Continue to enhance our climate change metrics and data that support our climate-related risk management.
- Continue to review climate ambitions, targets, and transition plan progress, in line with future changes to strategy, propositions, scenario analysis and climate science.

Nationwide's scope 1, 2, and 3 greenhouse gas (GHG) emissions and targets, and the related risks	Disclosures: pages 24-37

Activity in 2023/24
- Continued to disclose progress against the Society's intermediate (by 2030) science-based targets, for scopes 1, 2, and 3 carbon emissions, aligned to the Greenhouse Gas (GHG) protocol and industry best-practice.
- Enhanced our internal controls for monitoring the methodologies used to calculate scope 1, 2, and 3 emissions.

Ongoing and future activity
- Continue to calculate our scope 1, 2 and 3 emissions aligned to the GHG protocol and industry best-practice, disclosing annually within our Climate-related Financial Disclosures, and measuring progress against our intermediate (by 2030) science-based targets.
- Continue to refine and enhance Nationwide's approach to calculating scope 3 emissions, reflecting improvements in data availability, coverage, and industry understanding.

The targets used by Nationwide to manage climate-related risks and opportunities, and performance against these targets	Disclosures: pages 27, 29, 32, 35, 37

Activity in 2023/24
- Continued to evolve Nationwide's internal climate change MI to track better our climate change ambitions and support management decision-making.
- Calculated and disclosed metrics that support progress towards our scope 1, 2, and 3 emissions targets, within our Climate-related Financial Disclosures.
- Continued to track physical risk data (for example flood exposure) and transition risk data (such as EPC composition) of our mortgage book.
- Continued to track the take-up of our green finance propositions, and progress of government policy related to the greening of UK homes, to understand progress towards our scope 3 mortgages target.

Ongoing and future activity
- Continue to enhance climate metrics and targets, including the consideration of nature-related metrics, in line with changes to strategy, propositions, scenario analysis and climate science.
- Continue to enhance our climate metrics and data that support us in measuring our progress towards our climate-related Mutual Good Commitment, and our intermediate (by 2030) science-based targets.
- Continue to monitor performance against Nationwide's climate-related targets and Mutual Good Commitment – aiming to build a more sustainable world by supporting progress towards a greener society – and update our Climate-related Financial Disclosures accordingly.

Nationwide's carbon emissions

Nationwide's full Climate-related Financial Disclosures 2024 can be found at **nationwide.co.uk**

Nationwide is committed to a net-zero future; it is our ambition to support the UK in achieving its target to be net-zero by 2050. This ambition is embedded into our strategy through our Mutual Good Commitment; **we aim to build a more sustainable world by supporting progress towards a greener society**, aligned to our intermediate (by 2030) science-based targets.

As a building society, Nationwide's focus is on providing banking products and services for our customers. We have very limited corporate lending through small, closed commercial real estate and private finance initiative portfolios, and lending to registered social landlords. Nationwide does not lend to any other industries.

In December 2022 we set and disclosed intermediate (by 2030) science-based emissions targets[3], across scope 1, 2, and 3, and in December 2023, we published our inaugural Intermediate (by 2030) Net-Zero-aligned Transition Plan 2023[4], detailing the actions and potential actions needed for us to progress towards our targets.

Our scope 1 and 2 science-based targets are within our control due to our ability to manage our operational energy usage, actions underway to reduce or remove gas usage from our buildings, and the continued procurement of renewable electricity. We remain confident in achieving our scope 1 and 2 intermediate (by 2030) science-based targets.

We have very limited influence over practical measures to reduce emissions from properties which are owned by our borrowers, and no control over government policy needed to green UK homes and social housing. 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 outcome of the 0% interest Green Additional Borrowing research. For more information, please see our Climate-related Financial Disclosures 2024.

We continue to disclose our carbon emissions in line with the Government's Streamlined Energy and Carbon Reporting regulation requirements[5].

Scope 1, 2 and 3 emissions assurance

Nationwide appointed Ernst and Young LLP (EY) to provide limited independent assurance over our scope 1, 2 and 3 carbon emission disclosures for the year ended 4 April 2024. This includes scope 1 and 2 emissions for the year ended 4 April 2024, scope 3 upstream emissions for the 12-month period ended 31 December 2023, and scope 3 financed (investments) emissions for the 12-month period ended 31 December 2023. Assured metrics and KPIs are indicated throughout. The assurance engagement was planned and performed in accordance with the International Standard for Assurance Engagements (ISAE) (UK) 3000 (July 2020), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance report was issued and is available on Nationwide's website[6]. This report includes details of the scope, respective responsibilities, work performed, limitations and conclusion.

3. Intermediate Net-Zero Ambitions 2022: Basis of Preparation
4. Intermediate (by 2030) net-zero-aligned Transition Plan 2023
5. Streamlined Energy and Carbon Reporting requirements-GOV.UK(www.gov.uk). Detail of the Society's energy efficiency action can be found in the Strategy section in Nationwide's Climate-related Financial Disclosures 2024.
6. EY emissions assurance report 2024

Nationwide's full Climate-related Financial Disclosures 2024 can be found at **nationwide.co.uk**

Nationwide's scope 1 and 2 carbon emissions (see table on page 61)

Nationwide's scope 1 emissions have continued to decrease in comparison to previous years. This is due to our ongoing efforts to reduce our operational emissions, such as the removal of gas from our branch network. Nationwide will continue to reduce its scope 1 emissions, aligned to its science-based target ambitions.

We use a market-based approach[7] for calculating our scope 2 emissions. 100% of our scope 2 energy consumption is attributed to renewable sources, through a solar power purchase agreement (PPA) which produces emissions-free energy, and use of green tariff electricity. Our scope 2 emissions are associated with purchased electricity only, as we do not purchase any steam, heat, or cooling. We also disclose our absolute (location-based[8]) scope 2 emissions which have risen this year as we embed new ways of working (with increased office presence) and replace gas with electrical solutions throughout our business operations.

We remain aware that the pace of emissions reduction may vary over the coming years as working behaviours adapt, but we are committed to reducing scope 1 emissions associated with our business operations in line with net-zero.

Nationwide's scope 3 upstream carbon emissions (see table on page 61)

We have calculated our scope 3 emissions for upstream activities across purchased goods and services, capital goods, and upstream transportation and distribution, which account for around 91% of our total scope 3 upstream emissions.

Our upstream emissions have been calculated using publicly disclosed third-party supplier emissions data (covering scopes 1-3) from responses submitted to CDP, and revenue from the most recent publicly available annual reports, where available. Data gaps were supplemented using industry average emissions contained within the Scope 3 Evaluator tool, made available by the GHG Protocol and Quantis.

Our total scope 3 upstream emissions in 2023 have remained the same compared to 2022, due to an increase in spend on goods and services, and a decrease in supplier specific emissions for capital goods.

Nationwide's scope 3 downstream emissions – residential mortgages, registered social landlords, and commercial real estate (see table on page 61)

Nationwide continues to disclose the emissions associated with its mortgage, registered social landlord (RSL), and commercial real estate (CRE) portfolios. In 2023 we used our EPC model to calculate the emissions for both our mortgage and RSL portfolios. Aligned to the Partnership for Carbon Accounting Financials (PCAF) GHG Accounting and Reporting standard, publicly available EPC data is interpolated across the book to estimate carbon emissions, where valid EPC certificates are not available.

We have calculated both the absolute and LTV weighted emissions for our mortgage, RSL, and CRE portfolios. The absolute emissions have been weighted by loan to value (LTV) to calculate the proportion of emissions financed by Nationwide. This is in line with PCAF's methodology.

The UK's progress towards net-zero, particularly the greening of homes, has not been at the pace needed to deliver the emissions reductions required to support progress towards our intermediate (by 2030) science-based mortgages target. Therefore, we now do not believe that our intermediate (by 2030) science-based target for mortgages will be achieved.

Our LTV weighted carbon intensity for our residential mortgage portfolio has reduced in comparison to last year. This is due to an improvement in the average energy efficiency of the book.

Our absolute scope 3 RSL emissions and total floor area have reduced this year, due to a decrease in the number of properties in the RSL portfolio. Due to an increase in overall lending and an increase in average LTV, LTV weighted carbon intensity has increased slightly in comparison to last year.

Our absolute scope 3 CRE emissions, and LTV weighted emissions and intensity, have reduced in comparison to last year, due to the continued managed run-off of the portfolio.

Information on how scope 1, 2, and 3 emissions have been calculated is in our Climate-related Financial Disclosures 2024.

7. A market-based approach allows flexibility to utilise market-based measures such as renewable energy to achieve net-zero.
8. A location-based approach doesn't factor in market-based measures and considers operational absolute emissions only.

Nationwide's full Climate-related Financial Disclosures 2024 can be found at **nationwide.co.uk**

A summary of Nationwide's scope 1, 2, and 3 carbon emissions data[9]

The key movements in the carbon emissions data table below are explained on the previous page.

We recognise certain limitations in climate data affecting climate metrics and targets, and their usefulness in strategic decision making. For more information on scope 1, 2, and 3 data scores and data limitations, see pages 26, 28, 30, 33 and 36 in Nationwide's Climate-related Financial Disclosures 2024.

Scope 1 and 2 emissions data	**Year to 4 Apr 2024***	**Year to 4 Apr 2023**	**(Baseline) Year to 4 Apr 2022**
Scope 1 – Energy and travel (tCO$_2$e/y)	1,792	2,361	3,002
Scope 2 – Electricity (tCO$_2$e/y)	14,042	12,774	14,972
Total gross Scope 1 and 2 emissions (tCO$_2$e/y)	15,834	15,135	17,974
Absolute carbon outturn – less PPA carbon reduction and green tariff electricity (tCO$_2$e/y)	1,792	2,361	3,002
Total carbon dioxide in tonnes per full time employee (FTE)	0.13	0.17	0.19
Total energy usage – Electricity and gas (MWh)	76,650	76,781	86,417
Scope 3 upstream emissions data – purchased goods and services, capital goods, upstream transportation and distribution	**Year to 31 Dec 2023***	**Year to 31 Dec 2022^**	**(Baseline) Year to 31 Dec 2021**
Total upstream scope 3 carbon dioxide emissions (tCO$_2$e/y)	157,000	157,000	230,000
Scope 3 emissions data – residential mortgages	**Year to 31 Dec 2023***	**Year to 31 Dec 2022^**	**(Baseline) Year to 31 Dec 2021**
Absolute carbon emissions on whole book using interpolated EPC data (tCO$_2$e/y)	6,077,000	6,021,000	6,187,000
LTV weighted carbon emissions using interpolated EPC data (tCO$_2$e/y)	2,807,000	2,766,000	2,795,000
LTV weighted carbon intensity using interpolated EPC data (kgCO$_2$e/m^2/y)	18.27	18.65	19.03
Scope 3 emissions data – registered social landlords	**Year to 31 Dec 2023***	**Year to 31 Dec 2022**	**(Baseline) Year to 31 Dec 2021**
Absolute carbon emissions on whole book using interpolated EPC data (tCO$_2$e/y)	439,000	466,000	747,000
LTV weighted carbon emissions using interpolated data (tCO$_2$e/y)	218,000	222,000	346,000
LTV weighted carbon intensity using interpolated data (kgCO$_2$e/m^2/y)	20.61	20.01	22.36
Scope 3 emissions data – commercial real estate	**Year to 31 Dec 2023***	**Year to 31 Dec 2022**	**(Baseline) Year to 31 Dec 2021**
Absolute carbon emissions on whole book using proxy EPC data (tCO$_2$e/y)	110,000	138,000	259,000
LTV weighted carbon emissions using proxy EPC data (tCO$_2$e/y)	32,000	45,000	96,000
LTV weighted carbon intensity using proxy EPC data (kgCO$_2$e/m^2/y)	25.40	31.28	46.39

9. Notes for the carbon emissions data table are detailed in Nationwide's Climate-related Financial Disclosures 2024.

* Nationwide's emissions and financed emissions are subject to independent limited assurance by EY, with exception of total energy usage. Further information is available in Nationwide's Climate-related Financial Disclosures 2024 on page 37.

^ Comparative amounts have been restated due to improvements in emissions calculation methodology.

Risk overview

The Board recognises that effective risk management is essential to Nationwide's ongoing strength and the delivery of our strategic objectives. We adopt a prudent approach to risk management, keeping our customers' money safe and secure by ensuring that the risks we take in support of our strategy are controlled through a robust risk framework. We operate a relatively simple business model and operate in lower risk markets to serve our customers and protect their money. We only take risks we understand and can manage well.

How risk is managed at Nationwide

Nationwide uses a Board-approved Enterprise Risk Management Framework (ERMF) to ensure risks are managed in a consistent and rigorous way. The ERMF defines how risks are managed and sets out the risk management responsibilities of all colleagues within an industry-standard three lines of defence model. It also ensures that all risks are appropriately and consistently identified, assessed, managed, monitored, and reported. Independent oversight and challenge of the Society's risk management practices are provided by the Society's independent Risk function, led by the Chief Risk Officer, whilst the Internal Audit function provides assurance of the effectiveness of our control environment for the Board.

Through the ERMF, the Board formally sets its risk appetite, articulating how much risk it is prepared to take in the pursuit of its objectives. A comprehensive suite of policies and standards translates this appetite into the localised risk management activities and controls that our colleagues operate on a day-to-day basis to protect our customers and their money. The Board and management receive regular reporting on the Society's risk profile and key risk metrics to support them in monitoring our position relative to risk appetite. We also continuously review the risks to which Nationwide is exposed and strengthen both the framework and controls we rely upon to mitigate these risks. Further information on the ERMF and its key components can be found in the Managing risk section of the Risk report on page 144.

Principal risks and uncertainties

The ERMF sets out eight principal risks, encompassing all of the different types of risk which are relevant to Nationwide's business model and achievement of its strategic objectives. This ensures we understand and manage all risks to which we are exposed in a comprehensive and consistent way. Further information on these risks can be found in the Risk report as indicated below.

Principal risk	Key developments	Further detail
Credit risk – The risk of loss as a result of a customer or counterparty failing to meet their financial obligations.	The external environment remained uncertain during the year, with high but falling inflation and the higher interest rate environment contributing to pressure on customers' finances, impacting both the housing market and mortgage trading volumes. Arrears rates increased, with residential lending cases more than three months in arrears now representing 0.41% (2023: 0.32%) of the total portfolio. Some customers are also taking up measures offered under the Mortgage Charter. Despite this increase in arrears, credit performance remained within expectations and appropriate provisions are in place.	Page 149
Liquidity and funding risk – Liquidity risk is the risk that Nationwide is unable to meet its liabilities as they fall due and maintain member and other stakeholder confidence. Funding risk is the risk that Nationwide is unable to maintain diverse funding sources in wholesale and retail markets and manage retail funding risk that can arise from excessive concentrations of higher risk deposits.	Nationwide maintained a strong liquidity and funding position throughout the year, with a Liquidity Coverage Ratio of 191% (2023: 180%) and a Net Stable Funding Ratio of 151% (2023: 147%).	Page 187
Capital risk – The risk that Nationwide fails to maintain sufficient capital to absorb losses throughout a full economic cycle and sufficient to maintain the confidence of current and prospective investors, members, the Board, and regulators.	Nationwide maintained capital resources comfortably above both regulatory and internal minima throughout the year. The Common Equity Tier 1 (CET1) ratio increased to 27.1% (2023: 26.5%) and leverage ratio increased to 6.5% (2023: 6.0%).	Page 199

Principal risk	Key developments	Further detail
Market risk – The risk that the net value of, or net income arising from, the Group's assets and liabilities is impacted as a result of market price or rate changes. Nationwide does not have a trading book; therefore market risk only arises in the banking book.	Nationwide's market risk exposure primarily arises from fixed rate mortgages and savings, and changes in the market value of the treasury liquidity portfolio. Whilst economic conditions impacted the Group, market volatility was comparatively lower this year and market risk continued to be managed prudently, resulting in a low level of exposure to interest rate risk.	Page 205
Pension risk – The risk that the value of the pension schemes' assets will be insufficient to meet the estimated liabilities, creating a pension deficit.	Following the finalisation of the Fund's latest Triennial Valuation, no employer deficit contributions were required, and none are scheduled for the year ending 4 April 2025 as the valuation indicated a funding surplus. Nationwide actively engages with the Trustee to ensure broad alignment on investment objectives and implementation.	Page 212
Business risk – The risk that volumes decline, margins shrink, or losses increase relative to the cost or capital base, affecting the sustainability of the business and the ability to deliver the strategy due to external factors (macroeconomic, geopolitical, industry, regulatory or other external events) or internal factors (including the development and execution of the strategy).	Competition from incumbent banks and digitally-focused new entrants remained strong, with enhanced service and product propositions being used to attract and retain customers. Nationwide's strategy is focused on providing a simply brilliant service and continuous improvement, promoting enhanced efficiency and productivity. Furthermore, continual reviews of customer propositions maintain the Society's competitive position in the core mortgage, savings, and personal current account markets in which it operates.	Page 214
Operational and conduct risk – The risk of impacts resulting from inadequate or failed internal processes, conduct and compliance management, people and systems, or from external events.	Nationwide has continued to mature its operational and conduct risk management processes and capabilities, with a particular focus on change management, economic crime risk capabilities and strengthening the technology control environment.	Page 215
Model risk – The risk of adverse consequences from model errors or the inappropriate use of modelled outputs. Model outputs may be affected by the quality of data inputs, choice and suitability of methodology and the integrity of implementation. The adverse consequences include financial loss, poor business or strategic decision making, or damage to Nationwide's reputation.	A number of models have been redeveloped to improve performance and compliance with new Internal Ratings Based (IRB) roadmap regulations. Model risk management and governance capabilities have been enhanced in response to changing regulation, including the Prudential Regulation Authority's (PRA) supervisory statement 1/23 'model risk management principles for banks' and implementation of the Basel 3.1 standards.	Page 219

Emerging risks

Emerging risks are specific risks which have the potential to materially impact Nationwide's financial results and delivery of its strategic objectives, and often impact across several principal risks. The most significant of these are described below, together with key developments, a summary of actions we are taking to reduce the risk, and the principal risks which are most likely to be impacted.

Risk	How we mitigate this risk	Related principal risks
Climate change ➔ Nationwide is exposed to both physical risks arising from climate change (such as damage to UK housing stock and property) and transitional risks (such as lower economic growth and government policy impacts on property values) as the country moves towards net-zero emissions. These threats continue to evolve as government policy develops and technologies mature.	• We invest in sustainable business practices and proactively review lending criteria to limit the impact our activities have on climate change and to mitigate potential credit risk. • We continue to develop our processes to reflect potential changes in macroeconomic conditions and the housing market as we transition to a low-carbon economy, and complete internal and external stress testing for climate change.	• Credit risk • Model risk • Operational and conduct risk
Cyber ➔ The threat of cyber attacks remains heightened, with ongoing geopolitical tensions posing a threat to Nationwide, our staff, and our customers.	• We continuously monitor the cyber threat level and invest in our cyber defences to ensure we are able to respond appropriately.	• Operational and conduct risk
Emergent Technologies ↗ (note i) The emergence of viable generative artificial intelligence, as well as the continued development of quantum computing and associated technologies, creates new risks and opportunities as they are adopted internally, across the industry and potentially by malicious organisations or individuals.	• We only use generative artificial intelligence for specific activities aligned to defined principles and subject to high levels of control and oversight, including human intervention where required. • We continually develop and refine our risk management approach and control framework for advanced and emerging technology, reflecting industry best practice.	• Operational and conduct risk • Model risk
Geopolitical environment ↗ (note ii) The geopolitical environment remains volatile with ongoing conflicts in Ukraine and Gaza, and a range of global tensions. This uncertainty impacts the macroeconomic environment. Conflicts and disputes also have the potential to disrupt supply chains and increase cyber and economic crime.	• We prepare for a range of economic outcomes and continually assess the risks arising from these. • Whilst our retail lending is restricted to the UK, we actively control our exposure to volatile sectors to mitigate the risks arising from geopolitical events. • We work with suppliers to understand and manage exposures to geopolitical events, whilst protecting services through enhanced due diligence and diversification.	• Credit risk • Operational and conduct risk • Liquidity and funding risk
Macroeconomic environment ➔ (note ii) Nationwide is inherently exposed to fluctuations in economic conditions and the UK housing market. The economic environment remains uncertain with high but falling inflation and Bank rate impacting customer finances as well as the performance of other institutions and counterparties.	• We maintain strong capital and liquidity levels in excess of regulatory minima, and we regularly undertake both internal and regulatory stress tests to ensure our financial resources are sufficient under a range of severe but plausible scenarios. • We continuously review and adjust our credit policies so they remain appropriate for the prevailing economic conditions and continue to support customers who may experience financial difficulty. • We only have exposures to highly rated banking counterparties; these consist primarily of fully collateralised derivatives and covered bonds for liquidity management.	• Credit risk • Capital risk • Liquidity and funding risk
Technology and resilience ➔ The combination of a rapidly evolving and increasingly complex technological environment alongside the increasing importance of services being available when customers need them, increases both the potential for, and the impact of, outages and system failures.	• We have prioritised strategic investment in our systems and simplified and modernised our technology estate. • We continue to strengthen our internal control environment to improve resilience, proactively balancing continued service provision with the need to update and develop our systems to meet the current and future needs of our customers.	• Operational and conduct risk

Key (change in underlying risk to Nationwide in year)
↗ Increased level of risk ➔ Stable level of risk ↘ Decreased level of risk

Notes:
i. Not reported as a separate emerging risk in the Annual Report and Accounts 2023.
ii. Reported as combined macroeconomic and geopolitical environment risk in the Annual Report and Accounts 2023.

Viability statement

The directors have an obligation to confirm that they believe that both the Society and the Group will be able to continue in operation, and to meet their liabilities as they fall due. This viability statement considers the Group's current financial and strategic position and the potential impact of its principal risks, to explain the directors' assessment of the Group's prospects over an appropriate period.

Assessment of viability

In addition to taking a 12-month view of whether the Group remains a going concern, the directors have considered the viability of the Group over a three-year period. Whilst it will always be difficult to predict the future path of the UK or the wider global economy with any degree of precision, this period strikes the right balance between assessing likely outcomes using the current information we have, whilst accepting a degree of uncertainty over a longer period. A three-year period is within the timeframe of the Group's profitability projections and stress tests which provide a reasonable expectation of continued operations and ability to meet liabilities as they fall due.

In making their assessment, the directors have considered the Group's key risks, and the stress testing activity which has been carried out to assess the potential impact of these risks. This assessment includes consideration of the key risks outlined in the Risk overview on pages 62 to 64. These have been reviewed alongside the Group's strategic plan, and the strength of the Group's current financial position, in assessing the viability of the Group over the three-year period.

The viability assessment has also considered the impact on the Group of the proposed acquisition of Virgin Money, which is expected to complete in Q4 2024, subject to regulatory approval.

Consideration of key risks

The directors of Nationwide have considered for the purposes of viability over the past year the impact on Nationwide's risk profile of the prevailing macroeconomic and geopolitical environment, the changing needs of our customers and our work to ensure our processes and systems remain robust. While some key risks on pages 62 to 64 were not directly modelled, our assessment concluded that the severity and impact of these risks fall within the scenarios used for this analysis. Throughout the year, the Board has considered the risks which are most relevant to Nationwide's strategy, which include:

- Geopolitical and macroeconomic environment – As a UK-focused business, the Group's performance is naturally aligned to the UK's economic conditions. The macroeconomic outlook remains uncertain, with ongoing geopolitical tensions and significant risks in both directions in relation to Bank rate expectations. Despite this uncertainty, the Society maintains strong capital and liquidity levels and regularly undertakes robust internal and regulatory stress tests to ensure it continues to meet Board Risk Appetite and regulatory requirements under a range of severe scenarios.
- Competitive environment and consumer behaviours – The level of competition and brand relevance remains a key consideration. This could be driven by shifting customer behaviours, regulatory changes and continued innovation in the financial services sector, or new participants using price and service advantage to challenge our market share aspirations and profitability.
- Economic crime and cyber security – We continuously monitor the external landscape to identify potential cyber and fraud threats whilst operating and maturing our key financial crime and cyber controls to protect our customers and services, and to meet our regulatory obligations.
- Technology and resilience – Maintaining resilient systems, infrastructure and processes remains critical as changing consumer behaviours influence customer needs in accessing our products and services and how they interact with us. We continue to monitor and strengthen our control environment whilst proactively monitoring the resilience of our services to reduce disruption to our customers.
- Climate change – Risks continue to evolve as government policy develops and technologies mature. We invest in sustainable business practices, proactively review lending criteria and continue to consider the potential impact on the macroeconomic and trading environment as we transition to a low carbon economy.

Planning and stress testing activity during 2023/24

During 2023/24, the Group developed financial forecasts and a range of plausible stressed macroeconomic scenarios, which reflect the risks which are most material to our business model. The prioritisation of risks to explore in stress testing activities uses an established process, which is informed by a range of internal and external risk assessments and the engagement of a range of subject matter experts. The Stress Testing Committee, chaired by the Chief Financial Officer, is responsible for reviewing the prioritisation of risks and approving the scenarios used for stress testing activities. The scenarios explored during 2023/24 include:

- A base case macroeconomic scenario, that was regularly updated during the year to reflect developments in the macroeconomic outlook and support decision making to ensure the Group maintained a resilient financial performance in an uncertain macroeconomic environment.
- A range of interest rate income sensitivities to the base case macroeconomic scenario, exploring the impact of Bank rate reducing as low as 1%.
- An internally generated stress test exploring a severe but plausible stress in which monetary policy responds to persistent inflationary pressures, resulting in the UK entering a major recession and house purchase activity falling to record low levels.
- A severe idiosyncratic liquidity stress scenario exploring the impact of a ransomware attack and resultant failure to maintain member confidence, in addition to the temporary loss of access to wholesale funding markets.
- A severe capital and liquidity stress scenario based on a loss of member confidence due to misinformation on social media regarding the security of deposits, in addition to the temporary loss of access to wholesale funding markets, within the context of a macroeconomic stress.
- An internally generated climate change stress test to assess the financial risks arising from climate change, focusing on the macroeconomic, physical and transition risks of two climate change scenarios across a 30-year horizon.
- A reverse stress test scenario which explores the financial impact of a failure to deliver successfully Nationwide's strategy. The purpose of the reverse stress test scenario is to test Nationwide's current business model to failure in order to enhance understanding of its business model vulnerabilities that could cause the current business model to become unviable.

A selection of these scenarios has been used for expected credit loss modelling during 2023/24, and further detail can be found in note 10 to the financial statements.

Impact of the proposed acquisition of Virgin Money

As part of the Virgin Money acquisition proposal, the expected financial performance of a new combined group was considered based on the economic and market assumptions used in Nationwide's Financial Plan 2024-29. A number of prudent sensitivities to this forecast were also considered, in addition to an assessment of the combined group performance in the Solvency Stress Test 2021 (SST 2021) and 2022/23 Concurrent Stress Test (2022/23 CST). Management believe that the analysis performed represents an appropriately prudent assessment.

Conclusion on viability

The directors have assessed the Group's current financial strength, demonstrated through strong capital ratios (CET1 ratio of 27.1% and leverage ratio of 6.5% at 4 April 2024), and liquidity position (12-month average LCR for the year ended 4 April 2024 of 191%), and the impact of the scenarios described above on the Group's key financial metrics over the three-year assessment period.

In our base case macroeconomic scenario, key financial performance metrics are projected to remain comfortably above Board Risk Appetite and regulatory buffers. In addition, our recent external and internal stress testing activity demonstrates how the Group can withstand severe macroeconomic and competitive stresses, including those linked to heightened inflation and changes to the expected path of Bank rate.

In addition, the analysis performed in relation to the proposed acquisition of Virgin Money provides confidence in the viability of the combined group under a range of stress scenarios.

The directors have a reasonable expectation that the Society and Group will be able to continue its operations, and to meet its liabilities as they fall due, over the three-year assessment period.

Financial review

Chris Rhodes, Chief Financial Officer, Nationwide Building Society, said:

“We have delivered a robust financial performance with statutory profit of £1,776 million and combined member value of £2,194 million. Member value comprises £1,850 million of member financial benefit through better pricing and incentives than the market average and the inaugural Nationwide Fairer Share payment of £344 million to eligible members.”

“We have continued to support our customers’ savings and borrowing needs throughout the year. Our good value savings and mortgage products have supported growth in our deposit and mortgage balances.”

“We have maintained a strong balance sheet, with both CET1 and leverage ratios increasing during the year to 27.1% and 6.5% respectively.”

Financial highlights

- Underlying profit for the year reduced to £2,003 million (2023: £2,233 million), largely reflecting higher costs and provisions for liabilities and charges. Statutory profit was £1,776 million (2023: £2,229 million), after reflecting the inaugural Nationwide Fairer Share payment.
- Total underlying income remained broadly stable at £4,664 million (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 decreased slightly to 1.56% (2023: 1.57%).
- A combined £2,194 million of value has been delivered to members. This comprises member financial benefit of £1,850 million (2023: £1,055 million), supported by the strength of our savings rates, and the inaugural Nationwide Fairer Share payment to eligible members in June 2023 of £344 million.
- Member deposit balances increased by £6.3 billion to £193.4 billion (2023: £187.1 billion); our market share of balances reduced slightly to 9.5% (2023: 9.6%).
- Mortgage balances increased to £204.5 billion (2023: £201.7 billion), with stock market share increasing to 12.3% (2023: 12.2%).
- Administrative expenses increased by £99 million to £2,422 million (2023: £2,323 million). The increase includes £36 million recognised in the year for the 2024/25 Bank of England levy.
- Credit impairment charges have reduced to £112 million (2023: £126 million), reflecting the resilience of our lending, whilst retaining provisions for the continued economic uncertainty. Mortgage arrears have increased but remain low.
- CET1 and leverage ratios increased to 27.1% and 6.5% (2023: 26.5% and 6.0%) respectively.

Underlying profit: **£2,003m** (2023: £2,233m)
Statutory profit: **£1,776m** (2023: £2,229m)
Leverage ratio: **6.5%** (2023: 6.0%)

The results are prepared in accordance with International Financial Reporting Standards (IFRSs) as set out in note 1 to the financial statements. Underlying results are shown below, together with a reconciliation to the statutory results.

Income statement

Underlying and statutory results		
	2024	2023
	£m	£m
Net interest income	**4,450**	4,498
Net other income	**214**	175
Total underlying income	**4,664**	4,673
Administrative expenses	**(2,422)**	(2,323)
Impairment charge	**(112)**	(126)
Provisions for liabilities and charges	**(127)**	9
Underlying profit before tax (note i)	**2,003**	2,233
Gains/(losses) from derivatives and hedge accounting (note ii)	**117**	(4)
Member reward payments (note iii)	**(344)**	-
Statutory profit before tax	**1,776**	2,229
Taxation	**(476)**	(565)
Profit after tax	**1,300**	1,664

Net interest margin:
1.56%
(2023: 1.57%)

Underlying cost income ratio (note iv):
51.9%
(2023: 49.7%)

Statutory cost income ratio (note iv):
50.7%
(2023: 49.8%)

Return on assets:
0.48%
(2023: 0.61%)

Notes:

i. 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 4 April 2024 and 4 April 2023.

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

iii. 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 recognised in the financial year ended 4 April 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.

iv. The underlying cost income ratio represents management's view of underlying performance. Gains or losses from derivatives and hedge accounting are excluded from the statutory cost income ratio to arrive at the underlying cost income ratio.

Total income and net interest margin

Net interest income decreased by £48 million to £4,450 million (2023: £4,498 million), with the net interest margin decreasing slightly to 1.56% (2023: 1.57%). Increases in 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 on to our savers. The increase in deposit net interest margin has been offset by a decline in mortgage net interest margin, largely driven by competition within the mortgage market.

Net other income has increased by £39 million to £214 million (2023: £175 million), primarily reflecting a gain relating to the disposal of the Society's investment advice business in February 2024.

Member financial benefit

As a building society, we seek to maintain Nationwide's financial strength whilst providing value to our members through pricing, products and service. Through member financial benefit, we measure the additional financial value for members from the competitive mortgage, savings and banking products that we offer compared to the market average. Member financial benefit is calculated by comparing, in aggregate, Nationwide's average interest rates and incentives to the market, predominantly using market data provided by the Bank of England and CACI, alongside internal calculations. The value for individual members will depend on their circumstances and product choices.

We quantify member financial benefit as: Our interest rate differential + incentives and lower fees.

Interest rate differential

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

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

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

Member incentives and fees

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

- Mortgages: the differential on incentives for members compared to the market.
- FlexPlus account: this current account is considered market leading against major banking competitors, with a high level of benefits for a relatively smaller fee. The difference between the monthly account fee of £13 and the market average over the financial year of £21 is included in the member financial benefit measure.

For the year ended 4 April 2024 we delivered member financial benefit of £1,850 million (2023: £1,055 million). The increase is due to our strong savings and mortgage products which seek to provide good value to members. Nationwide has passed a greater proportion of interest rate rises on to our deposit holders, than the market average, resulting in an increase in member financial benefit in the year.

Member reward payments

The Board announced the inaugural Nationwide Fairer Share payment in May 2023 as part of our ongoing commitment to reward our members. The initial Nationwide Fairer Share payment of £344 million was paid in June 2023 to eligible members who had a qualifying current account plus either qualifying savings or a qualifying mortgage as at 31 March 2023. This payment is in addition to delivering the £1,850 million of member financial benefit to our members outlined above.

Administrative expenses

Administrative expenses have increased by £99 million to £2,422 million (2023: £2,323 million) primarily due to inflationary increases and £36 million recognised in the year for the 2024/25 Bank of England levy. The increases have been partially mitigated by efficiencies within strategic investment.

Impairment charge on loans and advances to customers

Impairment charge (note i)		
	2024	2023
	£m	£m
Residential lending	**44**	94
Consumer banking	**51**	31
Retail lending	**95**	125
Commercial	**17**	1
Impairment charge on loans and advances	**112**	126

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

The net impairment charge for the year has reduced to £112 million (2023: £126 million). The majority of provisions for economic uncertainty have been retained, reflecting continued high interest rates and household affordability pressures. Both residential mortgage and consumer banking arrears have increased gradually from historically low levels. More information regarding critical accounting judgements, and the forward-looking economic information used in impairment calculations, is included in note 10 to the financial statements.

Provisions for liabilities and charges

Provisions are 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 (2023: £9 million release) relates primarily to an increase in legal and regulatory provisions in the year. More information is included in note 27 to the financial statements.

Gains/(losses) from derivatives and hedge accounting

Gains from derivatives and hedge accounting of £117 million (2023: losses of £4 million) arose primarily from portfolio hedges of interest rate risk, due to a combination of amortisation of existing balance sheet amounts and hedge ineffectiveness. Further information is provided in note 7 to the financial statements.

Taxation

From 1 April 2023, the main rate of corporation tax increased from 19% to 25% and the banking surcharge decreased from 8% to 3%. The tax charge for the year of £476 million (2023: £565 million) represents an effective tax rate of 26.8% (2023: 25.4%) which is higher than the statutory UK corporation tax rate of 25% (2023: 19%). The effective tax rate is higher primarily due to the banking surcharge of £41 million (2023: £145 million). Further information is provided in note 11 to the financial statements.

Balance sheet

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

Mortgage lending has been robust, with residential mortgage balances increasing to £204.5 billion (2023: £201.7 billion), slightly increasing our market share of mortgage balances in a subdued market. Member deposit balances have increased by £6.3 billion to £193.4 billion (2023: £187.1 billion) as a result of increases in savings balances, supported by competitive fixed rate products and increased levels of accrued and capitalised interest due to higher average savings rates.

Assets				
	2024		2023	
	£m	%	£m	%
Cash	**23,817**		25,635	
Residential mortgages (note i)	**204,467**	***95***	201,662	*95*
Commercial lending	**5,491**	***3***	5,477	*3*
Consumer banking	**4,263**	***2***	4,408	*2*
	214,221	***100***	211,547	*100*
Impairment provisions	**(781)**		(765)	
Loans and advances to customers	**213,440**		210,782	
Other financial assets	**31,970**		32,387	
Other non-financial assets	**2,690**		3,089	
Total assets	**271,917**		271,893	

12-month average Liquidity Coverage Ratio (note ii):

191%

(2023: 180%)

Asset quality	*%*		*%*	
Residential mortgages (note i):				
Proportion of residential mortgage accounts more than 3 months in arrears	**0.41**		0.32	
Average indexed loan to value (by value)	**55**		55	
Consumer banking:				
Proportion of customer balances with amounts past due more than 3 months (excluding charged off balances)	**1.36**		1.21	

Notes:
i. Residential mortgages include owner-occupied, buy to let and legacy lending.
ii. This represents a simple average of the Liquidity Coverage Ratio (LCR) for the last 12 month ends. The LCR ensures that sufficient high-quality liquid assets are held to survive a short-term severe but plausible liquidity stress.

Cash

Cash is held by our Treasury function for liquidity purposes, with the £1.8 billion decrease to £23.8 billion (2023: £25.6 billion) predominantly due to repayment of drawings from the Bank of England's Term Funding Scheme with additional incentives for SME's (TFSME), offset by increases in retail savings balances.

The average Liquidity Coverage Ratio over the 12 months ended 4 April 2024 increased to 191% (12 months ended 4 April 2023: 180%), with higher average liquid asset balances driven by growth in member deposits. Liquidity continues to be managed against internal risk appetite, which is more prudent than regulatory requirements and, under the most severe internal 30 calendar day stress test, the average liquid asset buffer remains robust. Further details are included in the Liquidity and funding risk section of the Risk report.

Residential mortgages

Total gross mortgage lending was lower than in the prior year at £26.3 billion (2023: £33.6 billion) due to subdued market growth; our market share of gross advances increased to 11.5% (2023: 10.8%) with continued focus on first time buyers. Net lending was £2.6 billion (2023: £3.3 billion), with Nationwide's market share of balances increasing to 12.3% (2023: 12.2%). Net lending has been supported by our continued focus on retention through highly competitive products provided to existing customers. Owner-occupied mortgage balances increased to £161.0 billion (2023: £157.6 billion) and buy to let and legacy mortgage balances decreased slightly to £43.5 billion (2023: £44.1 billion) in a subdued buy to let market.

Arrears remain low but have increased gradually during the year, with cases more than three months in arrears representing 0.41% (2023: 0.32%) of the total portfolio. Further increases in arrears from current levels are expected, due to both inflation and higher interest rates negatively impacting household finances. Impairment provision balances have increased to £321 million (2023: £280 million) as stage 3 provisions have increased due to the growth in the number of cases more than three months in arrears and adjustments for economic uncertainty being largely maintained.

Consumer banking

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).

Arrears have increased during the year, with balances more than three months in arrears (excluding charged off accounts) representing 1.36% (2023: 1.21%) of the total portfolio. Provision balances reduced to £436 million (2023: £469 million), as the estimated impact of inflation on future credit performance has reduced during the year.

Commercial lending

During the year, commercial lending balances remained stable at £5.5 billion (2023: £5.5 billion). The overall portfolio includes registered social landlords with balances of £4.4 billion (2023: £4.1 billion), project finance with balances of £0.5 billion (2023: £0.5 billion), commercial real estate balances of £0.3 billion (2023: £0.4 billion) and a fair value adjustment for micro hedged risk of £0.3 billion (2023: £0.4 billion). Both project finance and commercial real estate books are closed to new lending.

Impairment provision balances increased to £24 million (2023: £16 million) due to updates relating to a small number of individual loans.

Other financial assets

Other financial assets of £32.0 billion (2023: £32.4 billion) comprise investment assets held by Nationwide's Treasury function of £26.5 billion (2023: £27.6 billion), loans and advances to banks and similar institutions of £2.5 billion (2023: £2.9 billion), derivatives with positive fair values of £6.3 billion (2023: £6.9 billion) and fair value adjustments for portfolio hedged risk of £(3.3) billion (2023: £(5.0) billion). Derivatives largely comprise interest rate and foreign exchange contracts which economically hedge financial risks inherent in Nationwide's lending and funding activities.

Members' interests, equity and liabilities	2024	2023
	£m	£m
Member deposits	**193,366**	187,143
Debt securities in issue	**29,599**	27,626
Other financial liabilities	**29,817**	38,701
Other liabilities	**1,449**	1,517
Total liabilities	**254,231**	254,987
Members' interests and equity	**17,686**	16,906
Total members' interests, equity and liabilities	**271,917**	271,893

Wholesale funding ratio:
22.5%
(2023: 25.0%)

Member deposits

Member deposit balances grew by £6.3 billion (2023: £9.1 billion) to £193.4 billion (2023: £187.1 billion). Nationwide's market share of deposit balances reduced slightly to 9.5% (2023: 9.6%). Savings balances increased by £9.1 billion (2023: £11.1 billion) supported by competitive fixed rate products, including the Fairer Share Bond, and increased levels of accrued and capitalised interest due to higher average savings rates. Credit balances on current accounts reduced by £2.9 billion (2023: £2.0 billion reduction) as customer behaviours changed in response to higher interest rates.

Debt securities in issue and other financial liabilities

Debt securities in issue relate to wholesale funding but exclude subordinated debt which is included within other financial liabilities. Balances increased to £29.6 billion (2023: £27.6 billion) reflecting secured and unsecured wholesale funding issuances during the year. Other financial liabilities decreased to £29.8 billion (2023: £38.7 billion) primarily due to the early repayment of £7.9 billion of drawings from the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME). Nationwide's wholesale funding ratio decreased to 22.5% (2023: 25.0%).

Members' interests and equity

Members' interests and equity have increased to £17.7 billion (2023: £16.9 billion) largely as a result of retained profits.

Statement of comprehensive income

Statement of comprehensive income (note i)	2024 £m	2023 £m
Profit after tax	**1,300**	1,664
Net remeasurement of pension obligations	**(190)**	(56)
Net movement in cash flow hedge reserve	**(49)**	(8)
Net movement in other hedging reserve	**(4)**	(4)
Net movement in fair value through other comprehensive income reserve	**(24)**	(103)
Net movement in revaluation reserve	**(2)**	1
Total comprehensive income	**1,031**	1,494

Note:
i. Movements are shown net of related taxation. Gross movements are set out in the financial statements on page 236.

Capital structure

Nationwide's capital position remains strong, with both the Common Equity Tier 1 (CET1) ratio and leverage ratio comfortably above regulatory capital requirements of 12.9% and 4.3% respectively. The CET1 ratio increased to 27.1% (2023: 26.5%) and the leverage ratio increased to 6.5% (2023: 6.0%). The capital disclosures included in this report are in line with UK Capital Requirements Directive V (UK CRD V) with IFRS 9 transitional arrangements included.

Capital structure		
	2024	2023
	£m	£m
Capital resources		
CET1 capital	**14,798**	13,733
Total Tier 1 capital	**16,134**	15,069
Total regulatory capital	**17,808**	16,908
Capital requirements		
Risk weighted assets (RWAs)	**54,628**	51,731
Leverage exposure	**249,263**	249,299
UK CRD V capital ratios	**%**	%
CET1 ratio	**27.1**	26.5
Leverage ratio	**6.5**	6.0

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 resources increase was driven by £1.3 billion profit after tax, partially offset by £0.2 billion of capital distributions. The RWA increase was predominantly driven by an increase in residential mortgage credit risk RWAs.

The leverage ratio increased to 6.5% (2023: 6.0%), with Tier 1 capital increasing by £1.1 billion as a result of the CET1 capital movements referenced above, and leverage exposure remaining at £249 billion. Leverage requirements continue to be Nationwide's binding Tier 1 capital constraint, as the combination of minimum and regulatory buffer requirements are in excess of the risk-based equivalent.

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

Governance

Report of the directors on corporate governance

Chairman's introduction to the Corporate Governance Report

Dear fellow member,

I am pleased to present the Governance report for the financial year ended 4 April 2024.

Nationwide, as a modern mutual, puts members and their diverse needs at the heart of its decision making. The long-term success and sustainability of the Society is underpinned by good governance to ensure that decisions taken by the Board and management deliver value for present and future members. The Board is responsible for governance, setting a clear strategy, and ensuring that, as well as fulfilling our statutory duties, the Society is managed in line with its mutual values. Further information on our governance structure and how we have applied the provisions of the UK Corporate Governance Code 2018 is set out in this report, together with a description of some of the Board's key activities during the year.

Member and customer engagement

Engaging with our customers continues to be central to what we do at Nationwide, and we continue to listen and respond to customers' needs. I am pleased that we have been able to help members through the cost of living challenge through the Fairer Share Payment. More information is found on page 36.

Members are encouraged to share their views and insights and contribute their suggestions via the Connect Community. Members can get involved in discussions with other members and with Nationwide, take part in surveys to help shape new products, and take part in telephone interviews and group online live chats so that the member voice plays a valuable role in shaping our future.

The Board has continued to strengthen its understanding of customer and colleague needs through a number of activities this year. All non-executive directors are undertaking branch visits to strengthen their understanding in support of this. The Board has also taken part in Closer to Customer focus groups where we engage with customers on specific topics, such as the cost of living, to provide a greater understanding of customers and their needs, ensuring they remain at the centre of its decision making.

The Society's 2023 AGM was run successfully as an online event, enabling members all over the UK to join and participate. All Board members were available to answer member questions and the event had the highest member participation of recent years. I look forward to welcoming as many members as possible to our AGM in 2024.

Inclusion, diversity and culture

To ensure we continue to serve our members and their diverse needs effectively, we remain committed to maintaining diversity of perspectives, experience and backgrounds within senior management and the Board. The composition of the Board is outlined on page 92; it continues to exceed the Listing Rules gender diversity requirement and meet the ethnic diversity requirement. We remain committed to our inclusive culture which reflects the diversity of our membership, customers and colleagues and supports our principle of modern mutuality. Further information about our oversight of the Society's culture can be found on page 83.

Climate change

The Board is conscious of the impact of climate change and is committed to ensuring that the Society scrutinises its carbon footprint and reduces its energy consumption. We have five pillars to our climate change strategy which can be found on pages 53 to 61 and within our Climate-Related Financial Disclosures publication on **nationwide.co.uk**.

Board changes

We welcomed Sally Orton as a non-executive director on 1 June 2023 and Tracey Graham assumed the role of Senior Independent Director from 20 July 2023. Mai Fyfield and Gunn Waersted retired from the Board at the 2023 AGM. Full details of all changes are on page 82.

The year ahead

The Blueprint for a modern mutual was endorsed by the Board at its October 2023 Strategy Conference and all colleagues, including the Board and management, are collaborating on its effective implementation. To ensure it remains fit for the future, the Society continues to strengthen its digital offering and internal controls around member-facing processes. Finally, embedding our customer first behaviours throughout the business will help us push for better in the year ahead.

I would like to thank all of my fellow Board members for their hard work, support and dedication this year.

Kevin Parry
Society Chairman

Your Board

Kevin Parry OBE

ng

Society Chairman

Date of appointment

23 May 2016 (Board) and 1 February 2022 (Chairman)

Skills and experience

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 organisations. 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 appointments

Chairman of Royal London Mutual Insurance Society Limited
Non-executive director and Chairman of the Audit and Risk Committee of Daily Mail and General Trust plc

Tracey Graham

r ng ri

Senior Independent Director

Date of appointment

28 September 2022 (Board) and 20 July 2023 (Senior Independent Director)

Skills and experience

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 appointments

Non-executive director of Close Brothers Group plc
Non-executive and Senior Independent Director of DiscoverIE Group plc
Non-executive director of LINK Scheme Limited, where she is Chair of the LINK Consumer Council

Debbie Crosbie

Chief Executive Officer

Date of appointment

2 June 2022

Skills and experience

Debbie Crosbie joined Nationwide as CEO in June 2022. She has over 25 years of experience in financial services leadership. Debbie 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. Debbie has overseen the execution of several major transformation projects.

Current external appointments

Non-executive director of SSE plc
Member of the FCA's Practitioner Panel
Director of UK Finance Limited
Member of the Prime Minister's 2024 Business Council

Key: a Audit Committee; ng Nomination and Governance Committee; r Remuneration Committee; ri Board Risk Committee; Indicates Chair of Committee

Albert Hitchcock

r ri

Independent non-executive director

Date of appointment

2 December 2018

Skills and experience

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 programme to meet the expectations of our members today and in the future.

He was previously a technology adviser 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 appointments

Non-executive director of PureProfile Ltd

Alan Keir

ri a ng

Independent non-executive director

Date of appointment

1 March 2022

Skills and experience

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 organisation, assists the Board in setting and delivering strategic performance. He was previously a non-executive director of HSBC Bank plc between 2018 and 2021.

Current external appointments

Chair of the Sumitomo Mitsui Banking Corporation Bank International plc

Non-executive director of Majid Al Futtaim

Debbie Klein

r

Independent non-executive director

Date of appointment

1 March 2021

Skills and experience

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) programme, 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 appointments

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 of Xyon Health Inc

Key: a Audit Committee | ng Nomination and Governance Committee | r Remuneration Committee | ri Board Risk Committee | Indicates Chair of Committee

Sally Orton

a

Independent non-executive director

Date of appointment

1 June 2023

Skills and experience

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 at GAM Holdings 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 appointments

Group CFO of Volante Group

Tamara Rajah MBE

Independent non-executive director

Date of appointment

1 September 2020

Skills and experience

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 McKinsey's 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 appointments

CEO Holland and Barrett Wellness Solutions and Chief Transformation Officer

Non-executive director of London & Partners Limited (stepped down from this role on 10 May 2024)

Chris Rhodes

Chief Financial Officer

Date of appointment

20 April 2009

Skills and experience

Chris Rhodes was appointed as 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 appointments

Director of Silverstone Securitisation Holdings Limited

Director of Arkose Funding Limited

Key: a Audit Committee | ng Nomination and Governance Committee | r Remuneration Committee | ri Board Risk Committee | Indicates Chair of Committee

Gillian Riley

r ri

Independent non-executive director

Date of appointment

1 April 2022

Skills and experience

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, has a full suite of banking solutions and 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 appointments

Non-executive director and Chair of Roynat Capital Incorporation
Non-executive director of St Michael's Hospital Foundation in Canada

Phil Rivett

a ng ri

Independent non-executive director

Date of appointment

1 September 2019

Skills and experience

Phil Rivett is a chartered accountant with over 40 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 appointments

Non-executive director of Standard Chartered plc
Non-executive director of Standard Chartered Bank

Jason Wright

Society Secretary

Date of appointment

17 March 2021

Skills and experience

Jason Wright is responsible for delivering a comprehensive secretariat service to the Board, Board committees and senior management. He advises the Chairman and the Board on governance-related matters and helps the Board function effectively by ensuring it has the policies, processes, information, time and resources it needs. He joined Nationwide in December 2019 to lead the Secretariat function and became Society Secretary in March 2021. He is a qualified chartered company secretary with over 25 years' experience working as a governance professional within financial services. Prior to joining the Society, he was Company Secretary at Barclays Bank plc and previously Head of Board Support at Santander UK plc. He is a Fellow of the Chartered Governance Institute.

Key: a Audit Committee | ng Nomination and Governance Committee | r Remuneration Committee | ri Board Risk Committee | Indicates Chair of Committee

Governance at Nationwide

The Board has established a set of internal standards and principles by which Nationwide is governed to ensure sound and prudent control of the Society, and to keep members' money and interests safe. Everyone in Nationwide has a role to play in governance.

UK Corporate Governance Code 2018 – statement of compliance

Nationwide is committed to high standards of corporate governance and has continued to adopt the relevant parts of the UK Corporate Governance Code 2018 (the Code), which is available at **www.frc.org.uk.** The Board believes that throughout the year ended 4 April 2024 Nationwide has complied with the principles of the Code in line with the Building Societies Association guidance of July 2018. Details of the principles, including where you can read more about how Nationwide complied with them, are set out below:

Section	Code Principles[1]	Where to read about how Nationwide has complied
1. Board leadership and company purpose	A. An entrepreneurial board with the role to promote the long-term sustainable success of the Society and generate value for members	Pages 3-74 and 82-83
	B. Purpose, values and culture	Pages 3-74 and 82-83
	C. Performance measures, risks and controls framework	Pages 23-25, 104-107 and 148
	D. Stakeholder engagement	Pages 26-40
	E. Workforce policies and practices	Pages 30-31 and 82-83
2. Division of responsibilities	F. Leadership of Board and Board operations	Pages 10-11, 82-83, 88-91 and 108-111
	G. Board composition, Board roles and independence	Pages 88-95
	H. Directors' responsibilities and time commitment	Pages 82 and 89
	I. Board support, information and advice	Pages 89-90
3. Composition, succession and evaluation	J. Board appointments and succession plans for Board and senior management	Pages 108-111
	K. Board skills, experience and knowledge	Pages 77-90 and 93
	L. Annual Board evaluation	Pages 94-95
4. Audit, risk and internal control	M. Effectiveness of external auditor and internal audit	Pages 97-103
	N. Fair, balanced and understandable assessment of the company's position and prospects	Pages 98-99 and 141
	O. Risk Management and Internal Control Framework	Pages 97-103 and 144-147
5. Remuneration	P. Remuneration and Society purpose, strategy and values	Pages 112-138
	Q. Executive and senior management remuneration	Pages 112-138
	R. Authorisation of remuneration outcomes	Pages 112-138

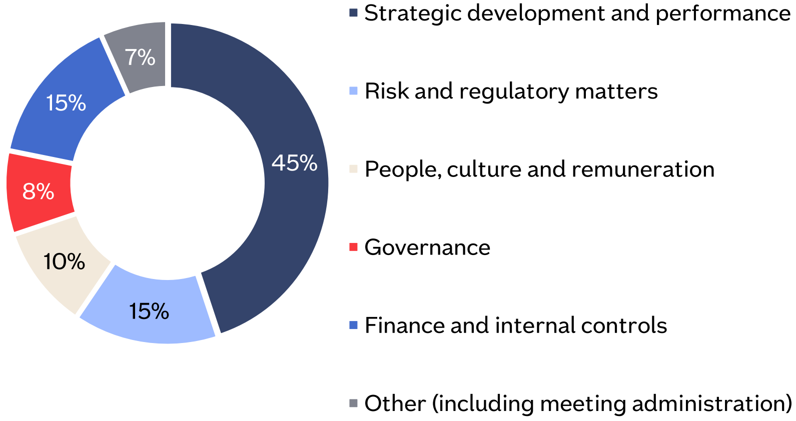
[1] The Code uses the terminologies of 'company' and 'shareholder' but for the purpose of Nationwide and this Corporate Governance report, these terms should be read as 'Society' and 'members', respectively.

How the Board operates

The Board met 11 times in the 2023/24 financial year. In addition, the Board held a Strategy Conference to consider and develop the Society's strategic direction; held Closer to Customers sessions to strengthen the Board's understanding of customer needs; and undertook training to keep directors abreast of technical, regulatory and statutory developments. Further information on the Closer to Customers programme can be found on page 90. The Chief Risk Officer and the General Counsel attend Board meetings and other members of senior management regularly attend meetings of the Board and its committees to present matters relating to their respective business and subject matter areas.

Board meetings are structured to ensure that the Board considers and discusses a range of matters relating to the Society's strategy, performance, operations and culture. In addition to the main items for consideration, the Board received updates at each meeting on the work of its principal committees to ensure that all Board members are aware of significant issues. Should matters arise that require consideration between scheduled Board meetings, the Board may arrange to meet on an ad hoc basis. A number of ad hoc Board meetings were held in respect of the Virgin Money transaction. During each Board cycle, the Society Chairman meets with his fellow non-executive directors, without executive directors present. The attendance record for Board members during the period is set out on this page.

How the Board spent its time in the year



Board and Committee composition and attendance at scheduled meetings in 2023/24 [1]

Board member	Board	Audit Committee	Board Risk Committee	Remuneration Committee	Nomination and Governance Committee
Kevin Parry	11/11	-	-	-	6/6
Tracey Graham	11/11	-	6/6	6/6	6/6
Albert Hitchcock	11/11	-	6/6	6/6	-
Alan Keir	10/11	6/7	5/6	-	4/6
Debbie Klein	11/11	-	-	6/6	-
Sally Orton[2]	9/9	5/5	-	-	-
Tamara Rajah	9/11	-	-	-	-
Gillian Riley	11/11	-	6/6	4/6	-
Phil Rivett	11/11	7/7	6/6	-	6/6
Debbie Crosbie	11/11	-	-	-	-
Chris Rhodes	11/11	-	-	-	-
Mai Fyfield[3]	4/4	3/3	-	2/2	-
Gunn Waersted[1,4]	3/4	-	-	-	2/2

[1] Directors who are unable to attend a meeting are provided with the supporting papers in advance and have the opportunity to provide comments to the Society Chairman or to the relevant Committee Chair.

[2] Sally Orton was appointed to the Board and as a member of the Audit Committee on 1 June 2023.

[3] Mai Fyfield resigned from the Board and the Audit and Remuneration Committees on 19 July 2023.

[4] Gunn Waersted resigned from the Board and the Nomination and Governance Committee on 19 July 2023.

Board leadership and Society purpose

The role of the Board

The Board is responsible for ensuring that the Society's long-term strategy is implemented within a robust governance framework. More information on the Society's purpose, its business model and how the Society generates and preserves value over the long term can be found on pages 6 to 8. The Board is also responsible for ensuring that the Society is sustainable and delivers long-term value for its members. It determines the Society's strategic objectives within a framework of risk appetite, internal controls and governance. The Board monitors the Society's overall financial performance and ensures effective governance, internal controls and risk management.

When setting the Society's strategy, the Board considers the impact that its decisions might have on various stakeholders such as members, customers, colleagues, suppliers, investors, regulators and the wider community. It is accountable for ensuring that, as a collective body, it has the appropriate skills, knowledge and experience to perform its role effectively. The Board is also responsible for providing leadership to the Society on culture, values and ethics. The powers of the Board are set out in the Society's Memorandum and Rules which are available at **nationwide.co.uk**. The Board operates under formal terms of reference which include a schedule of matters reserved for the Board to decide upon. The day-to-day running of the business is delegated to the Chief Executive Officer, who derives authority from the Board and cascades the agreed standards to the business. The Board's Terms of Reference and Matters Reserved are available at **nationwide.co.uk**.

Culture

The Society's culture remains a key focus of the Board, to ensure it supports the Society's purpose and delivery of the Blueprint for a modern mutual. The Society's customer first behaviours sit alongside its strategic drivers. The Board receives regular updates from management to ensure it has a strong understanding of the Society's current culture and progress made towards achieving and embedding its cultural goals. Over the last 12 months, the Society has worked with Ipsos Karin & Box to evolve how culture is measured, assessed and externally benchmarked. Feedback from employees has demonstrated that not only are the Society's employees highly engaged with the Society's culture and its strategic direction, but that the Society benchmarks favourably against its financial services and wider peers.

The Board has an appointed non-executive director with specific responsibilities for the Employee Voice in the boardroom. This role is held by Tamara Rajah. Additionally, Board directors hold regular Townhall events, answering questions directly from colleagues. The Board will continue to sponsor and monitor progress in all areas of our culture in the coming year.

Whistleblowing

Nationwide has arrangements in place for employees, contractors and temporary workers to raise concerns about possible misconduct, wrongdoing and behaviour towards others by its employees and third parties, including those related to non-financial matters. Concerns can be raised confidentially or anonymously (if preferred) via various channels, including an online portal and a mobile app, hosted by an independent third party. These reporting channels make anonymous reporting easier for our employees when raising concerns.

All Nationwide's employees, contractors and temporary workers receive annual training on the Society's whistleblowing policies and procedures, which includes how to raise concerns both internally and by reporting directly to the Financial Conduct Authority or the Prudential Regulation Authority without first reporting the matter internally. This training, which is refreshed annually, also incorporates additional training for managers.

Phil Rivett is the Whistleblowers' Champion and is responsible for ensuring and overseeing the integrity, independence and effectiveness of Nationwide's policies and procedures relating to whistleblowing, including measures to protect whistleblowers from being victimised because they have disclosed reportable concerns.

The Board recognises that having effective and trusted confidential whistleblowing arrangements is key in supporting the Society's open and honest culture. A recent survey showed that 86% of employees would be happy to Speak Up if they witnessed any unacceptable behaviour. The Board receives an Annual Whistleblowing Report and has reviewed the adequacy and effectiveness of the arrangements in place for the proportionate and independent investigation of concerns raised, including any required follow-up action taken. During the 12 months to 31 December 2023, a total of 232 concerns were raised, of which 78 were formally investigated as whistleblowing (12 months to 31 December 2022: 214 concerns raised, of which 103 were investigated as whistleblowing). The remainder were managed utilising other internal channels.

Conflicts of interest

The Society Secretary maintains a Register of Directors' Interests (the Register) which records actual or potential conflicts of Board members' interests. The Board approves the Register annually, and directors are required to notify the Board of any changes to their interests throughout the year. The Board has considered the current external appointments of all directors which may give rise to a conflict. In any matter where a director's interest does present an actual conflict, in accordance with the Society's Memorandum and Rules and the Building Societies Act 1986, the director shall not vote or be counted in the quorum, when that matter is considered.

Board activity during the year

The following pages set out a non-exhaustive list of the key matters that the Board has considered during the year in line with the Society's strategic drivers, together with stakeholders impacted and principal risks. Further information on how the Board has engaged with key stakeholder groups is outlined on pages 26 to 40.

Board activity – Strategic development and performance	Strategic Driver	Stakeholder	Principal risk
Discussed regular updates from the CEO and the COO on progress against the Society's strategy, including provision of external insights on key factors affecting the business. As part of this, the Board reviewed regular data to assess progress made in the implementation of the Society's strategy.	R S M C	Members and customers Colleagues Suppliers Communities Regulators and policymakers Investors	P O E
Debated and considered the opportunities and challenges facing Nationwide due to the changing macroenvironment, including cost of living challenges and the current geopolitical uncertainty. This included agreeing the propositional, financial, strategic and risk response.	C	Members and customers Suppliers Communities Regulators and policymakers Investors	P O E
Discussed and approved recommendations regarding the future strategic growth of Nationwide. This included strategic discussions centred on organisational vision (including the Blueprint for a modern mutual), customer outcomes, proposition, strategic investment spend, sustainability, responsible business, brand (including re-brand), and delivering operational and service excellence.	R S M C	Members and customers Colleagues Mortgage Intermediaries Suppliers Communities Regulators and policymakers Investors	P O E
Approved the Society's refreshed social impact strategy, Nationwide Fairer Futures, and Nationwide's key charitable partnerships, including the Nationwide Foundation.	R M	Members and customers Colleagues Communities	E

Key: R More rewarding relationships; S Simply brilliant service; M Beacon for mutual good; C Continuous improvement
P Prudential risks (including credit, model, liquidity and funding, market, capital, and pension risk); O Operational and conduct risks; E Enterprise risk (including business risk)

Board activity – Strategic development and performance	Strategic Driver	Stakeholder	Principal risk
Discussed and considered the Society's re-brand and refreshed advertising campaign. Reviewed and considered updates on the impact of the Society's re-brand activity in building brand recognition and loyalty.	R C	Members and customers Colleagues Regulators and policymakers Investors	E
Considered and approved the sale of the Society's investment advice business to Aegon UK.	R S C	Members and customers Colleagues Suppliers Regulators and policymakers	P O E
Considered and approved the proposed acquisition of Virgin Money. This is discussed in more detail in the Board Decisions section of the Strategic report on pages 37 to 38.	R S	Members and customers Colleagues Suppliers Regulators and policymakers Investors	P O E

Board activity – Finance	Strategic Driver	Stakeholder	Principal risk
Reviewed the Society's five-year Plan for 2024-29 against a backdrop of continued geopolitical and economic uncertainty, Bank rate uncertainty, market competition and cost of living challenges. The Board undertook a thorough review ahead of finalising and approving the Society's Financial Plan for 2024-29.	R S C	Members and customers Colleagues Regulators and policymakers Investors	P O E
Regularly assessed financial performance and the capital and liquidity position of the Society via business performance reports from the Chief Financial Officer.	C	Members and customers Regulators and policymakers Investors	P E
Reviewed and approved the Society's interim and full-year financial results and Annual Report and Accounts prior to publication, with consideration given to business viability and the preparation of the accounts on a going concern basis.	C	Members and customers Colleagues Suppliers Regulators and policymakers Investors	P O E
Reviewed the Society's cost performance and outlook and discussed the opportunities to reduce costs over the five-year Financial Plan.	C	Members and customers Colleagues Suppliers Regulators and policymakers Investors	P O E

Key:
- R More rewarding relationships
- S Simply brilliant service
- M Beacon for mutual good
- C Continuous improvement
- P Prudential risks (including credit, model, liquidity and funding, market, capital, and pension risk)
- O Operational and conduct risks
- E Enterprise risk (including business risk)

Board activity - People, culture and remuneration	Strategic Driver	Stakeholder	Principal risk
Reviewed and discussed the Society's People strategy and the tracking of inclusion and diversity metrics.	R	Members and customers Colleagues	O E
Engaged with the wider workforce via the designated non-executive director for Employee Voice and received updates from management on topics which provided insight on key matters impacting colleagues. Through Townhall events, colleagues from the across the Society were able to ask questions directly of non-executive directors.	R M	Colleagues	O
Considered the Society's Gender and Ethnicity Pay Gap reporting for 2023, including Nationwide's approach to closing the gap.	M C	Colleagues Regulators and policymakers Investors Communities	O
Reviewed the progress made on the development and embedding of Nationwide's culture and customer first behaviours and how colleague sentiment was monitored through various internal engagement surveys and sentiment trackers.	R C	Colleagues	O E
Reviewed the Annual Whistleblowing Report, sponsored by the Board's Whistleblowers' Champion, and the Society's whistleblowing arrangements.	M C	Colleagues Regulators and policymakers	O E

Board activity – Customers	Strategic Driver	Stakeholder	Principal risk
Received regular updates on the Society's preparation for, and implementation of, the FCA's Consumer Duty rules, which were effective from 31 July 2023. The Board received regular updates on customer complaints, their themes and mitigation, and oversaw the back book activity in advance of the rules being applicable to back books and services from 31 July 2024.	R S M C	Members and customers Colleagues Regulators and policymakers	O E
Approved the extension of the Society's Branch Promise.	R S M	Members and customers Colleagues Communities	O E
Considered, and approved, the inaugural Fairer Share Payment to members following the approval of the 2022/23 financial results. This is discussed in more detail in the Board Decisions section of the Strategic report on page 36.	R C	Members and customers Colleagues Regulators and policymakers	P O E
All non-executive directors have undertaken branch visits and engaged with customers via the Closer to Customer initiative. This is discussed further on page 90.	R S M	Members and customers Colleagues Communities	O

Key: R More rewarding relationships; S Simply brilliant service; M Beacon for mutual good; C Continuous improvement; P Prudential risks (including credit, model, liquidity and funding, market, capital, and pension risk); O Operational and conduct risks; E Enterprise risk (including business risk)

Board activity - Risk and regulatory matters, including external outlook	Strategic Driver	Stakeholder	Principal risk
Assessed the Society's overall risk profile and emerging risk themes, including consideration of correspondence between Nationwide and its regulators and related action, receiving direct reports from the Chief Risk Officer and Chair of the Board Risk Committee, and approved revisions to the Board Risk Appetite metrics including triggers and limits.	C	Members and customers Regulators and policymakers Investors	P O E
Assessed the economic and market conditions affecting the Society's business and, as part of this, reviewed in detail and approved the Society's stress testing activity for 2024.	C	Members and customers Regulators and policymakers Investors	E

Board activity – Governance	Strategic Driver	Stakeholder	Principal risk
Received and considered regular reports from the General Counsel, Society Secretary and Chief Risk Officer on emerging changes to legislation and regulation impacting the Society's business.	C	Colleagues Suppliers Regulators and policymakers Investors	O E
Reviewed and approved the plans for the 2023 AGM and approved the Notice of the 2024 AGM and associated documentation.	R C	Members and customers Regulators and policymakers Investors	O E
Carried out and received the report of the evaluation of the Board and its committees' performance, including developing an action plan to address areas needing improvement.	C	Members and customers Regulators and policymakers Investors	O
Approved the Society's Modern Slavery Statement for 2023.	M	Members and customers Colleagues Suppliers Regulators and policymakers Investors	P O E
Received and reviewed updates on Environmental, Social and Governance (ESG) matters and the Society's Beacon for mutual good activity.	M C	Members and customers Investors Communities	P O E

Key:

- R More rewarding relationships
- S Simply brilliant service
- M Beacon for mutual good
- C Continuous improvement
- P Prudential risks (including credit, model, liquidity and funding, market, capital, and pension risk)
- O Operational and conduct risks
- E Enterprise risk (including business risk)

Division of responsibilities

Leadership structure

An overview of the Board composition and its committee structure as at 4 April 2024 is set out below:

<table>
<tr><td colspan="5">The Society Board
Ensures that the Society delivers long-term value for its members and customers by setting the Society strategy through which value is created for the mutual benefit of members, colleagues, suppliers, the environment and the wider community. The Board holds management to account for how the strategy is implemented and ensures effective governance, controls and risk management.</td></tr>
<tr><td colspan="5">Roles and responsibilities within the Board</td></tr>
<tr><td colspan="3">Non-executive</td><td colspan="2">Executive</td></tr>
<tr><td>Chairman

Leads the Board to ensure it operates effectively in setting the strategic direction of the Society, including shaping the culture in the boardroom.

Epitomises the Society's culture by fostering open and honest debate in the boardroom and ensures valuable contribution from all non-executive directors.</td><td>Senior Independent Director

Supports the Chairman in his role and with the delivery of his objectives and acts as his sounding board.

Available to the Board directors as an intermediary.</td><td>Non-executive directors

Use their skills, experience and knowledge to hold management to account by constructively challenging the Society's performance, culture and controls.</td><td>Chief Executive Officer (CEO)

Runs the Society day-to-day under delegated authority from the Board and is accountable to the Board for the Society's financial and operational performance. Provides leadership and direction to set and implement the Society's strategy. Embodies the Society's culture and values and develops policies to drive colleague behaviour. Implements and monitors systems for the apportionment and oversight of responsibilities, controls and best practice within the Society, which maintain its operational efficiency and high standard of business conduct.</td><td>Executive directors

As members of the Board, collectively with the non-executive directors, set the Society's strategy, risk appetite, values and culture. Ensure that the Board is kept informed of all significant matters, escalating issues on a timely basis. Are accountable to the Board for the execution of the strategy and the performance of the business.
Hold specific management responsibilities in the day-to-day running of the business.</td></tr>
<tr><td colspan="5">Society Secretary
Advises the Board through the Chairman on all governance-related matters. Provides support to the Board in managing good information flows between the Board and the rest of the Society.</td></tr>
</table>

<table>
<tr><td colspan="4">The Board delegates certain matters to its principal committees</td></tr>
<tr><td>Audit Committee
Oversees financial reporting, internal and external audit, and the adequacy and effectiveness of internal controls and risk management systems.

See the report on page 97.</td><td>Board Risk Committee
Oversees current and potential future risk exposures, considers future risk strategy and determines risk appetite.

See the report on page 104.</td><td>Nomination and Governance Committee
Reviews the Board's governance arrangements, as well as Board and senior executive succession planning. Oversees the implementation of the Society's Inclusion and Diversity Strategy.

See the report on page 108.</td><td>Remuneration Committee
Oversees the remuneration strategy and policy of directors, senior management, Material Risk Takers and all colleagues.

See the report on page 112.</td></tr>
<tr><td colspan="4">Executive Committee
Supports the CEO in the day-to-day management of the Society. See page 91.</td></tr>
</table>

Division of responsibilities (continued)

Time commitment

In order to discharge their responsibilities effectively, non-executive directors must commit sufficient time to their role. The time that non-executive directors are expected to commit to their role at Nationwide is agreed individually, upon their appointment, and varies according to their responsibilities. For example:

- Non-executive directors: expected to commit a minimum of 30 days per year for core Board activities and membership of Board committees;
- Senior Independent Director and Committee Chairs: expected to commit a minimum of 50-60 days per year; and
- Society Chairman: will, on average, dedicate a minimum of two days per week to Nationwide business.

In addition, the Chairman and non-executive directors are expected to allocate sufficient time to understand the business through meetings with management, as well as to attend meetings with the Society's regulators to foster an open and transparent working relationship. This time is in addition to time spent on core Board and committee activities.

Directors' time commitments are reviewed annually or more regularly if needed. The Chairman has confirmed with each non-executive director that they have been able to allocate sufficient time to fulfil their duties this year. There has been no increase in the Chairman's significant external commitments during the year which would impact his time commitment to fulfil his duties.

During the year, and on the recommendation of the Nomination and Governance Committee, the Board approved the additional external appointments of Debbie Klein as a non-executive director of both The Guardian Media Group and MultiChoice Group, on the basis that these appointments were not considered to impair her ability to serve as a director of the Society.

Director independence

In reaching its annual determination of non-executive director independence, the Nomination and Governance Committee considers factors including length of tenure, relationships and any circumstances which could influence or appear to influence the director's judgement. On the recommendation of that Committee, the Board has determined that all non-executive directors are independent and are free of relationships and other circumstances which could materially influence the exercise of their judgement.

Prior to his appointment to the Board, Alan Keir was a member of senior management, and subsequently served as a non-executive director, of HSBC UK. The Society has an agency banking contract under which all incoming and outgoing CHAPs payments are routed through HSBC. The Committee remains satisfied that Mr Keir's prior business relationship with HSBC does not impact his independence or ability to undertake his role as a non-executive director of the Society.

All eligible directors will be recommended to members for re-election at the AGM in July 2024.

Information and advice

To enable the Board to exercise its judgement and make fully informed decisions when discharging its duties, the Society Secretary ensures appropriate and timely information flows between the Board, its committees and senior management. The Society Secretary supports the Chairman in setting the Board's agenda, and board papers are distributed to all directors in a timely manner, in advance of each meeting via a secure electronic system. Between formal Board meetings, regular management updates are provided to directors to keep them informed of the latest issues affecting the Society.

All directors have access to the advice and services of the Society Secretary, who is responsible for advising the Board on all governance matters, as well as ensuring that Board procedures are followed and compliance with applicable rules and regulations is observed. Directors may also take independent professional advice at the Society's expense.

Induction, training, and development

Upon appointment, directors receive a formal induction programme to familiarise them with their duties, the Society's business and its risk and governance arrangements. Induction programmes are tailored to directors' individual experience and expertise and are also aligned with their individual development plans.

Division of responsibilities (continued)

Induction, training, and development

The Chairman, supported by the Society Secretary, holds overall responsibility for ensuring that all directors receive suitable training to enable them to fulfil their duties effectively. Training may be delivered through meetings, presentations, and briefings from internal and external advisers. Directors are also encouraged to update their professional skills and knowledge of the business on a continuous basis, and to identify any additional training needs that may assist them in carrying out their role. Opportunities to undertake ongoing training are provided and, upon request from directors, individual training sessions are arranged with subject matter experts.

The Chairman holds regular conversations with each non-executive director throughout the year, as well as at the end of the year to review their individual performance and development needs. The Senior Independent Director is responsible for the evaluation of the Chairman's performance and development needs. Executive directors undertake performance reviews as part of the Society's annual performance management cycle.

Closer to Customers programme

The Closer to Customers programme provides an opportunity for the Society's non-executive directors to build a deeper understanding of customers. All non-executive directors are encouraged to visit Nationwide branches in their local area and beyond to meet with branch colleagues and build a greater understanding of the decisions and challenges facing our customers. Another strand of the initiative is Closer to Customer focus groups, where our Board directors are able to ask a group of customers questions on a particular subject, such as the cost of living. This provides our directors with insight into how our customers are using our products and ideas for future developments which they may wish to see.

Phil Rivett, non-executive director, commented "Closer to Customer really helps us as Board members understand what our customers are thinking and doing. This insight informs how we develop the Society's strategy, ensuring the needs of customers are at the front of our minds."

Division of responsibilities (continued)

Executive Committee

There is a clear division of responsibilities between the Society Chairman, as leader of the Board, and the Chief Executive Officer, who is responsible for the day-to-day management of the Society. To the extent that matters are not reserved to the Board for decision, responsibility is delegated to the Chief Executive Officer, who is assisted by the Executive Committee.

The Executive Committee is responsible for directing and coordinating the executive management of the Society within the strategy, risk appetite, operational plans, policies, objectives, frameworks, budget and authority approved by the Board.

Membership comprises the Chief Executive Officer, Chief Financial Officer and the leaders of business functions, as set out below. In addition to Executive Committee members, the Chief Internal Auditor, Deputy Chief Financial Officer and Society Secretary attend meetings of the Executive Committee. Biographies of the executive directors can be found on pages 77 and 79, and details of other Executive Committee members can be found at **nationwide.co.uk**.

Mandy Beech
Director of Retail services

Mark Chapman
General Counsel

Catherine Kehoe
Chief Customer Officer

Lynn McManus
Chief People Officer

Stephen Noakes
Director of Retail

Tom Riley
Director of Retail Products

Rachael Sinclair
Director of Mortgages and Financial Wellbeing

Gavin Smyth
Chief Risk Officer

Suresh Viswanathan
Chief Operating Officer

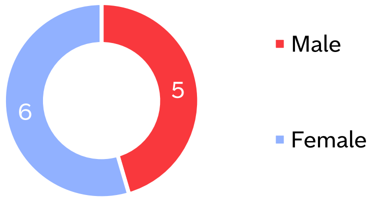
Steve Evenden
Chief Internal Auditor

Composition, succession, and evaluation

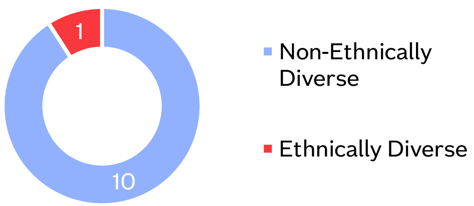
Board Diversity

The Board is committed to ensuring that it comprises a membership which is diverse and reflects the Society's members that it represents. It aims to achieve this by ensuring representation within the Board of race, age, gender, disability and sexuality in addition to appropriate socio-economic, educational and professional backgrounds. Selecting the best candidate is paramount and all appointments are based on merit and objective criteria with due regard for the benefits of diversity on the Board. The Board's Diversity Statement is set out in the Board Composition and Succession Policy which can be found at **nationwide.co.uk.** The Nomination and Governance Committee Report on pages 108 to 111 sets out the selection process for new non-executive directors appointed during the year and states how the Board plans to maintain its effectiveness by ensuring that it has a diverse membership going forward.

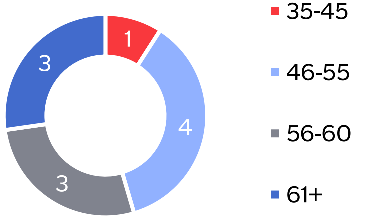
Gender diversity on the Board



Board ethnic diversity



Age of Board members



The gender and diversity data set out on this page is collected from executive management at the application stage of their recruitment and from Board members at the onboarding stage of their recruitment.

Gender representations as at 4 April 2024

	Board members		Number of senior positions (note i)	Executive management (note ii)	
	Number	Percentage		Number	Percentage
Male	5	45%	2	7	58%
Female	6	55%	2	5	42%
Other categories	-	-	-	-	-
Not specified / prefer not to say	-	-	-	-	-

Ethnicity representation as at 4 April 2024

	Board members		Number of senior positions (note i)	Executive management (note ii)	
	Number	Percentage		Number	Percentage
White British or other White (including minority-white groups)	10	91%	4	11	92%
Mixed/Multiple Ethnic Groups	-	-	-	-	-
Asian/Asian British	1	9%	-	1	8%
Black/African/Caribbean/Black British	-	-	-	-	-
Other ethnic group, including Arab	-	-	-	-	-
Not specified/prefer not to say	-	-	-	-	-

Performance against FCA diversity targets

Target	Outcome	Position at 4 April 2024
At least 40% of Board directors are women	Exceeded	55% of Board directors are women
At least one senior Board position is held by a woman	Exceeded	The positions of CEO and SID are held by women
At least one director from a minority ethnic background	Met	One Board director is from a minority ethnic background

Notes:

i. Senior positions are the CEO, CFO, SID and Society Chairman

ii. Executive management is defined as the Executive Committee, including the CEO, the CFO and the Society Secretary.

Composition, succession, and evaluation (continued)

Board tenure

The Society's Memorandum and Rules require that Board directors must be re-elected by the Society's membership every three years. However, in compliance with the UK Corporate Governance Code 2018, all directors of Nationwide are subject to election or re-election by the members annually. Before re-election, each non-executive director will be subject to a review of their continued effectiveness and independence.

Board composition

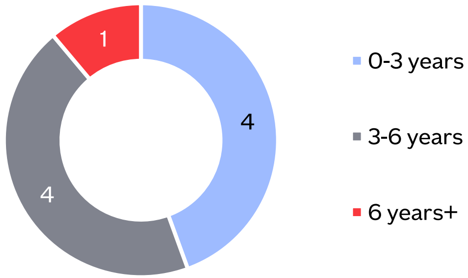
The Nomination and Governance Committee is responsible for reviewing Board composition, considering succession plans for both the Board and senior executives, selecting and appointing new directors and considering the results of the Board performance review. More information on the work of this Committee can be found on pages 108 to 111.

To ensure that an appropriate balance of skills, experience and knowledge on the Board is maintained, the competencies of individual Board members are regularly reviewed. A balanced board is vital for constructive and open debate in the boardroom and, ultimately, effective Board decisions. Individual director biographies, including their relevant skills and experience, can be found on pages 77 to 80.

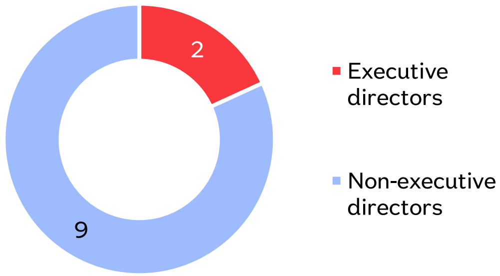
All directors are subject to conduct rules laid down by the Society's regulators and must satisfy requirements relating to their fitness and propriety. In addition, the Chairman, the Senior Independent Director and Committee Chairs are subject to all aspects of the Senior Managers and Certification Regime.

Executive directors' service contracts, as well as letters of appointment for the Chairman and non-executive directors, are available for inspection at the Society's principal office and will be available at the AGM.

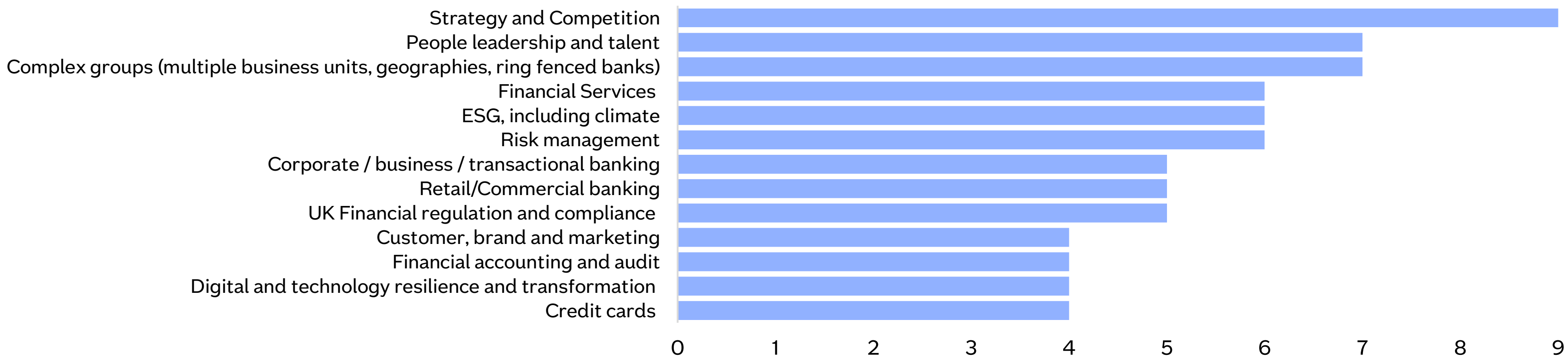
Non-executive director's tenure



Executive and non-executive directors



Non-executive director's skills and experience - number with considerable experience and knowledge



Note: Individual directors may fall into one or more categories

Composition, succession, and evaluation (continued)

Member nominations

Members of Nationwide have the right to nominate candidates for election to the Board, subject to the Society's Memorandum and Rules and compliance with PRA and FCA requirements. No such nominations had been received by 4 April 2024, this being the deadline for election to the Board at the 2024 AGM.

Chairman performance and tenure

The Chairman's performance review was led by the Senior Independent Director on behalf of the Board in May 2023. This review included peer feedback from the non-executive and executive directors. The review concluded that Kevin Parry continued to perform effectively, remained fit and proper to perform the role, upheld his regulatory responsibilities, and demonstrated commitment to his role. In light of this conclusion, the election of Kevin Parry as Society Chairman was put to members at the 2023 AGM where he was re-elected.

To facilitate effective long-term succession planning and development of a diverse board, the Senior Independent Director led a review process of the Chairman's tenure. The Board, in the absence of the Chairman, approved an extension to the Chairman's tenure of 2 years to July 2027, therefore serving a maximum of 5 years in the role of Chairman. The review considered the Chairman's preceding tenure as a non-executive director, his performance, his extensive experience in financial services and in the mutual sector, his continued independence and significant ongoing contribution to the Board's strategy. The Prudential Regulatory Authority and Financial Conduct Authority were consulted as part of the review and raised no objections.

Individual director performance

A review of the performance and contribution of each director was conducted by the Society Chairman to ensure that all directors contributed effectively to the good governance of Nationwide. This is one of the factors considered when deciding whether individual directors will offer themselves for election or re-election at the Society's AGM. The reviews concluded that each director continued to perform effectively and demonstrated commitment to the role. During the year, the Society Chairman met each director individually to discuss their personal performance and establish whether each director continued to contribute effectively to the long-term success of the Society.

Board performance

The Board conducts an annual review of its performance which is a key mechanism for ensuring that it continues to operate effectively, and for setting objectives and development areas for the forthcoming year. This annual review is conducted through a formal evaluation and considers the work of individual directors, the Board and its committees. All reviews are conducted in accordance with the Code and the Financial Reporting Council (FRC) Guidance on Board Effectiveness which require boards to undergo an externally facilitated review at least every three years.

2023 Board performance review

Lintstock Limited was engaged by the Society for a three-year programme to support the Board performance reviews in 2021. The scope of the 2023 Board evaluation was determined at the November 2022 Nomination and Governance Committee meeting and approved by the Board, following review of the 2022 effectiveness responses and agreeing which areas required focus. It covered general areas of effectiveness including: the strengths and capabilities of the Board and each of its principal committees; the effectiveness of the Board's decision-making processes and identification of areas needing more Board attention; evaluation of individual Board members; and stakeholder oversight.

The review consisted of questionnaires sent to all Board members, the Society Secretary and other relevant key senior stakeholders for each of the Board's principal committees. The questionnaire covered the agreed areas of focus. Individual committee questionnaires were also completed by the relevant committee members and other key stakeholders where appropriate. The key findings were captured in a review document that was submitted and presented to the Board in May 2023.

Overall, the findings endorsed the belief that the Board and its committees are performing and operating effectively, with directors satisfied with the performance and effectiveness of the Board and its committees. The Board will continue to make progress against the key findings of the review and ensure that time is devoted to Board composition and succession planning. The Board adopted the recommendations from the findings and developed a plan to implement the actions. The monitoring of progress was delegated to the Nomination and Governance Committee, and an update on the actions taken is provided below.

Composition, succession, and evaluation (continued)

Area of focus and recommendation	Action taken
The Board should enhance its knowledge and understanding of the opportunities presented by Artificial Intelligence, digital capabilities and technology	The Director of Digital was invited to present the Society's digital roadmap to the Board at its January 2024 meeting. Training sessions on Transformative Artificial Intelligence and Quantum Computing were also provided to Board members and senior managers.
Monitor and oversee the evolving Society culture	To help it oversee the embedding of the Blueprint for a modern mutual and its customer first behaviours, the Board receives a regular Culture Dashboard from the Chief People Officer. Additional regular updates on the embedding of the Blueprint and customer first behaviours are received via the CEO Report at each Board meeting.
Further develop the Board's understanding of member needs and member engagement	Closer to Customer sessions have been arranged where discussions on topics of concern are facilitated between members and the Board. Board directors have also visited numerous branches and engaged with customers and colleagues to enhance their understanding of member needs.

2024 Board performance review

The 2024 performance review is being externally supported by Dr Sabine Dembkowski from Better Boards in accordance with the Code and the FRC Guidance on Board Effectiveness. Consideration of the 2024 review commenced at the November 2023 meeting of the Nomination and Governance Committee, when potential independent external facilitators were considered, along with the prospective focus of the review. Following consideration, a shortlist was drawn up in January 2024 and meetings held with the shortlisted firms. Better Boards was chosen to conduct the externally facilitated review which commenced in March 2024.

The results of the review will be presented to the Board for discussion at its May 2024 meeting and will form the basis of an action plan for completion during 2024. A similar process will be followed for Board committees. Further information on the evaluation process, outcomes and actions identified will be presented in the Annual Report and Accounts 2025.

Audit, risk and internal control

The Board is responsible for determining the nature and extent of the risks the Society is willing to take to achieve its long-term strategic objectives. This is detailed in the Society's Risk Appetite Statement. The Board is responsible for ensuring that management maintains an effective system of risk management and internal control and for assessing its effectiveness.

Nationwide has a robust Enterprise Risk Management Framework (ERMF) in place for identifying, evaluating and managing principal and emerging risks in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', published by the FRC. The ERMF is supported by a system of internal controls and processes. These systems and processes are designed to manage, not eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board monitors the Society's risk management and internal control systems and carries out an annual review of their effectiveness. On the basis of this year's review, the Board is satisfied that the ERMF is appropriate.

Internal control over financial reporting

The Society's financial reporting process has been designed to provide assurance regarding the reliability of financial reporting and preparation of financial statements, as well as consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS).

Internal controls and risk management systems are in place to provide assurance over the preparation of the financial statements. These include independent testing of the critical financial reporting processes and controls, from data origination to reporting, to an agreed level aligned to the Society's Board Risk Appetite. The result of this assurance work is reported to control owners and the Chief Financial Officer, with a summary report presented to the Audit Committee. Financial information submitted for inclusion in the financial statements is attested by individuals with appropriate knowledge and experience.

Audit, risk and internal control (continued)

The Annual Report and Accounts are scrutinised throughout the financial reporting process by relevant senior stakeholders before being submitted to the Audit Committee, which provides challenge, before recommending to the Board for approval. The Audit Committee also discusses control conclusions and recommendations arising from the audit with the external auditor.

Aspects of internal control over financial reporting have also been reviewed by Internal Audit. Based on the various reviews and reports provided to the Audit Committee, it was concluded that the controls over financial reporting are effective.

More information on the Society's risk management and internal control systems can be found on pages 97 to 103 of the Governance report and on pages 144 to 147 of the Risk report.

Remuneration

The Board is responsible for determining the Society's remuneration policies and practices, including executive and senior management remuneration. Information on the work of the Remuneration Committee and the Report of the directors on remuneration can be found on pages 112 to 138.

Audit Committee report

Dear fellow member,

As Chair of the Audit Committee, I am pleased to report on the work of the Committee and its key areas of focus during the financial year ended 4 April 2024. I would like to thank my fellow Committee members for their input and insight during the year, especially Mai Fyfield, who stepped down from the Board in July 2023, and Sally Orton, who joined the Committee as a member in June 2023.

In exercising its primary purpose, the Committee has continued to play a key role in challenging and monitoring the integrity of the Society's external reporting and overseeing the supporting internal controls on behalf of the Board. In doing so, the Committee scrutinised the Society's half and full-year results and reviewed both the significant financial reporting judgements made therein, and the accounting policies adopted. In addition, the Committee reviewed and provided challenge to the Society's climate-related disclosures and ensured that the Society challenged itself appropriately in respect of its science-based emissions targets.

The Committee oversees and reviews the Society's internal financial controls and internal control systems, ensuring that they operate effectively. Such controls are designed to mitigate the Society's risks and keep our customers' money safe. Looking to the future, this will include overseeing steps being taken by management to ensure compliance with new requirements relating to internal controls under the UK Corporate Governance Code 2024, with which the Society will be expected to comply from the 2026/27 financial year.

Whilst the Board Risk Committee retains overall responsibility for model risk oversight, during the year, the Committee oversaw the steps taken by management in readiness for the forthcoming implementation of new regulatory requirements relating to model risk management.

The Committee oversees and challenges the work undertaken by Internal Audit to ensure that the Society's controls and processes have appropriate oversight, with particular focus having been given to the prompt and effective resolution of issues raised by Internal Audit.

Matters that fall within the scope of the Committee's responsibilities are considered within the wider context of a range of external factors to ensure that the Society's reporting and controls take into consideration, and appropriately respond to, emerging developments and external risks. During the year, this has included consideration of the geopolitical environment, which remains volatile due to the ongoing war in Ukraine and the conflict in Gaza, and the potential impacts of rising interest rates on our customers' disposable income.

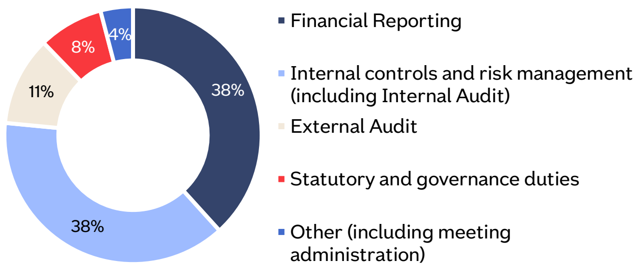
During the year, the Committee has overseen the work undertaken by the Society's external auditors, Ernst & Young (EY). This included undertaking a review of EY's effectiveness, independence and objectivity, which took into consideration all applicable UK professional and regulatory requirements. As Chair of the Audit Committee, I support the re-election of EY by members at our AGM in July 2024 and direct members to further information on the work of EY that can be found on pages 221 to 234. Additionally, I would like to take this opportunity to thank Javier Faiz for his work during his term as Nationwide's senior statutory auditor. In line with regulatory requirements to preserve audit independence, Javier will rotate off and our new senior statutory auditor, Manprit Dosanjh, will assume responsibility for the financial year ending 4 April 2025.

Phil Rivett Chair – Audit Committee

Key activities of the Committee:

- Scrutinised and monitored the integrity of the Society's half and full-year external reporting.
- Reviewed the going concern basis of preparation of the financial statements and the statement of business viability for recommendation to the Board for approval.
- Monitored the overall effectiveness of the Society's internal control environment.
- Oversaw both the work of Internal Audit and the relationship with the Society's external auditor, EY.
- Oversaw the identification of a new statutory external audit partner at EY.

How the Committee spent its time in the year



How the Committee works

Committee purpose

The Committee was established to provide oversight and advice to the Board on the matters listed in its terms of reference, which is available at **nationwide.co.uk**. Membership comprises at least three independent non-executive directors who possess a diverse range of experience in business, finance, auditing and risk and controls, with particular depth of experience in the financial services sector. Sally Orton joined the Committee in June 2023, ahead of Mai Fyfield's retirement from the Board in July 2023. The Committee draws on the expertise of key advisers and control functions, including the Society's Internal Audit Function and external auditors, EY.

Committee meetings

During the year, the Committee held seven scheduled meetings. The attendance record of Committee members is set out on page 82. In addition to Committee members, regular attendees of Committee meetings included the Society Chairman, Chief Executive Officer, Chief Internal Auditor, Chief Financial Officer, Chief Risk Officer and representatives of EY. Subject matter experts were invited to meetings to present on particular topics as required. The Chair of the Committee reported to the Board on the matters considered at each meeting.

The Committee additionally held two joint meetings with the Board Risk Committee to consider matters of common interest and to provide input to the Remuneration Committee to assist that committee in its assessment of possible impacts on variable remuneration. Updates on the steps being taken to support a more coordinated approach to working between the Society's second and third lines of defence were also provided at these joint meetings.

The Committee met privately with the Chief Financial Officer, Chief Internal Auditor, EY and the Chief Risk Officer, without management present. In addition, the Chair of the Committee met regularly with the Chief Internal Auditor and EY, and also attended meetings with the PRA, including a tripartite meeting with EY.

Committee performance, skills and expertise

A review of the Committee's performance, its terms of reference and activities during the year is undertaken annually. The purpose of this review is to ensure that the terms of reference remain aligned with the Committee's remit and purpose, and continue to reflect all applicable governance codes, guidelines, legislation and best practice. As in previous years, the 2023 performance review was undertaken by the Society's Secretariat function with the assistance of Lintstock Limited, as part of the three-year Board and committee performance review process agreed in 2021. Feedback on the Committee's performance was provided to both the Committee and the Board. The review findings indicate that Committee members are satisfied with the performance and effectiveness of the Committee.

A review of the qualifications and experience of each member of the Committee is also undertaken on a periodic basis as part of the Board and committee succession planning process, and the Board is satisfied that the Committee possesses recent and relevant financial experience and accounting competence, and that the Committee as a whole is competent in the sector in which the Society operates. The 2023 performance review, including actions and next steps, is described on pages 94 to 95.

What the Committee did in the year

Financial reporting and non-financial reporting

A key role of the Committee is to monitor the integrity of the Society's financial statements and any formal announcements relating to its financial performance, as well as to review the significant financial reporting judgements contained therein. During the year, the Committee scrutinised the Society's Annual Report and Accounts, Preliminary Results Announcement and the Interim Results. The Committee oversaw the process undertaken by management to ensure these documents met the 'fair, balanced and understandable' principles and considered whether the reporting accurately reflected the Group's position and performance, business model and strategy. The Committee was satisfied these documents, taken as a whole, are fair, balanced and understandable and recommended their approval to the Board.

The Committee also considered whether the impacts of increases in the cost of living, the geopolitical environment, which remains volatile due to the ongoing war in Ukraine and the conflict in Gaza, and higher rates of interest were properly assessed, particularly within impairment provisions, and whether they were appropriately recognised and disclosed.

The Committee engaged in active debate and challenge of management's analyses, the external auditor's work, and conclusions on the main areas of judgement presented in both the Society's Annual Report and Accounts and Interim Results. The Committee was satisfied that the Society has appropriate internal controls over its financial reporting systems in place to provide assurance over the preparation of both its year-end and interim reporting, and that financial information submitted for inclusion in the financial statements is attested by individuals with appropriate knowledge and experience. Key internal controls used to process transactions are subject to regular testing, the results of which are regularly reported to the Committee.

The significant judgements made in relation to the preparation of the 2023/24 Annual Report and Accounts, which were discussed with both management and the external auditor during the year, are noted below as significant areas of focus.

The Committee discussed with management the continued development of disclosures regarding climate change risks and impacts. In addition, the Committee reviewed the Report on Climate-related Financial Disclosures which is published on **nationwide.co.uk**, as well as the summary of those disclosures presented in the Annual Report and Accounts. The Committee remained focused on ensuring transparency in the Society's disclosure of the challenges in working towards net-zero, as well as ensuring that the Society challenged itself appropriately with regard to its science-based emissions targets.

Going concern and viability statement

The Committee considered whether the preparation of the financial statements on a going concern basis and the Society's viability statement remained appropriate. The Committee, together with the Board Risk Committee, undertook a forward-looking assessment of the Society's capital position and the levels of funding and liquidity available to the Society, together with outputs of stress testing and reverse stress testing exercises. In addition, the Committee considered risks arising from its business activities, technological developments and evolving customer needs, alongside ongoing macroeconomic factors, which may affect the Society's future development, performance and financial position. This included consideration of the impacts of rising interest rates, inflation and the current geopolitical environment, together with the implications of the Society's principal risks including operational resilience and cyber security. Additionally, this year's going concern and viability assessments considered the current Nationwide Group and the impact of the proposed acquisition of Virgin Money UK plc, notwithstanding that the acquisition remains subject to regulatory approval.

The Committee considered whether a period longer than three years should be covered in the viability statement. The Committee concluded that a period of three years remained appropriate, particularly when taking into account changes in the economic, technological, and regulatory environment. Based on its review, the Committee concluded that the application of the going concern basis for the preparation of the financial statements remained appropriate and recommended the approval of the viability statement to the Board. The going concern statement is included in the Directors' report on page 141 and the viability statement is included in the Strategic report on pages 65 to 66.

Accounting policies and judgements

Following review, the Committee confirmed that the Society's accounting policies and processes were appropriate to be used in the financial statements. Areas of key judgement made in preparation of the financial statements considered by the Committee are set out within this report.

The Committee noted that there were no new accounting standards, or amendments to standards, effective for the reporting period which had a significant impact for the Group.

Alternative performance measures

Whilst the financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP), the Committee continues to believe that certain alternative performance measures (also known as non-GAAP measures), such as underlying profit, aid a better understanding of the Society's results. The Committee concluded that the disclosure of, and the prominence provided to, underlying profit within the financial statements is appropriate.

The other performance measure considered by the Committee was a metric presented in Nationwide's financial reporting which estimates the benefit provided to members in the form of differentiated pricing and incentives, referred to as the member financial benefit. This metric represents Nationwide's interest rate differential, lower fees and higher member incentives compared with market averages. The Committee was satisfied with the approach to the measurement of member financial benefit and associated disclosure. Details of member financial benefit are shown on page 69.

Significant financial reporting issues and accounting judgements considered by the Committee during the year

The preparation of financial statements necessitates estimates and judgements to be made in relation to outcomes that are typically dependent on future events. Due to the inherently uncertain nature of such estimates and judgements, actual results may vary. Significant financial reporting issues and accounting judgements considered by the Committee are set out in the table below.

Area of focus	Committee response
Impairment provisions for loan portfolios and related disclosures Information on credit risk and assumptions relating to expected credit losses is included in note 10 to the financial statements	Understanding the Society's exposure to credit risk and ensuring that impairment provisions are appropriate remain priorities for the Committee, given the significance of Nationwide's loan portfolios. Significant judgements were made during the year, particularly in respect of the UK economic outlook and the current geopolitical environment. The Committee challenged management to demonstrate that provisions appropriately reflected economic conditions, taking into account ongoing affordability pressures due to increases in borrowing costs and inflation, the outlook for unemployment and house prices, and the ongoing uncertainty in relation to the geopolitical environment, which remains volatile due to the ongoing war in Ukraine and the conflict in Gaza. The selection of, and probabilities applied to, a range of economic scenarios for the purpose of modelling expected credit losses continue to have a material impact on credit impairment provisions. Consideration was given to contemporary economic data and management's forward-looking view of the economy. Following detailed review and discussion, assumptions for base case, upside and downside scenarios, as well as for a severe economic downturn, were agreed and the Committee concurred with management that these agreed scenarios reflected an appropriate range of assumptions. Following discussion, scenario probability weights were maintained to reflect some improvement in the UK domestic economic position, offset by ongoing geopolitical uncertainty, such that at the year end the upside scenario weight was 10%, base case scenario 45%, downside scenario 30% and the severe downside scenario 15%. At the 2023/24 financial year end, the level of estimation uncertainty continued to be heightened by the current economic conditions. The Committee challenged management to demonstrate that all relevant risks had been taken into account in expected credit loss provisions. Where risks could not be captured by models, for example due to tail risks or credit risks where insufficient historical data exists to support a model, the Committee reviewed the material model adjustments that were based on expert judgement. A key area of focus was the increased credit risk associated with UK household disposable income having reduced in the past two years and the associated affordability pressures on borrowers generally caused by increases in both borrowing costs and inflation. The Committee reviewed management's assessment of the impacts of the payment shock that would be experienced by residential mortgage borrowers whose fixed rates would expire in the near term, as well as those that had already expired but the impact of which had not yet crystallised. The methodology used assessed the impact of the prevailing economic outlook, as well as the extent to which improvement in observed borrower credit quality in recent years might be temporary. Specific areas of risk such as property valuation risk, originally driven by risks associated with buildings with fire safety issues requiring remediation work, were also considered. The Committee was satisfied that available evidence, including the use of sensitivity analysis to determine the materiality of changes to assumptions, supported the level of provisioning. Disclosures in respect of credit risk and provisions were considered carefully to ensure that they were transparent and provided sufficient insight into Nationwide's credit risk profile, taking into account industry best practice and the aims of the PRA to improve consistency. Overall, the Committee was satisfied with the level of provisioning and related disclosures. The Committee also considered management's development of capabilities in line with the PRA's guidance on good practices in impairment provisioning and was satisfied with progress made.
Provisions for liabilities and charges Information is included in notes 27 and 29 to the financial statements	The Committee received updates on a number of matters during the year and considered whether provisions established were appropriate. This included in relation to conduct issues which may require redress, as well as legal and other regulatory matters. In order to evaluate whether a provision or, alternatively, disclosure of a contingent liability is required, judgements are needed to assess the likelihood that these matters will crystallise as a liability. Judgement may also be required to assess whether contingent assets meet the criteria for recognition under accounting standards. For legal and regulatory matters, consideration was given to the appropriate recognition of provisions and disclosure of related contingent liabilities, as well as the disclosure of contingent assets relating to expected recoveries from defendants in litigation proceedings. For customer redress provisions, judgement is exercised in relation to the number of cases within scope, the associated cost of processing cases for review and the value of redress required. The level of customer redress provisions has continued to reduce over the year. The FCA is undertaking an investigation of the Society's compliance with UK money laundering regulations and the FCA's rules and Principles for Business in an enquiry focused on aspects of the Society's anti-money laundering control framework. The Society is co-operating with the investigation, which remains ongoing. The Group has not disclosed an estimate of any potential financial impact arising from this matter on the basis that it is not currently practicable to do so. The Committee reviewed judgements and estimates for a number of matters, discussing with management the criteria for recognition of new provisions or provision releases, as well as the estimation of liabilities. The Committee concluded that the provisions held, and disclosures made in relation to contingent liabilities and contingent assets were appropriate.

Capitalisation, expected useful lives and impairment of intangible assets	Nationwide's significant investment in technology, together with fast-moving technology development and change, increases the importance of a detailed assessment of the useful lives of assets, and the implications of new investment, for the existing technology estate. The Committee concurred with management's conclusions that, after impairments and changes to useful lives, carrying values were appropriate and that asset lives were reasonable.
Pension scheme accounting	Nationwide's defined benefit pension scheme assets and liabilities are material to the financial statements, and a number of assumptions are made in determining the value of the scheme's liabilities. During the year, the Committee scrutinised assumptions made by management in calculating the surplus relating to the scheme. Pension asset valuations were also considered in light of current market conditions. Particular focus was given to those assets where a market valuation is not readily available, which included consideration of the valuation of illiquid assets and the Nationwide Pension Fund's longevity swap transaction, which was entered into to manage the scheme's longevity risk. The Committee was satisfied with the assumptions and judgements made.

Control environment

The Committee continued to monitor the overall effectiveness of the Society's internal control environment. This included oversight of the continuing work undertaken by management to strengthen and enhance the Society's control framework. The Committee was updated regularly on the status of important work to streamline the approach to control ownership, including biannual updates from the Chief Controls Officer (CCO).

Financial controls

The Committee reviewed management reporting on the effectiveness of the financial control framework. A key area of focus for the Committee during the year continued to be the enhanced internal control requirements under the revised UK Corporate Governance Code, published by the Financial Reporting Council (FRC) in January 2024. The Society will be expected to comply with these enhanced requirements from financial year 2026/27.

Security, IT controls and operational resilience

The Committee is responsible for oversight of the Society's IT controls. During the year, it received updates from both management and EY regarding the testing undertaken of those controls. The Committee also continued to monitor closely work to strengthen aspects of IT security management. Internal Audit completed several related audits during the year, and the Committee discussed with the external auditors their view on controls over privileged access to IT systems and data management.

Model risk management

The Board Risk Committee retains responsibility for model risk oversight. However, at the request of that committee, the Audit Committee oversaw the steps taken by management in readiness for the implementation of new regulatory requirements relating to model risk management under the PRA's SS1/23: Model Risk Management Principles for UK Banks. The Committee received regular updates on the progress made against compliance with these requirements, which came into effect on 17 May 2024.

Capital and distributions

The Committee is responsible for advising the Board on the affordability of making payments of distributions and interest to holders of the Society's core capital deferred shares (CCDS) and AT1 securities, respectively, as well as Fairer Share payments to eligible members. During the year, the Committee recommended to the Board that the payments proposed by management be approved.

Tax

The Director of Financial Reporting and Tax presented an annual update on tax matters to the Committee, and the Committee reviewed the management of Nationwide's tax affairs and discussed the management of tax risk in business activities. The Committee also reviewed tax-related judgements in the financial statements.

Internal Audit

The Committee works closely with the Chief Internal Auditor, who reports directly to the Chair of the Committee. The Chief Internal Auditor reports to the Committee on a quarterly basis on the progress of the Internal Audit function. Internal Audit's strategic themes for the year took a holistic view of the Society, rather than focus on a particular area of the business. This year's strategic themes included: the impacts of the macroeconomic and political environment; areas of regulatory focus; the Society's cyber and security response capabilities; and large-scale technology change.

The Committee continued to focus on the steps being taken by management to support the prompt and effective resolution of issues raised by Internal Audit. Whilst this remains an area of focus, particularly in respect of complex issues which require extended time to resolve, the Committee has observed an overall marked improvement in this area.

The Committee undertook a quarterly review of the resourcing of the Internal Audit function and was satisfied that the resources remained appropriate. The quality of Internal Audit's work was monitored by a quality control function which reported findings directly to the Committee Chair; no major issues were reported.

External Audit

A key responsibility of the Committee is to oversee the Society's relationship with its external auditor. EY has acted as the Society's external audit firm since its appointment at the AGM in July 2019. Nationwide's policy for auditor rotation and audit tender follows regulatory requirements, as well as the requirements of the FRC's 'Audit Committees and the External Audit: Minimum Standard' (FRC Audit Committee Standard), which was published in May 2023. Accordingly, the audit firm will be required to be rotated after no more than 20 years, with an audit tender to be held after no more than 10 years. EY's report can be found on pages 221 to 234.

Audit quality and materiality

The Committee is responsible for reviewing the quality and effectiveness of the external audit. The Committee approved both the audit's materiality level and the annual audit plan in advance of the commencement of the annual audit process. Materiality determines the threshold at which the auditor would consider a misstatement to compromise the truth or fairness of the financial statements. For 2023/24, overall Group and Society materiality was set at £69 million and £55 million respectively (2022/23: £50 million for both Group and Society).

Auditor independence

The Committee is responsible for monitoring EY's independence and acknowledges the provisions contained in both the Code and the FRC Audit Committee Standard, as well as applicable UK legislation relating to mandatory audit rotation and audit tendering.

Javier Faiz of EY became Nationwide's senior statutory auditor for the financial year 2019/20. Under regulation, Javier Faiz's term as senior statutory auditor should not normally exceed a maximum duration of five years and EY operates a policy of senior statutory auditor rotation which complies with these regulatory requirements. Accordingly, our new senior statutory auditor, Manprit Dosanjh, will assume responsibility for the 2024/25 financial year.

EY has confirmed that it has complied with applicable regulatory and professional requirements and its objectivity is not impaired. The Committee is satisfied that EY remained independent throughout the year.

The Board has an established policy setting out the non-audit services that can be provided by the external auditor. The aim of the policy, which is reviewed annually, is to safeguard the independence and objectivity of the external auditors and comply with the ethical standards of the FRC. The policy specifies non-audit services provided by the external auditor that are either permitted or prohibited and requires all non-audit work to be approved by the Committee following a detailed assessment of the nature of the work, availability of alternative suppliers, and implications for auditor independence.

Audit and non-audit fees

During the year, the Committee reviewed and approved EY's terms of engagement for the statutory audit and the audit fee. In addition, the Committee approves any fees for non-audit services in accordance with the Society's policy.

In line with the Society's non-audit fees policy, all non-audit work is approved by the Committee where the fee is over £50,000, or by the Committee Chair and the Chief Financial Officer with ratification at the next Committee meeting where the fee is below £50,000. Where aggregate non-audit fees reach 50% of the statutory audit fee in any given year, all non-audit work must receive prior approval from the Committee. During the year, the Committee considered a number of proposals from management to use the external auditors for non-audit services, ensuring that management had considered alternative suppliers and scrutinising analysis of any potential threats to auditor independence. The annual value of Nationwide's non-audit fees is subject to a regulatory cap. This cap is the amount equal to 70% of the average of the audit fees paid by Nationwide in the preceding three financial years. During the year, the Committee reviewed the cumulative value of non-audit work quarterly to ensure that Nationwide was compliant with this regulatory requirement.

The fees paid to EY in total for the year ended 4 April 2024 were £6.9 million (2023: £7.1 million), of which £1.2 million (2023: £1.7 million) were for non-audit services. Non-audit services which fall within scope of the 70% regulatory cap represented 17% (2023: 15%) of the average statutory audit fee for the previous three years.

During the year, approval was granted for the external auditors to undertake two engagements which related to: (1) the provision of limited assurance on the 2023/24 Principles for Responsible Banking report; and (2) the verification of Nationwide's scope 1, 2 and 3 CO_2 emissions. The Committee was satisfied that these engagements did not impact EY's independence. The remainder of non-audit services provided by EY related mainly to treasury funding activity.

The value of audit and non-audit fees in respect of the financial year are disclosed in note 8 to the financial statements.

Having reviewed both the quantum of the non-audit fees and the nature of the work undertaken by the external auditor, the Committee is satisfied that the non-audit work does not detract from EY's audit independence.

Effectiveness of the external audit

Each year, the Committee reviews the effectiveness of the external audit process. The Committee received a report on the effectiveness of EY's audit of the 2022/23 financial statements, the findings of which were based on an assessment of EY's compliance with the requirements of both the Code and the FRC Revised Ethical Standard for Audits, as well as responses to a questionnaire regarding the audit process, which was completed by a number of representatives of the Board (including Committee members), management and EY. The findings of the review indicated that the external auditor was performing its duties in an independent and effective manner.

Board Risk Committee report

Dear fellow member,

I am pleased to present this report for the financial year ended 4 April 2024.

During the year, we have continued to give detailed consideration to the current and emergent risks facing Nationwide. This enables us to monitor proactively, manage and mitigate risk through the use of the Society's Enterprise Risk Management Framework, thereby ensuring that our customers continue to receive the level of service and financial stability they expect from us.

Since the Board appointed me as its Consumer Duty Champion in the 2022/23 financial year, I have ensured that the Society's implementation, planning and reporting on the FCA's Consumer Duty is reviewed regularly by the Committee. During the second half of this year, the Committee has focused on challenging management to ensure that the Consumer Duty continues to embed across the Society ahead of the presentation of the first annual assessment to the Board in July 2024.

The Committee continued its critical review of the Society's financial stress testing, modelling and its recovery and resolution frameworks. We continue to work closely with the Audit Committee on subjects of common interest including our joint oversight of the work undertaken by the Risk and Internal Audit functions and the discussion of matters relating to remuneration.

The Committee ensured that sufficient meeting time was given to enable consistent review and monitoring of material non-financial risks. The Committee is responsible for IT resilience and related technology risks, including cyber and security risks.

This year, the Committee has focused on monitoring the Society's exposure to risks arising from its third-party suppliers, with particular attention having been paid to the steps taken by the Society in response to the failure of one of its material suppliers.

The Committee has also continued to establish its monitoring of economic crime and fraud-related risks, which were previously overseen by the Audit Committee, and also considered the annual report from the Money Laundering Reporting Officer.

Looking to the year ahead, we will continue to focus on embedding the FCA's Consumer Duty and how the Committee continues to review and oversee the delivery of good customer outcomes. The Committee will also monitor operational resilience and cyber risk in readiness for the regulatory deadline in March 2025 to ensure our business service lines can withstand significant challenges to their operations and ensure continuity of service to our customers.

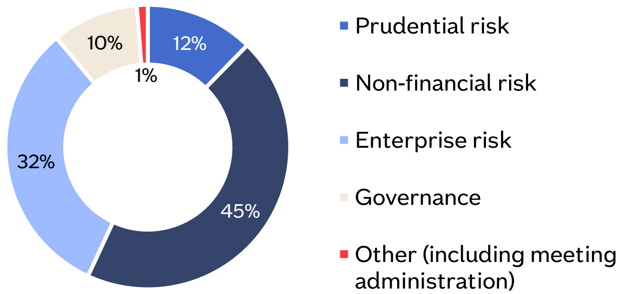
In addition, the ever-changing macroeconomic environment and its impact on the Society, its members and other key stakeholders, and how that influences the risk landscape, will determine the Committee's focus.

Alan Keir Chair – Board Risk Committee

Key activities of the Committee:

- Considered the current and emergent risks facing Nationwide, with particular focus given to monitoring and managing the Society's exposure to risks arising from its third-party suppliers.
- Focused on challenging management to ensure that the FCA's Consumer Duty continues to embed across the Society.
- Reviewed the Society's financial stress testing modelling, and its recovery and resolution frameworks.

How the Committee spent its time in the year



How the Committee works

Committee purpose

The Committee was established by the Board to oversee, and provide advice on, risk-related matters. This includes the oversight and challenge of the Society's day-to-day IT and resilience risk, control and oversight arrangements. More detail on the duties and responsibilities of the Committee can be found within its terms of reference, available at **nationwide.co.uk**. The Committee oversees the Executive Risk Committee, which is the management committee responsible for ensuring a co-ordinated risk management approach across all the Society's risks. Membership comprises at least three independent non-executive directors. The Committee also draws on the expertise of advisors specialising in specific aspects of risk management on an ad hoc basis.

Committee meetings

During the year, the Committee held six scheduled meetings. The attendance record of Committee members is set out on page 82. In addition to Committee members, regular attendees of Committee meetings included the Society Chairman, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor, and representatives of the Society's external auditors, EY. Subject matter experts were also invited to meetings to present on a variety of topics. At each meeting, the Chief Risk Officer shares the Society's current and emerging risk profile. Following each meeting, updates are provided to the Board by the Chair of the Committee, which are supplemented by regular reports to the Board from the Chief Risk Officer.

The Committee additionally held two joint meetings with the Audit Committee to consider matters of common interest, including providing input to the Remuneration Committee to assist that committee in its consideration of any potential risk adjustments to senior executive variable remuneration. Updates on the steps being taken to support a more coordinated approach to working between the Society's second and third lines of defence were also provided at these joint meetings.

The Committee also met privately throughout the course of the year with the Chief Risk Officer, without management present.

Committee performance, skills and expertise

A review of the Committee's performance, its terms of reference and activities during the year is undertaken annually. The purpose of this review is to ensure that the terms of reference remain aligned with the Committee's remit and purpose, and continue to reflect all applicable governance codes, guidelines, legislation and best practice. As in previous years, the 2023 performance review was undertaken by the Society's Secretariat function with assistance from Lintstock Limited, as part of the three-year Board and committee performance review process agreed in 2021. Feedback on the Committee's performance was provided to both the Committee and the Board. The review findings indicate that Committee members are satisfied with the performance of the Committee. The 2023 performance review, including actions and next steps, is described on pages 94 to 95.

A review of the qualifications and experience of each member of the Committee is also undertaken on a periodic basis as part of the Board and committee succession planning process. Details of the skills and experience of the Committee members can be found in their biographies on pages 77 to 80.

What the Committee did in the year

The principal purpose of the Committee is to provide oversight on behalf of, and advice to, the Board in relation to risk-related matters. This role is fulfilled through the provision of advice, oversight and challenge to enable management to promote, embed and maintain a strong awareness of risk throughout the Society. More detail on the Society's approach to the management of risk can be found in the Risk Report on pages 144 to 147.

A key responsibility of the Committee is the monitoring of the Society's current and emerging risk exposures. In addition, the Committee considered issues which may present risks to the Society's strategy as well as issues which may crystallise into future risk events.

The Board considers the appropriateness of the Society's strategic plan in the context of its risk appetite. During the year, the Committee endorsed the Society's Board Risk Appetite to the Board and monitored performance against it, including undertaking appropriate reviews of material risks.

An outline of the key topics considered by the Committee during the year is broken down by risk category and set out below.

Across all principal risks, the Committee continued to oversee and monitor the effectiveness of the Society's internal controls designed to manage and mitigate risk, and challenged management on its work to further enhance the Society's control environment.

Non-financial risk

The Society seeks to minimise customer disruption, financial loss and reputational damage by providing sustainable services and resilient systems. During the year, the Committee reviewed and challenged key areas of non-financial risk, as set out below.

Consumer Duty

The Committee received regular reports on the implementation of the FCA's Consumer Duty and its ongoing embedding across the organisation. The Committee continued to champion the Society's approach to customer service, ensuring that customers are treated fairly throughout the lifecycle of our products by offering products and services that meet their needs and expectations, perform as represented and provide value for money. The Committee will continue to receive and monitor reports on customer outcomes.

Economic crime and fraud related risks

Keeping our customers' money safe is a priority and therefore the prevention of economic crime remains an area of focus for the Society. During the year, the Committee has continued to establish its monitoring of economic crime and fraud-related risks, which were previously overseen by the Audit Committee. Economic crime is a broad term that includes bribery and corruption, money laundering, fraud (including fraud scams), theft from customers' accounts, card-related thefts and Authorised Push Payment scams. The Committee considered cyber and fraud-related risks, both external and internal, and received quarterly fraud updates, as well as periodic updates on work being undertaken by management to enhance the Society's economic crime operations. In addition, the Committee considered the annual report from the Money Laundering Reporting Officer.

Third parties and outsourcing

The Committee has continued to monitor the Society's risk exposure arising from its third-party supply chain. During the year, one of the Society's material suppliers failed financially, which resulted in steps being taken by management to ensure an orderly process for transitioning the services previously provided by that third party whilst minimising disruption to our customers. Regular updates on this were provided to the Committee, and the Committee considered the learnings taken by management following this process.

IT, Cyber and security risk

The Committee received regular reports from the Chief Operating Officer and Chief Security and Resilience Officer in relation to progress made against the March 2025 regulatory deadline to maintain Impact Tolerances for all Important Business Service Lines. The Committee also received reports in relation to broader operational resilience matters and how Nationwide would respond to, and support our customers in the event of, a large-scale operational resilience incident to ensure continuity of service for our customers.

The Committee received the annual Data Protection Officer's report, detailing the adequacy of data protection policies, procedures and governance arrangements to mitigate data protection risks and comply with data protection legislation, including the General Data Protection Regulation. The Committee reviewed and challenged the migration of Nationwide's payments platform to ensure that customers did not suffer any detriment or inconvenience during the transition.

Prudential risk (includes credit, model, liquidity and funding, market, capital and pension risks)

The Society lends in a responsible, affordable and sustainable way to ensure we safeguard customers' interests and maintain financial strength through the credit cycle. The Committee reviewed and challenged the plans to ensure that the Society maintains sufficient capital and liquidity resources to support current business activity and to remain resilient to significant stress.

During the year, the Committee reviewed a number of aspects of prudential risk as required by the Bank of England and the PRA. This included scrutiny of the Society's resolution framework, capital and liquidity adequacy (as reported in the ICAAP and ILAAP, respectively), the Recovery Plan, the 2023 Climate Stress Test and the 2023 Reverse Stress Test results.

The Committee monitored the impact of the current macroeconomic and political environment, including the impact on both owner-occupiers and renters of cost of living challenges, the current geopolitical environment, rising inflation, house prices and higher interest rates.

Whilst the Committee retains overall responsibility for model risk oversight, during the year the Audit Committee oversaw the steps taken by management in readiness for new regulatory requirements relating to model risk management, which came into effect on 17 May 2024.

Enterprise risk (includes business risk)

The Committee has challenged the Society's business model to ensure that it is sustainable and remains within the constraints of the Building Societies Act 1986. Below are examples of how it has done this:

- The Committee considered and endorsed the Board Risk Appetite which establishes the amount and type of risk that the Board is comfortable with the Society taking. This is to ensure that the Society remains sustainable in the long term for the benefit of its members. The Committee regularly reviewed the Society's risk performance against the Board Risk Appetite to ensure that appropriate action was being taken. It also approved the results of the review of the Society's Enterprise Risk Management Framework – the system of risk management and internal controls which the Society operates within. The review concluded that the Society's system of risk management and internal controls were adequate when assessed against the Board Risk Appetite.
- The Committee encourages a culture that considers both risk and reward in decision-making. The Committee reviewed the Society's culture through a risk lens in the context of progress made against the Society's strategy.
- The Committee discussed the longer-term risks that could impact the Society's strategy.
- The Committee considered the potential propositional, operational and margin implications of interest rate and inflation rate changes on the Society.

During the year, the Committee received regular updates from the Society's second line oversight functions. The Committee is confident that the Society's division of duties between the first, second and third lines of defence is sufficiently robust to ensure that the Society's operational decisions receive timely and appropriate challenge.

Nomination and Governance Committee report

Dear fellow member,

I am pleased to report on the work of the Nomination and Governance Committee during the financial year ended 4 April 2024.

The Committee continues to play a critical role in promoting the long-term sustainable success of the Society for the benefit of its members, customers and other stakeholders by ensuring that the Society is led by a Board and executive management that possess the appropriate combination of skills and experience.

Ensuring that the Society's Board continues to be balanced in terms of its structure, skills, knowledge, experience and diversity, is a key role of the Committee in enabling the Society to achieve its objectives and successfully pursue its long-term strategy. Changes to the Board and executive management have been limited during the year and the Committee has focused on ensuring that the Society's leadership has the skills and capabilities to meet the needs of a modern mutual and embed the customer first culture throughout the organisation. The Committee ensures that succession planning at board and executive level is sufficiently robust and diverse to serve the best interests of the Society's customers and members, both now and in the future. My introduction to the Governance report on page 76 outlines the changes to the Board during the year, all of which have been overseen by this Committee.

This is the second year in which the Society is required to disclose certain diversity data relating to both its Board and executive management and report on its performance against three diversity targets set by the FCA in its Annual Report and Accounts. This information can be found on page 92. The Committee was pleased to note the Society appeared fourth in the Financial Times-Statista Diversity Leaders[1] list published in December 2023. The List comprised 850 European companies and Nationwide was placed top for banking and financial services companies. Additionally, Nationwide ranked sixth for "Women on Boards – Top Ten Best Performers" of the top 50 private companies in the FTSE Women Leaders Review[2], published in February 2024.

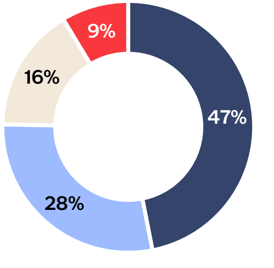
As part of its remit, the Committee provides oversight of the Society's governance framework on behalf of the Board, to ensure that it remains effective and aligned with best practice. The Committee is satisfied that the current governance framework has continued to operate effectively and efficiently throughout the year.

Kevin Parry Chairman – Nomination and Governance Committee

Key activities of the Committee:

- Challenged the Society's Board and Executive Committee succession plans to be sufficiently robust and diverse to meet Nationwide's future needs.
- Discussed the succession planning and embedding of Nationwide culture within individual executive management functions.
- Considered results of, and made recommendations in response to, the Board Performance Review.
- Reviewed the independence, external interests and time commitments of all Board members.

How the Committee spent its time in the year



[1] The FT-Statista ranking of Europe's Diversity Leaders is based on independent surveys of more than 100,000 employees across Europe, on their perceptions of their organisation's diversity and inclusion practices. For the 2024 list, the employee surveys accounted for 70% of the final score, and three new indicators accounted for 30% of the score (the share of women in management positions, the communications made in favour of diversity, and a diversity score calculated by data provider Denominator).
[2] FTSE Women Leaders Review (February 2024).

How the Committee works

Committee purpose

The Committee provides oversight and advice to the Board on the succession planning for the Board and its committees and executive level appointments. It also reviews the Board's governance arrangements ensuring they are consistent with best practice and oversee the implementation of the Society's inclusion, diversity and wellbeing (ID&W) strategy and objectives. More detail on the duties and responsibilities of the Committee can be found in its terms of reference, available at **nationwide.co.uk**.

The Committee comprises the Society Chairman (who chairs the Committee except when his own succession is being considered) and three independent non-executive directors, including the Senior Independent Director. Details of the skills and experience of the Committee members can be found in their biographies on pages 77 to 80.

In addition to the members, regular attendees of the Committee include: the CEO, Chief People Officer, and the Society Secretary.

Committee meetings

The Committee meets at least twice a year and otherwise as required. During the year, the Committee held six scheduled meetings. The attendance record of Committee members is set out on page 82.

Committee performance, skills and expertise

The performance of the Committee is reviewed annually, along with the Committee's terms of reference and its activities over the previous year.

The purpose of this review is to confirm that the terms of reference align with the Committee's remit and purpose, and continue to reflect all applicable governance codes, guidelines, legislation and best practice. The 2023 performance review was undertaken by the Society's Secretariat with the assistance of Lintstock Limited, as part of the three-year Board and committee performance review process agreed in 2021. Feedback on the performance and effectiveness of the Committee was provided to both the Committee and the Board. The results of the review indicate that Committee members are satisfied with the performance and effectiveness of the Committee. The 2023 performance review, including Board actions and next steps that the Committee is monitoring, is described on pages 94 to 95.

What the Committee did in the year

Executive resourcing, leadership, talent, and succession

A key focus of the Committee has been to ensure the Society's leadership has the talent needed for the future.

The Committee received regular updates on the Society's executive succession management, including reviews of emergency succession plans and talent management development plans for longer-term succession. This provided the Committee with a view of the talent pipeline of potential leaders as well their key strengths and development areas. There is a continued focus on encouraging diversity to senior roles. It was noted that longer-term succession planning requires early focus to address capability requirements and diverse representation.

The Committee received deep dives from each of the Society's individual business functions during the year. Function leaders reported on the challenges and opportunities faced by their functions in resourcing, capability, diversity and succession planning and the work which was ongoing to address these challenges and opportunities.

Inclusion and diversity (I&D)

The Board is committed to ensuring that it has a membership which is diverse and reflects the communities that it represents. It aims to achieve this by ensuring there is diversity of ethnicity, age, gender, disability and sexual orientation, as well as socio-economic, educational and professional backgrounds within the Board's membership. Additionally, the Committee oversees the development and implementation of the Society's I&D strategy and objectives.

Throughout the year, the Committee received updates on the significant I&D initiatives undertaken throughout the organisation and the progress made in achieving the Society's I&D ambitions. These updates covered:

- A review of the profile of senior leadership across the Society to ensure the Society has robust, enduring and diverse leadership;
- The design and launch of new leadership programmes to develop high performing and diverse teams by improving representation and inclusivity, following research into the key capabilities required from our people managers and senior leaders to deliver the strategy and Blueprint for a modern mutual;
- The introduction of an I&D dashboard to the Executive leadership team, providing transparency on progress across the business and driving accountability; and
- Information to ensure leadership accountability for the delivery of the I&D agenda.

Good progress has been made in the last year; however, the Society's diversity outcomes are not yet where we want them to be and I&D will remain a critical focus for the Committee. More information on the Society's I&D strategy, measures and progress made can be found on pages 50 to 51.

Existing efforts will be built on and considered in the development of a diverse pipeline for Board succession. Selecting the best candidate is paramount and all appointments are based on merit and objective criteria, with due regard for the benefits of diversity on the Board. This benefits the effectiveness of the Board by creating diversity of thought and breadth of perspective among our directors.

Our 2023 Annual Report and Accounts was the first year in which the Society was required to disclose certain diversity data relating to both its Board and executive management, including performance against three diversity targets set by the FCA. This diversity information, as well as detail relating to the approach taken in the collation of this diversity data, has been updated for this year and can be found on page 92. The Society has separately provided data to The Parker Review on the ethnic diversity of its Board.

The Board's gender and ethnicity targets in respect of individuals at senior levels within the Society have been set to go beyond those prescribed by the FCA through alignment with the Society's gender (50%) and ethnicity (12%) targets. Whilst recognising that short-term challenges may exist owing to the size of the Board during periods of change, these targets seek to strengthen the Board's commitment to ensuring diversity at senior levels within the Society.

As part of this commitment, the Committee continues to review the development of the pipeline of both ethnically diverse and female executive management within the Society and, as a signatory to the Women in Finance Charter, the Society is committed to supporting the progression of women into senior roles. In addition, the Society is a signatory of the Race at Work Charter, which involves a Board-level commitment to zero tolerance of harassment and bullying, particularly racial.

To increase our focus on disability inclusion, the Society is a member of the Valuable 500, a global collective of 500 chief executive officers and their organisations which uses the power of business to ensure that disability is discussed at Board level and make business more inclusive of those living with a disability. Signatories are required to put disability inclusion on their leadership agenda and to publish a firm pledge for action.

The Society is a partner of Progress Together, a membership body centred on progression, retention and socio-economic diversity in financial services. With its support and input the Society was able to benchmark its socio-economic diversity against its peers to help inform its future inclusion and diversity priorities. The Society introduced a social mobility employee network during 2023 and social mobility questions, including focus on progression and retention, have been added into employee satisfaction surveys to understand better socio-economic diversity.

More information on the Society's diversity initiatives can be found in its Sustainability Report at **nationwide.co.uk**. The Board's Diversity Statement is set out in the Board Composition and Succession Policy which can also be found at **nationwide.co.uk**.

Board composition and effectiveness

As part of its remit, the Committee is required to assist the Society Chairman in subjecting the composition of the Board and its committees to regular review. The purpose of these reviews is to identify the current and likely future needs of the Board and to lead the appointments process for nominations to the Board. This includes ensuring that the Society has the right mix of knowledge, skills and behaviours on the Board for it to be effective in delivering its responsibilities to provide oversight and governance of the Society and to safeguard the interests of its members. In determining the Board's needs, the Committee considers a range of factors including the diversity of the Board in its widest sense, the Society's strategy, current and future challenges and opportunities facing the Society and the need to balance continuity and knowledge of the Society with progressive changes to the membership of the Board and its committees. The recruitment process for directors is designed to ensure that the Board possesses a diverse range of skills and appropriate objectivity.

It also involves detailed referencing and other checks to establish the candidate's credentials, including suitability, fitness and propriety. Regulatory approval is required for certain Board roles which are subject to the Senior Manager and Certification Regime (SM&CR).

Selection process for new non-executive director

Following a review of the composition of the Board and the planned retirement of Mai Fyfield and Gunn Waersted at the 2023 AGM, the Committee identified a potential gap on the Board and the need for an independent non-executive director with extensive and recent financial knowledge and audit experience. As such, the Committee oversaw and recommended to the Board the appointment of Sally Orton as independent non-executive director and member of the Audit Committee.

The Committee engaged Korn Ferry, an independent executive search firm, to assist with the search. Korn Ferry is independent and has no connection with the Society or any of the directors other than to assist with searches for executive and non-executive talent. The Committee, supported by Korn Ferry, prepared a candidate specification based on objective criteria, setting out the knowledge, skills, experience and attributes required. From the candidate specification, a longlist of potential candidates was drawn up and considered by the Society Chairman and Society Secretary from which a shortlist of three was compiled. Following interviews with the three shortlisted candidates, conducted by the Society Chairman, Audit Committee Chair, Board Risk Committee Chair, Remuneration Committee Chair, CEO and CFO, one preferred candidate emerged for the role. Following due and careful consideration and taking into account the current needs of the Board, Sally Orton was the preferred candidate for the role. The Committee agreed that her appointment fulfils the need to further strengthen the Board with a non-executive director with recent and relevant financial experience and Sally was appointed to the Board and to the Audit Committee with effect from 1 June 2023.

Board performance review

The Code requires the Society Chairman to lead an annual Board review. In 2023 the review was conducted by the Society's Secretariat with the assistance of Lintstock Limited, as part of the three-year Board and committee performance review process agreed in 2021. The Committee oversaw the work undertaken by Secretariat and Lintstock Limited, which looked at the overall performance of the Board and its committees and provided an objective assessment of the strengths, capabilities, effectiveness, and dynamics of the Board. More information on the performance review can be found on pages 94 to 95. The Committee considered the arrangements for the performance reviews from 2024 onwards.

Corporate governance

As part of its remit, the Committee is responsible for the oversight of the Society's governance arrangements on behalf of the Board. The Committee reviewed and approved the Nationwide Governance Manual, Delegated Authorities Framework and reviewed the corporate governance disclosures in the 2023 and 2024 Annual Report and Accounts.

Individual accountability regimes

The SM&CR was introduced by the Society's regulators to encourage senior managers working within the financial services industry to take greater responsibility for their actions. SM&CR aims to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their conduct and competence. In addition, it enables regulators to take action against individuals in cases where significant wrongdoing has been identified. The Committee continues to focus on regulatory requirements to ascertain suitability, fitness and propriety of relevant individuals and to ensure that SM&CR responsibilities are allocated appropriately through the Society's well established mapping process. Overall, the Society's processes and controls in relation to both the accountability regimes and the assessment of the Financial Conduct Authority Conduct Rules continue to operate effectively.

Report of the directors on remuneration For the year ended 4 April 2024

Dear fellow member,

I am pleased to share the Remuneration Committee's report for the year ended 4 April 2024. This report includes details of directors' pay for the year, together with our new forward-looking directors' remuneration policy and how the Society intends to implement the policy during 2024/25.

Our directors' remuneration report for the year ended 4 April 2023 received strong support at the 2023 Annual General Meeting (AGM) (with 95% of votes 'FOR'), and I would like to thank members for their ongoing support. We will be seeking an advisory vote on the directors' remuneration report for the year ended 4 April 2024 and the new directors' remuneration policy at the 2024 AGM.

The key matters discussed by the Committee during the year are set out below. I would like to thank my fellow Committee members for their continued support and contribution.

Supporting our wider workforce

Our colleagues are integral to the Society's success and the Committee's oversight of remuneration across the workforce has featured prominently on its agenda during 2023/24.

The pay package agreed with the Nationwide Group Staff Union (NGSU) for 2024/25 covers the Society's wider workforce, excluding our most senior population. Eligible colleagues will receive a salary increase of the greater of 4.5% of current salary or £1,300 (pro-rated), effective from 1 July 2024, and the Society's minimum salary will increase to £23,000. Around 9,000 colleagues will benefit from the £1,300 minimum increase, making the average total award delivered through the 2024/25 pay package 5.4%, higher than the average of 3.1% for our most senior population, demonstrating our continued investment in lower-earning roles. In combination with the 2022/23 pay package, salaries for eligible colleagues will have increased by at least 11% since April 2023.

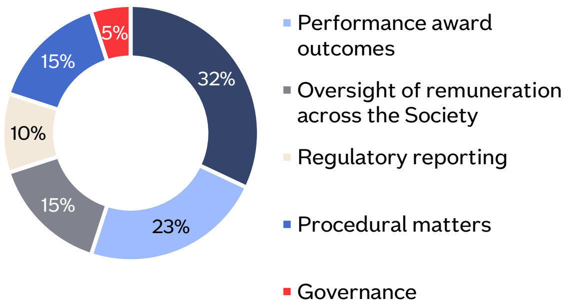
Our new directors' remuneration policy

During 2023/24 the Committee undertook a detailed review of the directors' remuneration policy to ensure it continues to support the Society's strategic priorities and is appropriately positioned to recruit, motivate and retain executives of the calibre required to manage a systemically important institution. In conducting this review, the Committee also aimed to ensure strong alignment between reward and our customers' interests, maintaining a focus on long-term performance.

Key activities of the Committee:

- Reviewed the directors' remuneration policy.
- Continued to oversee the remuneration and performance framework for all colleagues.
- Approved performance pay outcomes for 2022/23 and the design of performance pay plans for 2024/25.

How the Committe spent its time in the year



Overall, the Committee was satisfied the current remuneration structures in place at Nationwide remain fit for purpose, with variable pay for executive directors made up of a mix of short-term (through the Annual Performance Pay (APP) plan) and long-term (through the Long-Term Performance Pay (LTPP) plan) reward.

The Committee reviewed competitive market data and the positioning of our executive directors' total remuneration relative to our peers, which highlighted that the total remuneration opportunity for the Chief Executive Officer (CEO) currently sits substantially below UK banking peers and other firms (both listed and private) of a similar size and complexity. The Committee also considered the Society's performance since the CEO's appointment in June 2022 and key performance highlights delivered in this period, including developing a long-term strategy to safeguard the future strength of the Society, and introducing the Nationwide Fairer Share Payment, rewarding our members who have the deepest relationships with us.

The new directors' remuneration policy is intended to apply for three years to the AGM in 2027. The Committee has updated the policy to increase the maximum LTPP opportunity that may be awarded from 100% to 300% of salary. While this increase will provide headroom to make LTPP awards up to a maximum of 300%, the Committee does not intend to use the full flexibility this year. Reflecting on performance and market positioning, the Committee determined the first LTPP awards granted under the policy will have a maximum opportunity of 190% of salary for the CEO and 100% of salary for the Chief Financial Officer (CFO). The CEO's LTPP award is the maximum award level available under the current remuneration framework, which limits the maximum ratio between total variable pay (including both APP and LTPP) and total fixed pay to 2:1. At this level of award, the CEO's total remuneration opportunity will continue to be positioned behind our peers and other companies of a similar size and complexity, however, the Committee feels that this approach will go some way to addressing the competitive gap.

The Committee believes that the increase to LTPP opportunity is appropriate as it will ensure greater alignment between reward and the successful delivery of our long-term strategy. LTPP awards are subject to performance conditions over a forward-looking three-year period, subject to which any payments will be made in instalments between three and seven years from the grant date. The Committee intends to keep LTPP grant levels under review over the course of the three-year policy to ensure they remain appropriate.

Alongside the change to the LTPP opportunity, the Committee has also introduced an enhanced approach to assessing performance for the executive directors' APP awards for 2024/25, capturing a wider range of the Society's financial and non-financial key performance indicators. A portion of APP awards will continue to be based on individual performance, with the remaining portion based on Society performance measures that apply for all colleagues.

The directors' remuneration policy is set out in full in this report. No other material changes to the policy are proposed.

2023/24 performance and pay outcomes

Annual Performance Pay (APP)

APP outcomes for 2023/24 for all eligible colleagues were determined by reference to consistent Society gateways, performance measures and two separate individual performance ratings, reflecting both delivery and behaviours. The Society gateway measures of profit before tax, leverage ratio and conduct risk were passed in 2023/24 and, as a result of the Society's strong performance in the year, the Committee approved an above target outcome against the APP Society measure scorecard.

For the executive directors, taking account of Society performance and individual contribution, the Committee agreed APP outcomes of 91.88% for the CEO and 86.88% for the CFO. Details of the measures, individual performance assessments and the overall APP awards delivered to our executive directors are set out later in this report.

Long-Term Performance Pay (LTPP)

As described above, the Committee approved the LTPP awards to be granted to the executive directors in 2024, based on a pre-grant assessment of performance delivered in 2023/24. The Committee agreed these awards would be subject to forward-looking performance measures and targets relating to: financial goals, customer satisfaction, Environmental, Social and Governance (ESG) goals, risk and compliance, and transformation objectives linked to the Society's strategic priorities. Further details on the LTPP awards are set out later in this report.

Looking ahead to 2024/25

In the context of the base pay package agreed for the wider workforce, the Committee approved base salary increases of 2.94% for the CEO and 2.48% for the CFO, effective from 1 April 2024, lower than the average percentage increase received by the wider workforce. Further details on the pay arrangements of the executive directors are set out later in this report.

During the year, the Committee noted the publication of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) statement confirming the removal of the regulatory limit on variable pay. We will review the impact of the revised rules during 2024/25 and consider if any changes to our remuneration framework are appropriate.

Member voting on remuneration

This year there will be advisory votes on both the directors' remuneration report and the directors' remuneration policy. Details are set out for your consideration on the following pages. On behalf of the Remuneration Committee, I would like to thank members for their continued support and encourage you to vote in favour of both resolutions.

I hope you find the information in this report clear; if you have any questions please contact me via the Society Secretary.

Tracey Graham Chair – Remuneration Committee

How the Committee works

Committee Purpose

The Committee is responsible for determining on behalf of the Board the remuneration strategy, the broad policy for remuneration and the specific remuneration packages for the Society Chairman, executive directors, members of the Executive Committee and any other employees who are deemed to fall within scope of the PRA / FCA Remuneration Codes. The Committee also provides oversight and advice to the Board on the appropriateness and relevance of the remuneration policy and pay practices for the workforce across the Society. More detail on the duties and responsibilities of the Committee can be found within its terms of reference (available at **nationwide.co.uk**).

Committee meetings

All members of the Committee are non-executive directors of the Society. The Committee held 6 scheduled meetings during the year, and the attendance record of Committee members is set out on page 82 of the Governance report.

Regular attendees of the Committee include the Society Chairman, CEO, Chief People Officer, the Director of Performance & Reward and a partner of Deloitte LLP, in their capacity as independent advisors to the Committee. In no case is any person present when their own remuneration is discussed. The Chair of the Committee reported to the Board on the matters considered at each meeting. Additionally, the Chair attended meetings with the PRA and FCA.

The Committee is supported by the Board Risk and Audit committees on risk-related matters. Further details can be found in the reports of those committees on pages 97 to 107.

Committee performance, skills, and expertise

The performance of the Committee is reviewed annually, along with the Committee's terms of reference and its activities over the previous year, to confirm that these activities align with its remit and purpose, and continue to reflect all applicable governance codes, guidelines, legislation and best practice. As in previous years, in 2023, the performance review was undertaken by the Society's Secretariat function with the assistance of Lintstock Limited, as part of the three-year Board and committee performance review process agreed in 2021. Feedback on the Committee's performance was provided to both the Committee and the Board. The results of the review indicate that the Committee's members are satisfied with the performance and effectiveness of the Committee. The 2023 performance review, including actions and next steps, is described on pages 94 to 95.

Committee advisor

The Committee agreed to retain Deloitte LLP during 2023/24 after a review of its fees and quality of the service provided. The Committee reviews annually all other services provided by Deloitte to ensure they continue to be independent and objective. Deloitte is a founding member of the Remuneration Consultants Group and voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. Deloitte's advisory team has no connection with any individual director of Nationwide. Their fees for advice provided to the Committee during 2023/24 were £136,400 (excluding VAT), typically charged on a time-and-materials basis. Deloitte also provided tax, risk, internal audit and consulting services to the Society during 2023/24.

What the Committee did in the year

Pay strategy and approach

One of the main activities of the Committee was to undertake a detailed review of the directors' remuneration policy, following a robust process which sought input from both management and external advisors to develop the policy set out in this report.

The Committee approved the approach to variable pay across the Society for 2024/25, to ensure it continues to support the Society's strategy and purpose, enabling recognition of exceptional colleague performance and customer service.

Performance award outcomes

The Committee approved both the outcome of the APP plan and the grant of LTPP awards in respect of 2022/23. In April 2023 the Committee also made decisions on risk adjustment, including for variable payments due in June 2023.

Oversight of remuneration across the Society

In making executive pay decisions, the Committee took account of remuneration practices across the Society. In addition to information received on Nationwide's wider workforce pay practices throughout the year, the Board received an annual update from the general secretary of the Nationwide Group Staff Union in November 2023 and regular updates from the Employee Voice non-executive director, Tamara Rajah. More information on Board engagement with colleagues can be found on pages 28 to 31.

The Committee also received updates on how remuneration is a part of creating a healthy culture in the workplace and considered how remuneration policies are aligned with the Society's purpose, strategy and values. The Committee considered wider colleague analysis, including pay decisions by diversity characteristic and the outputs of internal survey data on pay and benefits.

Regulatory reporting

The Committee reviewed and approved the report of the directors on remuneration for the year ended 4 April 2023. It also reviewed and approved all relevant remuneration submissions made to the PRA and FCA over the course of the year.

Procedural matters

The Committee agreed the base pay and variable pay arrangements for all employees in scope of the PRA and FCA Remuneration Codes.

Alignment between wider workforce and executive directors' remuneration

Our reward framework is designed to attract, motivate and retain colleagues who are inspired to do their best for our customers every day, and to reward all colleagues fairly across the Society. The framework for executive directors is aligned with the wider workforce except for the LTPP plan. This difference ensures our executive directors have a significant proportion of their remuneration linked to the Society's longer-term priorities.

All colleagues			Executive Committee
Base salary and pension	**Benefits**	**Annual Performance Pay plan**	**Long-Term Performance Pay plan**
Salaries are set to reflect the work colleagues do and the contribution they make, informed by external market benchmarking and the salary of colleagues doing similar roles. We are a principal partner of the Living Wage Foundation. If our employees contribute 4% of base salary to their pension, we will contribute 13% and match any additional contributions up to a maximum employer contribution of 16%. Executive directors' contributions are aligned to the wider workforce.	We offer a range of contractual benefits specific to role and all colleagues have access to a benefits programme, to help meet personal needs at varying stages of life. Colleagues can make choices to purchase a range of benefits, including protection (will writing, critical illness cover), technology, lifestyle (buying or selling holiday days, discounted gyms, electric cars) and healthcare (cancer screenings, health assessments, private dental cover). Colleagues have access to a range of other benefits which include life assurance and holidays (25-30 days dependent on role and service), as well as access to policies that support family leave, flexible ways of working and wellbeing (including a comprehensive support package to help victims of domestic abuse).	All of our colleagues who meet individual conduct requirements are eligible to participate in the APP plan. Our consistent Society led-performance measures are communicated to all participants, ensuring clear alignment and focus across the Society in delivering against our strategic drivers and for our customers. APP outcomes for the year are linked to the outturn of Society performance measures and individual reward outcomes are differentiated based on colleague performance ratings, reflecting both delivery and behaviours. Awards are generally paid in cash. However, for more senior colleagues, awards are paid in a mixture of cash and an element linked to the Society's core capital deferred shares (CCDS), subject to relevant deferral criteria.	Our executive directors and other Executive Committee members are invited to participate in the LTPP plan. This plan supports the delivery of sustainable customer value, with performance measures aligned to the Society's longer-term priorities and the achievement of our financial and strategic aims, including our sustainability commitments. LTPP awards are deferred over the long-term and will only be paid subject to sustained satisfactory Society and individual performance.

Directors' remuneration policy

This section sets out the new remuneration policy for our executive directors and non-executive directors. We will seek member approval for this policy by way of an advisory vote at the 2024 AGM. The policy is intended to apply for three years to the AGM in 2027 unless amendments to the policy are required, in which case a further advisory vote will be sought. It is intended that no payments to directors will be made outside of this policy.

2024 policy changes

During 2023/24 the Committee undertook a detailed review of the directors' remuneration policy. The Committee focused on whether the policy remains appropriate in the context of evolving regulation and market developments, and continues to enable Nationwide to recruit, retain and motivate the skill sets needed to deliver our strategic priorities and exceptional service to our customers.

The Committee followed a robust decision-making process over a series of meetings, with input sought from the Society's Chairman, the Committee's independent external advisors and management, while ensuring that conflicts of interests were appropriately mitigated. The Committee aimed to ensure strong alignment between reward and the interests of our customers, maintaining a focus on long-term performance, and being appropriately positioned relative to the market. The Committee also assessed the policy against the principles of clarity, simplicity, risk management, predictability, proportionality and alignment to culture.

As discussed in the Committee Chair's letter, under the new policy the maximum LTPP opportunity that may be awarded will increase from 100% to 300% of salary. The increased opportunity takes account of the competitive talent market and will enhance the alignment of reward with the Society's long-term performance, with awards only payable where strong performance for customers has been delivered. In line with regulatory requirements, LTPP awards are paid in instalments over a period of up to seven years following the date of the initial grant, subject to the achievement of performance conditions assessed over the first three years.

The first awards granted under the policy will have a maximum opportunity of 190% of salary for the CEO and 100% of salary for the CFO. These awards will be granted in July 2024. The Committee intends to keep LTPP grant levels under review over the course of the three-year policy to ensure they remain appropriate.

The policy has also been updated to formalise both the removal of the prescribed regulatory limit on the ratio between the variable and fixed components of remuneration, and the changes to our approach highlighted in the Annual Report and Accounts 2023, including the simplification of the structure of the APP plan and modifications to the use of the Society's core capital deferred shares (CCDS) for remuneration purposes. Further details can be found in the policy table below.

Other than the above, and a few minor changes to simplify elements of wording or improve the operation and effectiveness of the policy over its term, it is proposed that the policy remains as approved in 2022.

Remuneration policy for executive directors

Element	Operation	Opportunity	Performance metrics
Fixed pay			
Base salary Supports the recruitment and retention of key talent. Base salaries are market competitive and reflect the size and complexity of the role	Base salaries are normally reviewed on an annual basis. Any changes are normally effective from 1 April.	Base salaries are set taking into account market data for similar roles in comparable organisations. Other factors considered include the individual's skills, experience and performance in the role, additional responsibilities, and the approach being taken on salaries in the wider organisation. There is no maximum base salary.	Not applicable
Benefits Provide a market competitive and cost-effective benefits package as part of fixed remuneration	Benefits may include a car allowance, access to drivers when required, security when required, healthcare and insurance benefits. Business related expenses are also reimbursed, including any associated tax. The Committee retains the right to provide additional benefits depending on individual circumstances, where considered reasonable and appropriate, including but not limited to enable recruitment, retention or relocation.	Benefits are reviewed regularly to ensure they remain appropriate to role and location to assist individuals in carrying out their duties effectively. The value of benefits may vary depending on service providers, cost and market conditions. There is no maximum value to the benefits provided.	Not applicable
Pension Provides post-retirement benefits in a cost-efficient manner	Executive directors may receive a cash allowance and/or contribution to a defined contribution scheme.	Pension allowances are set as a percentage of base salary. The maximum allowance payable is aligned with the maximum pension benefit available to the wider employee population, which is currently 16% of base salary.	Not applicable
Variable pay			
Annual Performance Pay (APP) plan Rewards the achievement of stretching Society, team and individual targets for a single financial year	APP awards are discretionary and determined by the Committee following the end of the one-year performance period, reflecting achievement against targets set. To ensure alignment across the Society, a portion of the awards for executive directors is based on the same Society performance measures as all eligible colleagues. The executive directors may also have a portion of their awards based on the achievement of other Society-wide, strategic and / or individual objectives. Alongside awards under the Long-Term Performance Pay (LTPP) plan, the payment and deferral of APP awards are determined at the time of award and in compliance with regulatory requirements (which currently require that at least 60% of total variable remuneration in respect of any year is deferred for between three and seven years). To the extent the minimum level of deferral is not met via the LTPP award, a proportion of the APP award may be deferred in line with regulatory requirements. Any non-deferred portion is normally paid upfront following the end of the performance year.	The targets reflected in the Society's Plan need to be achieved to generate a 'target' award against the Society measures, and considerably exceeded to generate the maximum award. The normal maximum APP opportunity for the executive directors is 100% of base salary. Normally, 67% of the maximum opportunity is payable for target performance and at the threshold level of performance, 33.5% of the maximum opportunity will be paid. No portion of the award will be paid where threshold performance is not achieved. The award levels above may be varied in exceptional circumstances.	Performance measures and targets are normally set on an annual basis by the Committee. These will normally reflect a mix of financial and non-financial measures, relating to the strategic priorities of the Society as well as regulatory obligations, risk performance and individual performance (including conduct and behaviours).

Element	Operation	Opportunity	Performance metrics
	Awards are normally paid in cash, usually with a minimum of 50% of both the upfront and deferred elements delivered in or linked to the value of the Society's core capital deferred shares (CCDS), or an alternative instrument that, subject to regulatory requirements, is appropriate for use as variable remuneration, and subject to a 12 month retention period. For these purposes, the value of CCDS may be adjusted to remove the impact of long-term interest rates and any other items as agreed by the Committee from time to time to ensure they remain an appropriate instrument for the purposes of remuneration. Participants will be entitled to the value of CCDS distributions (or equivalent) to the extent permitted by regulations. Where distributions (or equivalent) cannot be paid due to regulatory requirements, the number of deferred instruments awarded may be adjusted by reference to an expected yield over the relevant period. The Committee may reduce, freeze, suspend or cancel payments under the APP plan if it believes that outcomes are not representative of the overall performance of the Society (note i).		
Long-Term Performance Pay (LTPP) plan Incentivises sustainable long-term performance and alignment with customer interests Awards are made annually and only pay out where challenging performance measures are met, normally measured over a three-year period	LTPP awards are discretionary and normally granted subject to the achievement of satisfactory performance over the year prior to grant (the initial performance period). Awards are then normally subject to a forward-looking three year performance period from the start of the financial year in which the grant is made. For each forward-looking performance measure, the Committee will determine targets by reference to the Society's Plan that need to be achieved to generate a 'threshold', 'target' and 'maximum' level of award. Performance targets will normally be set annually for each award cycle. The Committee will determine the extent of achievement based on actual performance against the targets set and any other relevant factors the Committee considers appropriate to take account of. Payment of the awards will not start until after the end of the three-year performance period and is subject to the achievement of the performance conditions. The payment of awards will be deferred in compliance with regulatory requirements, which currently apply such that awards will pay out in instalments between three and seven years following the date of the initial grant. Awards are normally paid in cash, usually with a minimum of 50% of any award delivered in or linked to the value of the Society's core capital deferred shares (CCDS), or an alternative instrument that, subject to regulatory requirements, is appropriate for use as variable remuneration, and subject to a 12 month retention period. For these purposes, the value of CCDS may be adjusted to remove the impact of long-term interest rates and any other	LTPP awards may be granted up to a maximum value of 300% of base salary. Maximum opportunities may vary by role. Normally, 67% of the maximum opportunity is payable for target performance and at the threshold level of performance, 33.5% of the maximum opportunity will be paid. No portion of the award will be paid where threshold performance is not achieved. Maximum awards will only be paid where there has been outstanding performance. The award levels above may be varied in exceptional circumstances.	The Committee takes into consideration performance over the initial performance period when determining whether LTPP grants will be made. The pre-grant conditions will normally include an assessment of both Society and individual performance to ensure that the granting of awards is sustainable according to the financial position of Nationwide and justified on the basis of individual performance, conduct and behaviours. Forward-looking performance will be measured against a long-term scorecard normally determined by the Committee on an annual basis and set to align with the long-term objectives of the Society. The measures will normally reflect a mix of financial and non-financial measures drawn from the Society's Plan and be subject to the satisfaction of risk performance and regulatory obligations. The measures used will typically comprise: • customer outcomes (to include financial goals); • sustainability (to include Environmental, Social and Governance measures); and • transformation (to include delivery of key strategic milestones). The specific performance measures will be

Element	Operation	Opportunity	Performance metrics
	items as agreed by the Committee from time to time to ensure they remain an appropriate instrument for the purposes of remuneration. Participants will be entitled to the value of CCDS distributions (or equivalent) to the extent permitted by regulations. Where distributions (or equivalent) cannot be paid due to regulatory requirements, the number of deferred instruments awarded may be adjusted by reference to an expected yield over the relevant period. The Committee may reduce, freeze, suspend or cancel payments under the LTPP plan if it believes that outcomes are not representative of the overall performance of the Society (note i).		disclosed in the remuneration report for the relevant year.

Notes:

i. Discretion, risk adjustment, malus and clawback: In determining variable pay awards, the Committee has the ability to apply independent judgement to ensure that the outcome is a fair reflection of the performance of the Society and the individual over the relevant period. In applying this judgement, the Committee has scope to consider any such factors it deems relevant.
The Committee normally takes into account performance against a broad set of financial and non-financial performance measures and considers performance on a risk-adjusted basis, evaluating progress against defined measures within the context of our risk appetite, including conduct risk. This is a formal process, which also includes input and feedback from the Audit and Board Risk committees. In this manner, the Committee has discretion to reduce an executive director's variable pay in relation to risk-related matters.
The Committee also retains the discretion to adjust awards made under the APP and the LTPP in line with the discretions within the relevant plan rules, including but not limited to adjusting performance conditions attached to awards for significant items, changes in working patterns, treatment on cessation of employment and treatment in the event of a change of control.
In certain circumstances, the Committee has the discretion to operate malus and clawback provisions under the APP and LTPP plans. Such circumstances may include, but are not limited to: participation in, or responsibility for, conduct that results in significant losses; failure to meet appropriate standards of fitness and propriety; employee misbehaviour, fraud, material dishonesty or material error; a material downturn in financial performance; a material failure of risk management; material corporate failure; as well as other circumstances required by regulatory obligations or deemed appropriate by the Committee. Clawback can normally be applied for a period of seven years from the date of award. This may be extended to 10 years in the event of ongoing internal or regulatory investigation at the end of the seven-year period.

ii. Regulatory changes or resolution: In the event that regulatory standards change, the Committee has discretion to make such changes to our remuneration policy as to ensure regulatory compliance, even if a revised policy has not been put to members for an advisory vote. Any such changes would normally be included in the policy report at the next AGM. This includes any changes as may be considered appropriate in the event of resolution to reflect the nature of the roles and responsibilities in this context and to support the resolution process.

iii. Prior arrangements: The Committee reserves the right to honour remuneration payments, notwithstanding that they are not in line with the policy set out in this report, where the terms of the payment were agreed in accordance with any previous member-approved policy, before the Society's first member-approved policy came into effect, or at a time when the relevant individual was not a director of Nationwide and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of Nationwide.

Choice of performance measures and targets

The performance measures selected for APP and LTPP awards are reviewed and set on an annual basis by the Committee to reflect the priorities of the Society, providing a clear link with customers' interests and our short and long-term financial and strategic aims, as well as our regulatory obligations.

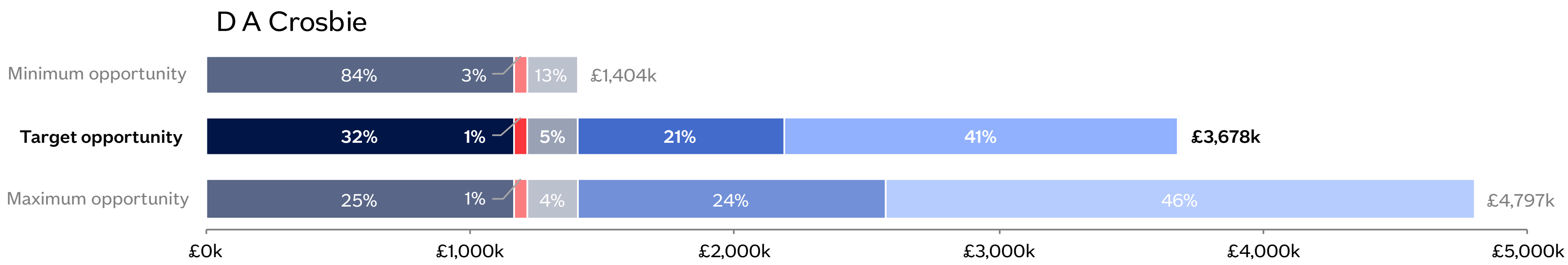
The Committee retains the discretion to amend the performance measures or weightings of performance measures for APP and LTPP awards to take account of the Society's Plan, emerging best practice and regulatory expectations. Normally, no less than 60% of executive directors' APP awards will be based on Society performance measures.

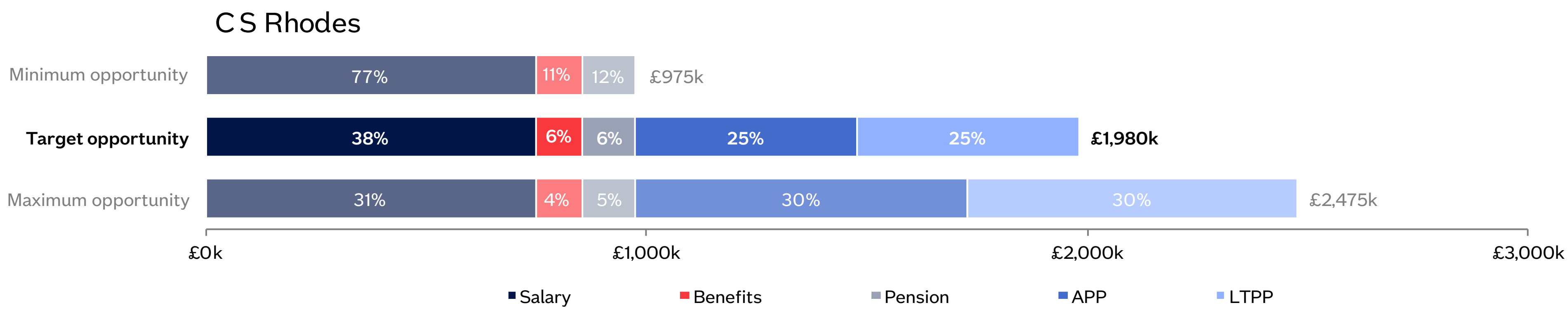
The Committee sets performance targets at a level which it considers appropriately stretching in relation to the Society's Plan and overall risk appetite, taking into account a number of wider factors, including our strategic priorities, the economic environment, and market conditions and expectations. Maximum performance will only be achieved for exceptional performance across all measures.

What our executive directors could earn based on performance

The charts below illustrate the amounts that each of the executive directors could earn in different performance scenarios, including the percentage of the total made up by each element of remuneration, under the proposed remuneration policy. The charts reflect a maximum LTPP opportunity of 190% of salary for D A Crosbie and 100% of salary for C S Rhodes, as will apply for the first awards granted under the policy. The Committee intends to keep LTPP grant levels under review over the course of the three year policy to ensure they remain appropriate, and therefore the values illustrated below may be subject to change; however will not exceed the limits provided under this policy.

A significant proportion of the potential remuneration of the executive directors is payable based on the achievement of stretching performance conditions, and subject to deferral, malus and clawback. No payments relating to LTPP awards will be made until the end of the forward-looking three-year performance period.





Notes:

i. The charts are based on the following scenarios:
   - Minimum opportunity: only fixed pay elements are payable (base salary, pension and benefits).
   - Target opportunity: fixed pay elements are payable and target APP and LTPP outcomes are achieved.
   - Maximum opportunity: fixed pay elements are payable and maximum APP and LTPP outcomes are achieved.

ii. The value of benefits for D A Crosbie and C S Rhodes is estimated based on the benefits paid to them in respect of 2023/24, as set out in the single total figure of remuneration table. Additional benefits may arise but will always be provided in line with the approved policy.

iii. The charts have been prepared using the annual salaries that will apply during 2024/25 and, therefore, APP and LTPP opportunities have been calculated as percentages of these salaries.

Remuneration arrangements throughout the Society

The remuneration policy for our executive directors is designed to align with the remuneration philosophy and principles that underpin remuneration for the wider Society. Within this framework, whilst there are differences in reward opportunity under the APP plan depending on level of seniority, a proportion of the APP for all employees (including the executive directors) is based on consistent Society performance measures. Having consistent goals for a proportion of the award helps make sure everyone works together to put our customers' needs first.

Certain employees, based on their role and seniority, are eligible to participate in the LTPP plan, which provides a clear link between remuneration outcomes and the long-term performance of our most senior population in their stewardship of the Society and overseeing the delivery of the Society Plans.

Consideration of employment conditions elsewhere in the Society

The pay and conditions of all employees are taken into account when determining executive remuneration and the Committee appreciates the importance of this relationship. The Committee reviews base salary levels, other elements of fixed remuneration and details of performance pay plans offered to all employees each year and is always mindful of ensuring that the pay policy for senior roles is consistent with the culture and values of the Society as a whole. Our policy is to offer packages which are competitive with the financial services market in which we operate and to reward individuals for delivering value to customers. The individual elements of remuneration offered, for example benefits provision, may vary between the different roles, reflecting typical market practice. Employees who are members of the Society will be able to vote on the directors' remuneration policy and directors' remuneration report.

Recruitment policy

On the appointment of a new executive director, the Committee will as far as possible determine the ongoing remuneration package in accordance with the policy described in the policy table above. It would aim not to pay more than necessary to secure the right candidate. New appointments will be eligible to be considered for variable pay consisting of an APP and LTPP award (or any other element which the Committee considers appropriate), subject to the maximum opportunity being no more than the maximum ratio of fixed to variable pay in operation within the Society as determined by the Committee from time to time.

The Committee may also consider whether it is necessary to offer any one-off arrangements on the recruitment of a new executive director to replace previously awarded variable remuneration and any other remuneration arrangements forfeited upon leaving a previous employer. In making any such offer, the Committee will seek to ensure that the replacement arrangements are on materially similar terms to the arrangements being forfeited in terms of value and vesting schedule and take into account the extent to which performance conditions applied to the original awards, whilst taking into consideration all regulatory requirements. Where possible, the replacement arrangements will be structured within the parameters of the Society's existing performance pay plans. If necessary, an individually tailored plan may be put in place. In line with regulatory requirements, the replacement arrangements may continue to be subject to malus and clawback provisions, at the discretion of the individual's previous employer. The Committee may award guaranteed variable remuneration in exceptional circumstances for new hires. Such awards would be limited to the individual's first year of employment only. The exceptional circumstances would typically involve a critical new hire and would also depend on factors such as the seniority of the individual and the timing of the hire during the performance year.

Although our intention would be to offer any new director benefits in line with the policy set out in the policy table, if individual circumstances required this, the Committee may consider offering a new recruit such additional benefits as might be required to secure their services. This may include, but is not limited to, travel allowances or relocation expenses for a limited period following their appointment.

On the appointment of a new non-executive director, fees will be on similar terms to those of the existing non-executive directors and in accordance with the policy set out in this report.

Service contracts and policy on payments to departing directors

Executive director	D A Crosbie	C S Rhodes
Service contract effective from	2 June 2022	20 April 2009
Date first appointed to the Board	2 June 2022	20 April 2009

Executive directors' terms and conditions of employment are detailed in their individual contracts or service agreements which include a notice period of 12 months from the Society to the individual and a notice period of 12 months from the individual to the Society for any new executive directors. The terms set out in the service agreements for the current executive directors do not provide for any payments that are not in line with this policy. Service agreements include a provision for a termination payment in lieu of notice, which will normally be subject to mitigation, up to a maximum of 12 months' base salary and statutory redundancy in the event of redundancy. Such a payment might also cover benefits and pension allowance.

The Society Chairman and non-executive directors are appointed for fixed terms not exceeding three years, which may be renewed subject to their re-election by members at AGMs. There are no obligations in the non-executive directors' letters of appointment that could give rise to remuneration payments or payments for loss of office. The dates of appointment to the Board for the Society Chairman and non-executive directors are set out in the Governance report.

Leaver provisions for executive directors

If an executive director leaves in eligible leaver circumstances (including redundancy, retirement, ill health, death, by mutual consent or any other reason at the discretion of the Committee), they may, subject to approval by the Committee on an individual basis, remain eligible for performance pay awards as described below.

For APP awards:

- Where an executive director leaves during the performance year in eligible leaver circumstances they may, at the Committee's discretion, receive a pro-rata performance award for the period of time served during the current performance period in accordance with the plan rules. Such awards would be subject to deferral, retention, malus and clawback as normal.
- Where an executive director leaves in certain defined eligible leaver circumstances, they will normally be eligible to continue to receive the deferred portion of any outstanding award in full (subject to any risk or performance adjustment, including by way of malus and/or clawback).
- In other eligible leaver circumstances, the treatment of outstanding deferred payments will normally be subject to time-prorating for months served in continued employment over the first four years of the plan cycle, including the initial performance period.

The treatment for eligible leavers of APP awards in respect of performance years prior to 2022/23 will be in accordance with the relevant policy.

For LTPP awards :

- Where an executive director leaves during the financial year prior to the year in which the grant is made, they would normally be ineligible to receive any LTPP award in respect of that year.
- Where an executive director leaves during the forward-looking LTPP performance period in eligible leaver circumstances, awards will normally be pro-rated for time served during the relevant performance period. The extent to which an award will pay out will normally be subject to the achievement of the applicable performance conditions. Such awards would normally remain subject to the deferral, retention, risk and performance adjustment provisions that would otherwise have applied, including malus and clawback.
- Where an executive director leaves in eligible leaver circumstances following the end of the forward-looking LTPP performance period and during the additional deferral or retention period, they will normally be eligible to continue to receive the deferred and retained portions of any outstanding awards in full (subject to any risk or performance adjustment, including by way of malus and/or clawback).

Under both the APP and LTPP plans, the Committee retains the discretion to adjust the proportion of the outstanding or deferred payments that are retained by a leaver based on the facts and circumstances of the departure. Furthermore, following departure, the Committee may still also reduce or cancel payments if it believes that the variable pay plan outcomes are not representative of the overall performance of the Society.

Any variable pay awards subject to deferral or retention periods, as well as any 'in-flight' LTPP awards, will continue to be paid at the usual payment date although the Committee will have discretion to accelerate any payments to the leaving date in exceptional circumstances.

Individuals who leave in other circumstances (e.g. resignation) and are not determined to be 'eligible leavers' would receive only contractual payments to which they are entitled and would not receive any payment in respect of performance pay plans, unless the Committee determines there is a robust case for discretion.

Depending on individual circumstances, the Committee may also make additional payments in connection with an executive director's cessation of office or employment. For example, this may include outplacement costs, legal fees and costs of settling any potential claim where appropriate.

Mitigation

Mitigation means that after leaving Nationwide, should an executive director start employment elsewhere, any outstanding payments in lieu of notice due from Nationwide may be reduced or lapse altogether. The Committee's policy is that payments in lieu of notice should be made in monthly instalments and be subject to mitigation (where contractually enforceable), although the Committee has discretion to waive mitigation if this is considered appropriate in individual circumstances. The current executive director contracts allow for mitigation.

Consideration of member views

At recent AGMs we have received a significant majority vote in favour of our remuneration reports. We are also mindful of views expressed by individual members regarding specific aspects of the policy. When taking decisions on remuneration policy, the Committee is also always conscious of the need to balance members' views whilst ensuring executives are motivated and rewarded to deliver value for our customers.

Remuneration policy for non-executive directors

The table below sets out the remuneration policy for our non-executive directors.

Element	Operation	Opportunity
Society Chair and non-executive director fees Provide a market competitive fee level for the role at Nationwide	The Society Chair's fee is normally reviewed and approved by the Remuneration Committee on an annual basis. Non-executive director fees are normally reviewed and approved by the executive directors and the Society Chair on an annual basis. Any changes are typically effective from 1 April. Non-executive directors are paid a basic fee, with an additional supplement paid for additional roles or responsibilities, including in respect of the Senior Independent Director or Employee Voice role, or for serving on or chairing a Board Committee. Additional fees may be payable for additional time commitment or responsibilities. The Society Chair and non-executive directors do not take part in any performance pay plans or in any pension arrangements. Benefits may be provided if considered appropriate including reimbursement of any reasonable expenses (together with any tax thereon where these are deemed to be taxable benefits).	Fees are set taking into account practice at other organisations as well as the time commitment for the role at Nationwide. There is no maximum level.

Annual report on remuneration for 2023/24

This section provides information on how the directors' remuneration policy, as approved by members at the 2022 AGM, was implemented during 2023/24. A revised policy will be subject to member approval by way of an advisory vote at the 2024 AGM.

Base salary and pension

The effective base salaries in the year for D A Crosbie and C S Rhodes were £1,136,585 and £731,854, respectively. The pension allowance of our executive directors is 16% of salary, which is the maximum benefit available to the wider employee population.

Annual Performance Pay (APP) for 2023/24

APP awards for 2023/24 were aligned with the attainment of challenging strategic and financial measures drawn from the Society's Plan for 2023/24, as set out below. Consistent Society measures applied for all colleagues, including the executive directors, ensuring clear alignment and focus across the Society in delivering for our customers. APP awards were also assessed by reference to two separate individual performance ratings, reflecting both delivery and behaviours.

Society performance

Number of engaged customers

Customer experience score

Total costs

Heard good things about Nationwide

\+

Individual performance

Informed by two separate performance ratings, ensuring colleagues are rewarded based on both delivery and behaviours.

The maximum potential APP award level for 2023/24 was 100% of base salary for both the CEO and CFO, with 30% of the overall award based on individual performance. An illustration of the pay-out schedule of the executive directors' APP awards can be found on page 129. The Society has the ability to claw back APP awards for up to ten years after they were awarded in certain circumstances.

Outcomes for APP 2023/24

Three gateways must be passed before any payment is made under the plan. The three gateways are based on measures of profit before tax, leverage ratio and conduct risk. These gateways were passed in 2023/24. In determining executive directors' APP outcomes for 2023/24, the Committee assessed the Society's performance against the four measures set out below. The Committee must also be satisfied that there are no significant conduct, risk, reputational, financial, operational or other reasons why awards should not be made, taking into account input from the Board Risk and Audit committees.

Measure	Performance target range: threshold, target and maximum, and performance outcome achieved for 2023/24	Performance pay achieved / Maximum achievable (% of salary paid in 2023/24)	
(Audited)		D A Crosbie	C S Rhodes
Number of engaged customers	Outcome: 3.53m - Maximum 3.27m / 3.33m / 3.38m	17.5% / 17.5%	17.5% / 17.5%
Customer experience score (note i)	Outcome: 76.8% - Above threshold 75.6% / 77.6% / 79.6%	9.38% / 17.5%	9.38% / 17.5%
Total costs (note ii)	Outcome: £2,402m - Maximum £2,574m / £2,501m / £2,428m	17.5% / 17.5%	17.5% / 17.5%
Heard good things about Nationwide (note iii)	Outcome: 1st - Maximum 4th within peer group / 3rd within peer group / 2nd within peer group	17.5% / 17.5%	17.5% / 17.5%
Individual performance element (see further detail below)		30.0% / 30.0%	25.0% / 30.0%
Remuneration Committee discretionary performance and risk assessment The Committee carefully considered the outcomes for the executive directors to ensure they were a fair reflection of performance. This took account of a broad range of factors including the Society's performance against wider key performance indicators and risk factors. Overall, the Committee was satisfied that the outcomes were a fair reflection of performance and no discretionary adjustment was applied.		0%	0%
Total performance pay achieved based on Society and individual performance		**91.88%**	**86.88%**
Out of a maximum opportunity (as a % of salary paid in 2023/24) of		100%	100%

Notes:

i. Our customer experience score measure is based on a 12-month average score over the 12 months ending 31 March 2024, and is calculated by weighting the aggregated scores across channels, reflecting the way customers interact with us. Digital channels include our mobile banking app, internet bank, webchat and our website (**nationwide.co.uk**).

ii. As per the design of the APP plan, Nationwide's total costs outcome for 2023/24 of £2,422 million was adjusted to £2,402 million for the purposes of determining the APP outcome to exclude employee costs driven by the overall APP outcome being above the target level.

iii. Based on a study conducted by an international market research company commissioned by Nationwide Building Society. Based on non-customer responses as at the six months ending March 2024. Financial brands included are Nationwide, Barclays, Co-operative Bank, First Direct, Halifax, HSBC, Lloyds, Monzo, NatWest, Santander, Starling Bank and TSB.

For the element based on individual performance, performance was assessed by reference to two separate individual performance ratings, rewarding both delivery against goals set in the context of our strategic drivers and the display of customer first behaviours. The tables below provide an overview of the individual performance for 2023/24 achieved by the CEO and CFO based on their objectives. This assessment is also informed by delivery against the Society's performance scorecard which contains a number of Environmental Social and Governance (ESG) factors, including improving sustainability and our inclusion and diversity measures.

D A Crosbie's and C S Rhodes's 2023/24 achievement of individual objectives		
Objectives	**D A Crosbie**	**C S Rhodes**
Financial and operational performance • Strong and sustainable financial performance. • Resilient business operations.	• Financial Plan delivered and effective cost management. • Record member financial benefit, robust profit performance, and steady progress on operational resilience. • Careful management of savings and mortgage pricing to protect the Financial Plan and operational performance balanced with stakeholder engagement and customers' cost of living challenges.	• Cost management performance exceeded plan. • Record member financial benefit achieved as a result of additional value delivered through savings rates. • Capital and liquidity remain above Board Risk Appetite with growth in capital enabling strategic developments. • Established strong management of IT costs linked to business service lines and improved Executive Committee and Board visibility of costs.
Strategic development and delivery • Ambitious and achievable strategy to grow the Society and deliver value for members. • Society's Purpose and Blueprint for a modern mutual embedded throughout the Society and driving increased performance.	• First phase of ambitious business strategy delivered. • Foundations fixed for long-term and sustainable growth. • More rewarding relationships prioritised – industry leading current account switching level.	• Ambitious Financial Plan with continued focus on delivering value to members through the Fairer Share Payment. • Exit criteria for first stage of strategy met and second stage aspirations are included in updated financial plans.
Robust risk and control • Effective risk and control framework embedded throughout the organisation. • Timely resolution of actions and effective conclusion of any regulator interventions.	• Significant progress on non-financial risk and strengthening our control environment. • Developed and implemented Vulnerable Customer support and readiness for the FCA's Consumer Duty.	• Financial controls remain effective, with auditors placing reliance on a growing number of our controls. • Projects to streamline staff structures implemented and cost impacts tracked.
Inspiring team and leadership performance • High performing and effective ExCo team that inspires strategic progress across the Society. Increased leadership capacity and capability at ExCo-1 level. • Cultural transformation across the Society in line with business strategy and Blueprint for a modern mutual.	• New purpose and Blueprint launched and embedding with good early progress on cultural transformation. • Successfully embedded new colleague performance framework to incentivise and drive both delivery and customer first behaviours.	• Strong commercial experience and instinct to guide and challenge the rest of Executive Committee. • Increased pricing support provided by finance function along with more effective cost engagement, stress testing and planning. Good quality financial reporting work delivered to Audit Committee.
Service excellence and member value • Recognised for service excellence and member value. Increasing value for members with leading personal financial service products that meet member needs, and all Consumer Duty requirements.	• First amongst peer group for customer satisfaction (note i). • Delivered Nationwide Fairer Share Bond and Payment • Delivered actions to significantly improve customer experience, including new mobile app and retiring the card reader. • Branch Promise extended and brand refresh launched successfully.	• Inaugural Fairer Share Payment distributed. • Overall pricing decisions have supported the delivery of value to members as well as growth in our core markets. • Passed a greater proportion of Bank rate increases through to depositors than the market average.

Note:
i. © Ipsos 2024, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to the 12 months ending 31 March 2024. For more information, see footnote 1 on page 5.

D A Crosbie's and C S Rhodes's 2023/24 achievement of individual objectives (continued)		
Objectives	**D A Crosbie**	**C S Rhodes**
Effective Board engagement • Good engagement between ExCo and Board with strong and effective overall Society governance.	• Simplified and improved executive governance to support delivery at pace and reduce complexity. • Regular Board engagement with members and feedback to Board from Member Connect Panel and external research.	• Sound Board engagement on financial planning, reporting, stress testing and capital and liquidity assessment. • Strong financial governance and control, including engagement with Board Risk Committee and Audit Committee.
Impactful stakeholder engagement • Strong and productive relationships with regulators, governments, political, media and other key stakeholders that help secure the Society's policy objectives.	• Positive engagement with regulators and stakeholders to promote Branch Promise, benefits of mutuality, support for homeowners and first-time buyers and customer fraud protection. • Society's diversity recognised by the Financial Times-Statista Diversity Leaders list (ranked fourth).	• Regular positive engagement with PRA and Bank of England. • Positive feedback on stress testing and no material issues raised through external auditor reporting.
Weighting	**30%**	**30%**
Outcome	**30%**	**25%**

Long-Term Performance Pay (LTPP) awards in respect of 2023/24

LTPP awards in respect of 2023/24 will be granted in July 2024. LTPP awards are discretionary and are granted subject to a pre-grant performance assessment over the year prior to grant based on:

- **Individual conduct and performance** – must be satisfactory, including an assessment of individual delivery, behaviours and conduct during the year;
- **Leverage ratio and statutory profit before tax** – both gateways must be assessed and passed in respect of the period prior to grant.

After taking into account performance over 2023/24, the Committee agreed to grant D A Crosbie and C S Rhodes LTPP awards of 190% and 100% of base salary, respectively. The Committee is satisfied that the granting of these awards is sustainable according to the financial position of the Society and justified on the basis of individual performance, conduct and behaviours.

The 2023/24 LTPP awards will be subject to a three-year forward-looking performance period commencing 5 April 2024. During this period, performance will be assessed based on a scorecard comprising the elements below. During 2023/24 the Committee reviewed the LTPP performance measures to ensure they remain appropriate. The chosen performance measures continue to be aligned to the Society's longer-term priorities and provide a clear link with customers' interests and the achievement of our financial and strategic aims, including our sustainability commitments. At the end of the three-year performance period the Committee will also satisfy itself that there are no significant conduct, risk, reputational, financial, operational or other reasons why the awards should not be released, taking into account input from the Board Risk and Audit committees. Targets are deemed by the Committee to be commercially sensitive and will be disclosed, along with performance achieved, in the Annual Report and Accounts 2027.

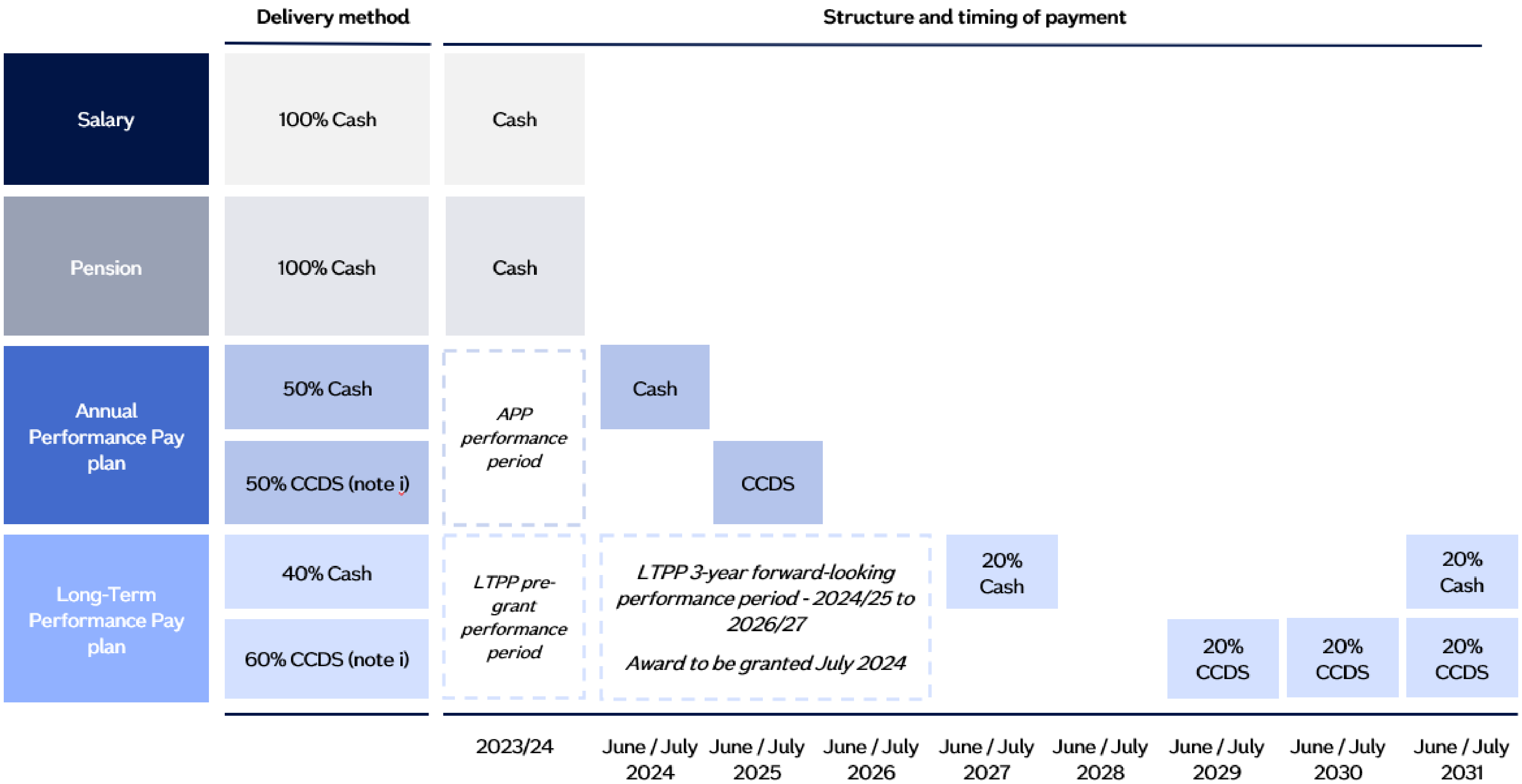
2024/25 – 2026/27 LTPP scorecard		Rationale for inclusion within the scorecard	Weighting
Customer outcomes (financial goals)	Return on equity employed (note i)	Ensuring the Society's continued financial security for the benefit of its customers via efficient profit generation and sustainable balance sheet management over the long term	20%
	Profit before tax		20%
Sustainability	Financial Research Survey (FRS) satisfaction	Rewarding 'best-in-class' customer service	10%
	Environmental, Social and Governance (ESG) objectives	Providing alignment with the Society's Scope 1 and 2 emissions and diversity targets	10%
	Risk and compliance	Ensuring continued focus on the strength of the Society's control environment	20%
Transformation	Basket of measures aligned with strategic objectives	Providing alignment with the Society's long-term strategic priorities	20%

Note:
i. Defined as the return (profit after tax) as a percentage of the minimum amount of capital required to stay above Board Risk Appetite throughout a Bank of England defined stress test.

How awards will be released to executive directors

The illustration below shows how APP and LTPP awards will typically be released to executive directors. Across both APP and LTPP elements, a minimum of 60% will be deferred for between three and seven years. Where the minimum level of deferral is not met via the LTPP award, a proportion of the APP award will be deferred.

For awards in respect of 2023/24, the LTPP will be used to satisfy the minimum deferral requirements for D A Crosbie. For C S Rhodes, a small proportion of his APP award will also be deferred for between three and seven years. In line with the directors' remuneration policy, 50% of APP and, subject to the achievement of the forward-looking performance measures, 60% of LTPP awards will be linked to the value of the Society's CCDS, with the balance paid in cash. The CCDS element will be subject to a twelve-month retention period, which is reflected in the timing of payment illustrated below.



Note:
i. All references to CCDS above are payments that are linked to the value of the Society's CCDS.

Executive directors' remuneration

Where indicated, the tables in the following sections have been audited. These disclosures are included in compliance with the Building Societies Act 1986 and other mandatory reporting regulations, as well as the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), which the Society has voluntarily adopted. The table below shows the total remuneration for each executive director who served during the year ended 4 April 2024.

Amounts of variable remuneration shown below consist of the awards under the APP plan. LTPP awards are subject to the achievement of performance conditions over three years from grant and, to the extent the performance measures are met, details will be included in the relevant directors' remuneration report (for example, any amounts delivered relating to the LTPP awards granted in June 2023 will be disclosed within the Annual Report and Accounts 2026).

Single total figure of remuneration for each executive director

	D A Crosbie		C S Rhodes	
(Audited)	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000
Salary	**1,137**	889	**732**	690
Pension allowance	**182**	142	**117**	110
Travel and other taxable benefits (note i)	**47**	32	**105**	81
Total fixed remuneration	**1,366**	1,063	**954**	881
Annual performance pay	**1,044**	687	**636**	496
Total variable remuneration	**1,044**	687	**636**	496
Total pay package excluding replacement awards	**2,410**	1,750	**1,590**	1,377
Replacement awards (note ii)	**-**	1,705	**-**	-
Total pay package including replacement awards	**2,410**	3,455	**1,590**	1,377

Notes:

i. Travel and other taxable benefits include travel, accommodation and other business-related costs for directors, incurred in connection with the performance of their duties, including any tax due under HMRC regulations, as well as medical insurance, car allowance and security. These amounts are included as fixed remuneration for the calculation of the variable pay ratio in meeting our regulatory requirements.

ii. D A Crosbie succeeded J D Garner as CEO on 2 June 2022. As announced in the Annual Report and Accounts 2022, the Committee agreed to compensate D A Crosbie for the forfeiture of variable pay awards from her previous employment at TSB. In line with regulatory requirements, these replacement awards are not more generous in terms or amounts than she would otherwise have received.

Society Chairman and non-executive directors' remuneration

The total fees paid to each non-executive director who served during the year ended 4 April 2024 are shown below.

Single total figure of remuneration for non-executive directors						
	2024			2023		
(Audited)	**Society and Group fees £'000**	**Travel and other taxable benefits (note i) £'000**	**Total fees and taxable benefits £'000**	Society and Group fees £'000	Travel and other taxable benefits (note i) £'000	Total fees and taxable benefits £'000
K A H Parry (Society Chairman)	**557**	**18**	**575**	525	6	531
T Graham (Senior Independent Director) (note ii)	**218**	**19**	**237**	72	4	76
R M Fyfield (note iii)	**44**	**3**	**47**	138	2	140
A Hitchcock	**148**	**23**	**171**	122	9	131
A M Keir	**192**	**20**	**212**	144	10	154
D Klein	**119**	**2**	**121**	100	2	102
S Orton (note iv)	**99**	**3**	**102**	-	-	-
T Rajah	**103**	**1**	**104**	94	-	94
G Riley	**150**	**30**	**180**	95	10	105
P G Rivett	**192**	**1**	**193**	155	1	156
G Waersted (note v)	**42**	**8**	**50**	131	9	140
Total	**1,864**	**128**	**1,992**	1,576	53	1,629
Pension payments to past non-executive directors (note vi)			**218**			231

Notes:

i. Taxable benefits for non-executive directors relate to travel, accommodation and other business-related costs in connection with their duties and attendance at Board and committee meetings. Where these expenses are deemed taxable, the Society settles the tax on behalf of the non-executive directors and this is included in the amounts shown. Where a non-UK director is not UK domiciled, their reimbursed cost of travel into and out of the UK is not a taxable benefit.

ii. T Graham joined the Board on 28 September 2022 and was appointed Chair of the Remuneration Committee on 1 January 2023 and Senior Independent Director on 20 July 2023.

iii. R M Fyfield stepped down from the Board on 19 July 2023.

iv. S Orton joined the Board on 1 June 2023.

v. G Waersted stepped down from the Board on 19 July 2023.

vi. The Society stopped granting pension rights to non-executive directors who joined the Board after January 1990.

Additional disclosures

CEO remuneration for the past ten years

The table below shows details of the CEO's remuneration for the previous ten years.

Financial year	Total remuneration £'000	Annual performance pay earned as % of maximum available %	Medium term performance pay earned as % of maximum available (note i) %
2023/24	**2,410**	**91.9**	**-**
2022/23 (note ii)	3,455 / 301	77.2 / 42.6	-
2021/22	2,114	67.2	-
2020/21 (note iii)	1,236	72.3	-
2019/20	1,286	-	-
2018/19	2,372	75.1	-
2017/18	2,317	69.5	-
2016/17 (note iv)	3,386	71.9	-
2015/16 (note v)	3,413	75.8	80.8
2014/15 (note v)	3,397	74.4	84.5

Notes:

i. Medium term performance pay ceased at the end of 2015/16.

ii. Figures shown for 2022/23 are those relating to D A Crosbie and J D Garner, respectively. D A Crosbie commenced her role as CEO on 2 June 2022. Her total remuneration for 2022/23 was £3,455,452 including the value of replacement awards on joining (£1,704,844). These awards did not form part of ongoing remuneration. The annual performance pay earned by D A Crosbie for 2022/23 was 77.2% of the maximum opportunity. J D Garner stepped down as CEO and from the Board on 1 June 2022. His total remuneration for 2022/23 shown above reflected the period of time he served on the Board. The annual performance pay earned by J D Garner for 2022/23 was 42.6% of the maximum opportunity.

iii. The performance pay opportunity for 2020/21 was reduced by around two thirds.

iv. J D Garner commenced his role as CEO on 5 April 2016. His total remuneration for 2016/17 included the value of replacement awards on joining (£1,070,752). These awards did not form part of ongoing remuneration.

v. The CEO in 2015/16 and 2014/15 was G J Beale. His total remuneration includes annual performance pay awards as well as legacy payouts under the directors' previous medium term pay plan as a result of the transition period between plans.

Comparison of annual change in executive directors' pay with average employee

The following table shows the annual percentage change in remuneration (base salary, benefits and annual performance pay) for each of the executive directors that served during the year ended 4 April 2024 for the last four financial years, compared with the average for all other employees. For the purposes of the below, in the year that an executive director was appointed to or stepped down from the Board, remuneration for that year is annualised to a full-year equivalent for the purposes of comparison.

% change in remuneration		Base salary	Benefits (note i)	Annual performance pay
2022/23 to 2023/24	D A Crosbie (note ii)	**6.0%**	**24.1%**	**26.2%**
	C S Rhodes	**6.0%**	**29.6%**	**28.2%**
	All employees (note iii)	**7.2%**	**2.5%**	**24.4%**
2021/22 to 2022/23	C S Rhodes	3.4%	55.8%	(15.9%)
	All employees (note iii and iv)	3.1%	(0.7%)	1.3%
2020/21 to 2021/22	C S Rhodes (note v)	2.0%	73.3%	208.9%
	All employees (notes iii and v)	3.0%	14.1%	143.1%
2019/20 to 2020/21	C S Rhodes (notes vi and vii)	3.2%	(52.4%)	-
	All employees (notes iii and vii)	3.2%	(5.3%)	41.9%

Notes:

i. Benefits shown in the table above reflect travel and other taxable benefits and exclude pension allowance.
ii. D A Crosbie joined the Board on 2 June 2022.
iii. Data for all employees has been calculated on a full-time equivalent basis and reflects all employees on 1 March of each relevant year, excluding executive directors.
iv. The average all employee data between 2021/22 and 2022/23 has been restated to reflect an update to the calculation.
v. The increase in annual performance pay between 2020/21 and 2021/22 is reflective of the return to previous levels of opportunity following a reduction of around two thirds in 2020/21.
vi. There was no annual performance pay awarded to C S Rhodes for 2019/20 and therefore no percentage change is shown.
vii. The reduction in benefits between 2019/20 and 2020/21 reflects reduced travel costs in the year as a result of a significant reduction in travel due to the pandemic.

Annual change in non-executive directors' pay

The following table shows the annual percentage change in fees for the Chairman and the non-executive directors that served during the year ended 4 April 2024 for the last four financial years. For the purposes of the below, in the year that a non-executive director was appointed to or stepped down from the Board, fees for that year are annualised to a full-year equivalent for the purposes of comparison.

Non-executive directors (note i)	2022/23 to 2023/24	2021/22 to 2022/23	2020/21 to 2021/22	2019/20 to 2020/21
K A H Parry (note ii)	**6.0%**	148.8%	47.6%	10.9%
T Graham (note iii)	**34.6%**	-	-	-
R M Fyfield	**(0.7)%**	7.8%	(1.5%)	9.2%
A Hitchcock	**21.3%**	27.1%	2.1%	0.0%
A M Keir (note iv)	**33.3%**	44.0%	-	-
D Klein (note v)	**19.0%**	25.0%	17.6%	-
S Orton (note vi)	**-**	-	-	-
T Rajah (note vii)	**9.6%**	(5.1%)	5.3%	-
G Riley (note viii)	**57.9%**	-	-	-
P G Rivett	**23.9%**	24.0%	14.7%	0.0%
G Waersted	**(0.8)%**	23.6%	12.8%	0.0%

Notes:
i. Non-executive directors are not eligible to participate in the annual performance pay plan. Non-executive directors may receive taxable benefits relating to travel, accommodation and other business-related costs in connection with their duties and attendance at Board and committee meetings. These benefits are not included in the table above.
ii. K A H Parry was appointed Chairman on 1 February 2022.
iii. T Graham joined the Board on 28 September 2022.
iv. A M Keir joined the Board on 1 March 2022.
v. D Klein joined the Board on 1 March 2021.
vi. S Orton joined the Board on 1 June 2023.
vii. T Rajah joined the Board on 1 September 2020.
viii. G Riley joined the Board on 1 April 2022.

Relative importance of spend on pay

The chart below shows the cost of remuneration for all employees of the Society, compared with retained earnings.

Remuneration cost for all employees		
	2023/24	2022/23
	£m	£m
All-employee remuneration	**997**	918
Retained earnings	**1,125**	1,478

Payroll costs represent 41.16% (2023: 39.52%) of total administrative expenses. Nationwide's profit after member reward payments and tax for the year was £1,300 million, of which £175 million was paid as distributions to holders of core capital deferred shares and Additional Tier 1 capital, and the remaining £1,125 million is held as retained earnings.

Payments for loss of office

No payments for loss of office were made to any directors in the year ended 4 April 2024.

Payments to past directors

No payments were made to any past directors in the year ended 4 April 2024.

Pay gap reporting

The Society is fully committed to promoting a diverse and inclusive workplace. Pay gaps are the difference in average hourly pay, when comparing different groups of people within an organisation. Our latest gender and ethnicity pay gaps report was published in March 2024 and can be found at **nationwide.co.uk**, together with an update of progress on our inclusion and diversity ambition, and Women in Finance Charter commitments. Within the report we have again voluntarily published our ethnicity pay gap, comparing the pay of all employees who have identified as black, asian and minority ethnic (ethnically diverse), with the pay for white (non-ethnically diverse) employees across Nationwide.

CEO pay ratio reporting

The table below compares the total remuneration of the CEO against the total remuneration of the median employee and those who sit at the 25th and 75th percentiles (lower and upper quartiles). This reporting will build annually to cover a rolling ten-year period.

The CEO pay ratio for 2023/24 has increased year-on-year. It is noted that the pay ratio for 2022/23 reflected part-year remuneration data for D A Crosbie, who commenced her role as CEO on 2 June 2022, and J D Garner, who stepped down as CEO on 1 June 2022. The increase in ratio is otherwise primarily driven by the CEO's increased Annual Performance Pay outcome for 2023/24, reflecting strong Society and individual performance for the year.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023/24	**Option A**	**78:1**	**64:1**	**38:1**
2022/23	Option A	71:1	56:1	35:1
2021/22	Option A	80:1	54:1	35:1
2020/21	Option A	51:1	38:1	24:1
2019/20	Option A	53:1	41:1	26:1
2018/19	Option A	99:1	77:1	48:1

The total remuneration and salary values for the 25th, median and 75th percentile employees for 2023/24 are:

	25th percentile	Median	75th percentile
Total remuneration	**£30,986**	**£37,832**	**£63,145**
Salary	**£21,247**	**£27,710**	**£47,599**

Supplementary information on the tables above:

i. The calculation is based on Option A as set out in the regulations, which is considered to be the most statistically accurate methodology.

ii. Employee data includes full time equivalent total remuneration for all UK employees as at 1 March 2024. For each employee, remuneration was calculated based on all components of pay including base pay, performance pay for 2023/24, core benefits including medical insurance and car allowance, and pension payments.

iii. The CEO pay ratio for 2022/23 above excludes the one-off replacement awards granted to D A Crosbie upon her appointment as CEO.

iv. For 2018/19, 2019/20 and 2020/21, whilst most employees participated in a defined contribution scheme with a fixed maximum employer contribution, there were other pension arrangements in place for some employees, including a defined benefit pension scheme which has been closed to new participants since 2007. Although it would have been possible to recognise a higher value under the defined benefit scheme, in order to ensure accurate year on year comparative data, a fixed value equal to the maximum employer contribution available to the defined contribution scheme members was included for all defined benefit scheme members. From 2021/22 there is only one defined contribution scheme available; therefore, the actual employer contribution value has been used for all employees.

v. The Committee has considered the pay data for the three individuals identified for 2023/24 and confirms that the ratios reasonably represent the Society's approach to pay and reward for employees taken as a whole.

Voting at AGM

Resolutions to approve the 2022/23 Report of the directors on remuneration and the current directors' remuneration policy were passed at the 2023 AGM and 2022 AGM, respectively. In each case votes were cast as follows:

Vote	Report of the directors on remuneration (2023 AGM)	Remuneration policy (2022 AGM)
For	503,024 (95.07%)	487,138 (93.53%)
Against	26,079 (4.93%)	33,707 (6.47%)
Withheld	8,081	8,851

Remuneration policy implementation for 2024/25

The directors' remuneration policy is subject to member approval by way of an advisory vote at the 2024 AGM. The policy will be implemented as follows in 2024/25:

Element	Implementation in 2024/25 for executive directors
Base salary	The Committee determined base salaries from 1 April 2024 of: • D A Crosbie: £1,170,000 (increase of 2.94%) • C S Rhodes: £750,000 (increase of 2.48%)
Benefits	No change for 2024/25.
Pension	Aligned with the rate available to the wider employee population of 16% of salary – no change for 2024/25.

Annual Performance Pay (APP) plan	For awards made in respect of 2024/25, the target opportunity for D A Crosbie and C S Rhodes will be 67% of salary, with a maximum opportunity of 100% of salary.
	Performance measures:
	• Awards made in respect of 2024/25 will be subject to stretching performance conditions aligned with our strategic objectives. The Committee has determined an enhanced approach to assessing performance for the executive directors' APP awards for 2024/25 via the introduction of the Executive Scorecard element. Performance measures and weightings are set out below:
	  • **More rewarding relationships:** Number of engaged customers (12.5%)
	  • **Simply brilliant service:** Customer Experience Score (12.5%)
	  • **Continuous improvement:** Total costs (12.5%)
	  • **Beacon for mutual good:** Heard good things about Nationwide (12.5%)
	  • **Executive Scorecard:** For this element the Committee will assess performance against a comprehensive scorecard capturing a wide range of the Society's financial and non-financial key performance indicators (30%)
	• The remaining 20% of the award will be assessed based on individual contribution, behaviours and conduct.
	• Gateway measures based on profit before tax, leverage ratio and conduct risk will also apply.

Long-Term Performance Pay (LTPP) plan	LTPP awards in respect of 2024/25 will be made following the year subject to the achievement of satisfactory Society performance and individual delivery, behaviours and conduct. The Committee intends to keep LTPP grant levels under review over the course of the three-year policy to ensure they remain appropriate. It is intended that any awards made will be subject to a subsequent three-year performance period (2025/26 to 2027/28). **Performance measures:** Forward-looking performance will be measured against a long-term scorecard determined by the Committee on an annual basis and set to align with the long-term strategic objectives of the Society. The measures for the 2023/24 LTPP awards (for the performance period 2024/25 to 2026/27) can be found on page 128. Targets for the 2023/24 LTPP awards are commercially sensitive and so will be disclosed, along with performance achieved, in the Annual Report and Accounts 2027. Details of the performance measures for the 2024/25 LTPP awards (for the performance period 2025/26 to 2027/28) will be included in next year's remuneration report.

Society Chairman and non-executive directors

The annual review of non-executive director fees for 2024/25 has been undertaken and fees adjusted with effect from 1 April 2024. Fees have been adjusted to ensure they continue to align with the market and also take account of the expected workload for the non-executive directors. The level of adjustment is generally in line with the salary increase awarded to the executive directors and lower than the average percentage increase received by the wider workforce.

Society Chairman and non-executive director fees for 2024/25		
	Annual fees for 2024/25	Annual fees for 2023/24
	£'000	£'000
Society Chairman (note i)	**570.5**	556.5
Basic fee for non-executive directors	**92.0**	90.0
Senior Independent Director	**38.0**	37.0
Chair of the Audit, Board Risk or Remuneration Committee	**62.0**	60.5
Member of the Audit, Board Risk or Remuneration Committee	**29.5**	28.8
Member of the Nomination and Governance Committee	**13.6**	12.8
Employee Voice	**13.6**	13.3
Member of the Technology Advisory Forum (note ii)	**10.0**	10.0

Notes:
i. The Society Chairman's annual fee for 2023/24 has been restated to correct an inaccuracy in the previously reported figure of £565,000.
ii. The Technology Advisory Forum was established in November 2023 following the 2023 Board performance review, with membership fees payable from January 2024.

Directors' report for the year ended 4 April 2024

Information for the 'Content' items listed in the table below can be found in the section of the Annual Report and Accounts as shown. These items are required to be included in the Directors' report by the Building Societies Act 1986 and are incorporated into the Directors' report by this cross referencing.

Content	Section	Pages
Business objectives and future plans	Strategic report	6-8 and 12-22
Key performance indicators	Strategic report	23-25
Chief Executive review including performance updates	Strategic report	12-22
Employee involvement, engagement, development, inclusion and diversity	Strategic report	28-31 and 50-51
Viability statement	Strategic report	65-66
Environment, greenhouse gas emissions (GHG), energy consumption	Strategic report	53-61
Directors' remuneration	Governance – Report of the directors on remuneration	112-138
Mortgage arrears	Risk report	165-166
Risk management	Risk report	144-147
Principal risks	Risk report	62-63 and 148
Emerging risks	Strategic report – Risk overview	64
Directors' share options	Annual business statement	319
CRD IV country-by-country reporting	Other information	320
Distributions on CCDS instruments	Financial statements – note 31	307
Business relationships	Strategic report – Engaging with our stakeholders	26-40
Financial instruments	Financial statements – note 15	282-284
Corporate Governance statement	Governance – Statement of compliance with the UK Corporate Governance Code 2018	81

Board of directors

The names of the directors of the Society who were in office at the date of signing the financial statements, along with their biographies, are set out on pages 77 to 80.

The changes in the year and up to the date of signing the financial statements are as follows:

- the appointment of Sally Orton (non-executive director) on 1 June 2023;
- the retirement from the Board of Mai Fyfield (non-executive director) on 19 July 2023; and
- the retirement from the Board of Gunn Waersted (non-executive director) on 19 July 2023.

None of the directors have any beneficial interest in equity shares in, or debentures of, any connected undertaking of the Society.

The Board has agreed that in accordance with the UK Corporate Governance Code, all the directors will stand for election or re-election on an annual basis.

Political donations

The Society is politically neutral and does not support, or seek to influence public support for, any political party, nor make donations, contributions or pay subscriptions to any party. However, the Society will from time to time make payments to third parties to facilitate event space at party conferences and/or to participate in events organised by them at party conferences and which are related to matters of interest to the Society and its members so as to communicate its position and understand that of others. These activities are not intended or considered to be in the nature of party political campaigning, activity or support.

Charitable donations

The Society paid charitable donations of £13.6 million (2023: £9.3 million) in the year ended 4 April 2024.

Participation in the unclaimed assets scheme

The Society participates in the Government-backed unclaimed assets scheme, under which savings accounts that have been inactive for 15 years, and where the account holder cannot be traced, are eligible to be transferred into a central reclaim fund. The central reclaim fund has the responsibility for retaining sufficient monies to meet the costs of future reclaims for any previously transferred dormant account balances, and to transfer any surplus to the Big Lottery Fund for the benefit of good causes which have a social or environmental purpose. On 29 November 2023, the Society made a transfer of £17,568,510 to Reclaim Fund Ltd, the administrators of the unclaimed assets scheme. This is higher than the previous transfer the Society made in November 2022 of £2,885,728, reflecting that a large number of accounts acquired in the Portman Building Society merger in 2007 reached 15 years of inactivity within the Society in 2022. The total contributions from inception to November 2023 are £102,577,333.

Creditor payment policy

The Group's policy is to agree the terms of payment with suppliers at the start of trading, ensure that suppliers are aware of the terms of payment, and pay in accordance with its contractual and other legal obligations. The Group's policy is to settle the supplier's invoice for the complete provision of goods and services (unless there is an express provision for stage payments), when in full conformity with the terms and conditions of the purchase, within the agreed payment terms. The Society's creditor days, calculated based on year-end creditor balances and total spend, were 5 days as at 4 April 2024 (2023: 7 days).

New activities

There were no new activities in which the Society or any of its subsidiaries engaged during the financial year of a different nature from those in which the Society previously engaged.

Research and development

In the ordinary course of business, the Society regularly develops new products and services.

Directors' responsibilities in respect of the preparation of the Annual Report and Accounts

The following statement, which should be read in conjunction with the Independent auditor's report on pages 221 to 234, is made by the directors to explain their responsibilities in relation to the preparation of the Annual Report and Accounts, the directors' emoluments disclosures within the Report of the directors on remuneration, the Annual business statement and the Directors' report.

The Group and Society financial statements included within the Annual Report and Accounts are prepared in accordance with international accounting standards in conformity with the requirements of the Building Societies Act 1986 and with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1988 (as amended) that are applicable. International accounting standards which have been adopted for use within the UK have also been applied in these financial statements. The Group financial statements are also prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

The Group financial statements are prepared in the European single electronic format in accordance with the requirements as set out in Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format.

A copy of the Annual Report and Accounts can be found on Nationwide Building Society's website at **nationwide.co.uk** (Results and accounts section). The directors are responsible for the maintenance and integrity of statutory and audited information on the website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Building Societies Act 1986 (the Act)

As required by regulations made under the Act, the directors have prepared an Annual Report and Accounts which gives a true and fair view of the income and expenditure of the Society and the Group for the financial year and of the state of the affairs of the Society and the Group as at the end of the financial year, and which provides details of directors' emoluments in accordance with Part VIII of the Act and regulations made under it. The Act states that the requirements under international accounting standards achieve a fair presentation.
In preparing the Annual Report and Accounts, the directors have:

- Selected appropriate accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable;
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepared the financial statements on the going concern basis.

In addition to the Annual Report and Accounts, as required by the Act, the directors have prepared an Annual business statement and a Directors' report, each containing prescribed information relating to the business of the Society and its connected undertakings.

UK Finance Code for Financial Reporting Disclosure

The Group has continued to adopt the UK Finance Code for Financial Reporting Disclosure and its Annual Report and Accounts 2024 has been prepared in compliance with its principles.

Going Concern

The Group's business activities and financial position, the factors likely to affect its future development and performance, its objectives and policies in managing the financial risks to which it is exposed, and its capital, funding and liquidity positions are set out in the Financial review and the Risk report.

The directors have assessed the Group's ability to continue as a going concern, with reference to current and anticipated market conditions including the current geopolitical environment. The Group's projections, stress testing and scenario analysis show that the Group will be able to operate at adequate levels of both liquidity and capital for the next 12 months. Furthermore, the Group's capital ratios and its total capital resources are comfortably in excess of Prudential Regulation Authority requirements.

The going concern assessment has considered the current Nationwide Group and the impact of the proposed acquisition of Virgin Money, which is expected to complete within the 12-month time horizon, albeit the acquisition is subject to regulatory approval.

The directors confirm they are satisfied that the Group has adequate resources to continue in business for a period of at least 12 months from the date of approval of the consolidated financial statements and that it is therefore appropriate to adopt the going concern basis in preparing these accounts.

Fair, balanced and understandable

The directors are satisfied that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for members and other stakeholders to assess the Group's position and performance, business model and strategy. Details of the governance procedures that have been embedded to support this can be found in the Audit Committee report.

Taskforce on Climate-related Financial Disclosures (TCFD)

The TCFD, established by the Financial Stability Board (FSB) in 2017, made recommendations designed to enable financial firms to produce clear, comprehensive, high-quality disclosures on the impacts of climate change. Further enhancements were made in 2021, through issuance of guidance on climate-related metrics, targets and transition plans. In 2023, the FSB asked the International Financial Reporting Standards (IFRS) Foundation to take over the monitoring of the progress of firms' climate-related disclosures. Nationwide publishes its TCFD-aligned Climate-related Financial Disclosures annually, alongside its preliminary results. Nationwide also provides summary information consistent with the TCFD recommendations in the Strategic report within its Annual Report and Accounts, aligned to the requirements of the Companies Act.

Enhanced Disclosure Task Force (EDTF)

The EDTF, established by the Financial Stability Board, published its report 'Enhancing the Risk Disclosures of Banks' in October 2012, with an update in November 2015 covering IFRS 9 expected credit losses. The Taskforce on Disclosures about Expected Credit Losses (DECL), jointly established by the Financial Conduct Authority, Financial Reporting Council and the Prudential Regulation Authority, published its third report in September 2022. EDTF and DECL recommendations are reflected in either the Group's Annual Report and Accounts or Pillar 3 Disclosures.

Directors' statement pursuant to the disclosure guidance and transparency rules

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the directors have included a fair review of the business and a description of the principal risks and uncertainties facing the Group. The directors confirm that, to the best of each director's knowledge and belief:

- The Chief Executive review and the Financial review contained in the Strategic report include a fair review of the development and performance of the business and the position of the Group and Society. In addition, the Strategic report contains a description of the principal risks and uncertainties.
- The financial statements, prepared in accordance with international accounting standards which have been adopted for use within the UK, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Society.

Directors' responsibilities in respect of accounting records and internal control

The directors are responsible for ensuring that the Society and its connected undertakings:

- Keep accounting records which disclose with reasonable accuracy the financial position of the Society and the Group and which enable them to ensure that the Annual Report and Accounts comply with the Building Societies Act 1986.
- Take reasonable care to establish, maintain, document and review such systems and controls as are appropriate to the Society.

The directors have general responsibility for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The auditors

A resolution to re-appoint Ernst & Young LLP as external auditor will be proposed at the Annual General Meeting.

Kevin Parry
Society Chairman
22 May 2024

Risk report

Risk report

Introduction

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

All business activities involve some degree of risk. Nationwide's risk management processes ensure the risks that arise from its activities are managed by:

- identifying risks through a robust assessment of principal risks and uncertainties facing Nationwide, including those that would threaten its business model, future performance, solvency or liquidity, or increase the potential for customer harm;
- effective decision making, ensuring the right risks are taken, in a way that is considered and supports the strategy, maintaining a reputation for high standards of business conduct;
- ensuring the risks taken are understood and controlled; and
- maintaining an appropriate balance between delivering customer value and remaining a prudent and responsible lender.

Managing risk

Enterprise Risk Management Framework (ERMF)

The Enterprise Risk Management Framework (ERMF) sets out the approach to risk management. The framework is based on eight principal risk categories, establishing risk appetite, and implementing risk management through the three lines of defence model. The ERMF is underpinned by processes, policies and standards that are specific to individual risk categories and focus on the responsibilities of key executives and risk practitioners. The outputs of the ERMF are governed through the Society's risk committee structure.

Nationwide's risk management and internal control system design has been enhanced to reflect changes to the internal and external risk profile, allowing tailored responses to be developed where further maturity or improvements are considered appropriate. To ensure the ERMF remains fit for purpose, the strengthening of the operational and conduct risk and control environment, including economic crime and anti-money laundering controls, will continue to be a focus in 2024.

The ERMF consists of the following core components: risk appetite, policies and controls, risk management, risk reporting, and enablers and governance. These ensure effective and consistent risk and control management is delivered across the risk areas.

Business strategy

The Board is accountable for setting the strategic direction for the Society. This sets the vision of where the Society is heading. Insights from our ongoing risk management and risk reporting help shape the strategy.

Risk appetite

Metrics describe the level of risk that is acceptable in pursuit of the strategy, and are supported by indicators which alert us if the level of risk in any part of the Society is becoming too high.

Policies and controls

Policies describe a set of objectives, activities and rules which cover the risks Nationwide faces. Controls are defined and implemented to ensure the rules are followed.

Risk management

The varied nature of the Society's activities creates different types of risk. Identifying, assessing, managing, monitoring and reporting these risks means we can stay within our defined appetite for risk.

Risk reporting

Regular reporting on our risks and controls ensures business areas, the Board and regulators are fully aware of our risk position. This enables better business decisions to be made.

Enablers and governance

To ensure the Enterprise Risk Management Framework works effectively and efficiently, a set of fundamental enablers and governance are in place, such as the three lines of defence model and risk committees.

The Enterprise Risk Management Framework

Three lines of defence

Risk management activities are structured along a three lines of defence model, tailored to reflect Nationwide's size, complexity and business model. Though everyone has a role to play in risk management, the overall responsibilities and accountabilities are outlined through the three lines of defence model.

First line: Risk and control ownership

Responsibilities
Designing and running business operations, owning, and operating most controls to manage the Society's risks and meet regulatory requirements.

Accountabilities

- Setting business objectives
- Defining risk appetite for Board approval
- Identifying, owning, and managing risks
- Defining, operating, and testing controls
- Identifying future threats and risks
- Implementing and maintaining regulatory compliance
- Adhering to the Society's minimum standards for risk management and associated policies
- Testing controls
- Conduct outcomes testing
- Control framework and reporting

Second line: Oversight, support, and challenge

Responsibilities
Overseeing, through support, challenge and the provision of advice, the effectiveness of risk management by the first line.

Accountabilities

- Providing expert risk advice on business initiatives
- Providing advice on the setting of risk appetite
- Reporting aggregate enterprise level risks to the Board
- Providing independent and risk-based assurance
- Interpreting regulatory change
- Setting the Society's minimum standards for risk management
- Identifying future threats and risks

Third line: Assurance

Responsibilities
Providing assurance to the Board on the effectiveness of the control environment.

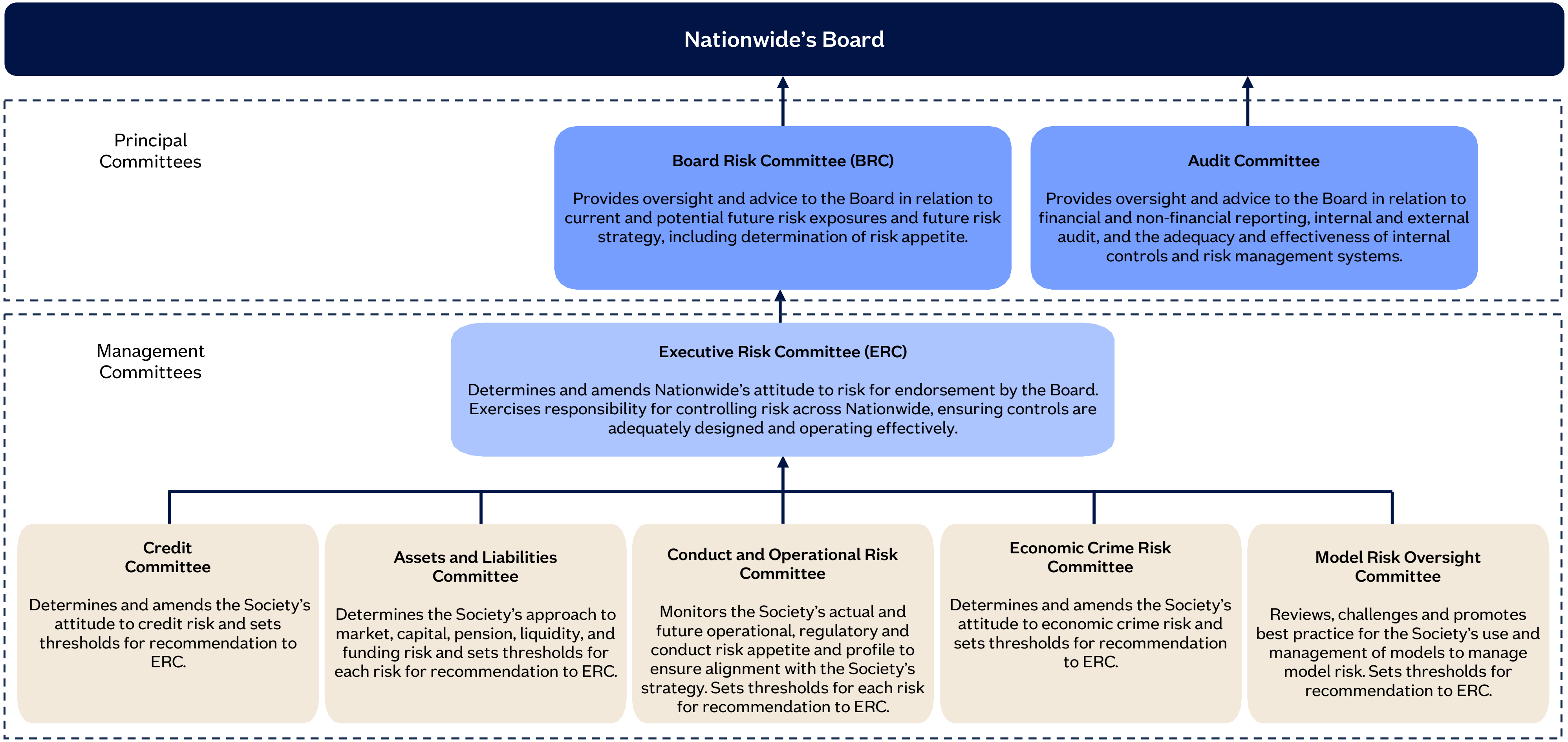
Accountabilities

- Performing independent audits of the effectiveness of first line risk management and control, and second line risk oversight, support and challenge
- Taking a risk-based approach to the programme of audit work
- Preparing an annual opinion of the risk management and controls framework across the Society to present to the Audit Committee

Risk committee structure

The Board is responsible for assessing the principal risks facing Nationwide. To achieve this, the Board approves Nationwide's risk appetite and metrics following consideration by the Board Risk Committee (BRC). The Board receives regular reports and assessments of Nationwide's risk and control processes and recommendations from BRC on matters spanning all risk categories, including the appropriate level of risk appetite. The Board has delegated responsibility to BRC for approval of the ERMF.

The BRC and Audit Committee provide oversight and advice to the Board. It is important that the correct committees review the relevant risk management information in a thorough and timely manner. Matters such as risk appetite breaches and associated actions are reported to the relevant management committee and, where appropriate, these are escalated to the Executive Risk Committee (ERC) chaired by the Chief Risk Officer. The ERC ensures a coordinated management approach across all risks and provides regular updates to the Board members on areas where it has challenged management and key decisions.



Principal risks and uncertainties

The principal risks set out in the table below are the key risks relevant to the Society's business model and achievement of its strategic objectives. Where under the control of Nationwide, these risks have a defined risk appetite consisting of statements supported by metrics, including rationale, limits, and triggers. The principal risks are further sub-divided into more detailed categories of risk, for which management risk appetite is set in the context of the Board's risk appetite. The relationship between principal risks and emerging risks is set out on pages 62 to 64.

Principal Risk	Definition	Risk Committee	Further Detail
Credit risk	The risk of loss as a result of a customer or counterparty failing to meet their financial obligations.	Credit Committee	Page 149
Liquidity and funding risk	Liquidity risk is the risk that Nationwide is unable to meet its liabilities as they fall due and maintain member and other stakeholder confidence. Funding risk is the risk that Nationwide is unable to maintain diverse funding sources in wholesale and retail markets and manage retail funding risk that can arise from excessive concentrations of higher risk deposits.	Assets and Liabilities Committee	Page 187
Capital risk	The risk that Nationwide fails to maintain sufficient capital to absorb losses throughout a full economic cycle and sufficient to maintain the confidence of current and prospective investors, members, the Board, and regulators.		Page 199
Market risk	The risk that the net value of, or net income arising from, the Group's assets and liabilities is impacted as a result of market price or rate changes. Nationwide does not have a trading book; therefore market risk only arises in the banking book.		Page 205
Pension risk	The risk that the value of the pension schemes' assets will be insufficient to meet the estimated liabilities, creating a pension deficit.		Page 212
Business risk	The risk that volumes decline, margins shrink, or losses increase relative to the cost or capital base, affecting the sustainability of the business and the ability to deliver the strategy due to external factors (macroeconomic, geopolitical, industry, regulatory or other external events) or internal factors (including the development and execution of the strategy).	Executive Risk Committee	Page 214
Operational and conduct risk	The risk of impacts resulting from inadequate or failed internal processes, conduct and compliance management, people and systems, or from external events.	Conduct and Operational Risk Committee Economic Crime Risk Committee	Page 215
Model risk	The risk of adverse consequences from model errors or the inappropriate use of modelled outputs. Model outputs may be affected by the quality of data inputs, choice and suitability of methodology and the integrity of implementation. The adverse consequences include financial loss, poor business or strategic decision making, or damage to Nationwide's reputation.	Model Risk Oversight Committee	Page 219

Credit risk – Overview

Credit risk is the risk of loss as a result of a customer or counterparty failing to meet their financial obligations. Credit risk encompasses:

- borrower/counterparty risk – the risk of loss arising from a borrower or counterparty failing to pay, or becoming increasingly likely not to pay the interest or principal on a loan, or on a financial product, or for a service, on time;
- security/collateral risk – the risk of loss arising from deteriorating security/collateral quality;
- concentration risk – the risk of loss arising from insufficient diversification of region, sector, counterparties or other significant factor; and
- refinance risk – the risk of loss arising when a repayment of a loan or other financial product occurs later than originally anticipated.

Nationwide manages credit risk for the following portfolios:

Portfolio	Definition
Residential mortgages	Loans secured on residential property
Consumer banking	Unsecured lending comprising current account overdrafts, personal loans and credit cards
Commercial lending	Loans to registered social landlords, Private Finance Initiative projects, and commercial real estate lending
Treasury	Treasury liquidity, derivatives and discretionary investment portfolios

Management of credit risk

Nationwide lends in a responsible, affordable and sustainable way to ensure safeguarding of customers and the financial strength of the Society 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 the Society's strategy, which is articulated as Board risk appetite statements and underlying principles:

Safeguarding our customers and counterparties by lending responsibly:

- Only lending to customers or counterparties who demonstrate that they can afford to borrow.
- Supporting customers buying mortgageable properties of wide-ranging types and qualities.
- Working with customers and counterparties to recover their financial position should there be a delay, or risk of delay, in meeting their financial obligations.

Safeguarding the Society's financial performance, strength and reputation:

- Managing asset quality so that losses through an economic cycle will not undermine profitability, financial strength and our standing with external stakeholders.
- Ensuring that no material segment of our lending exposes the Society to excessive loss.
- Proactively managing credit risk and complying with regulations.

Nationwide operates with a commitment to responsible lending and a focus on championing good conduct and fair outcomes. In this respect, the Society formulates appropriate credit criteria and policies which are aimed at mitigating risk from individual transactions and ensuring that the Society's credit risk exposure remains within risk appetite. Under a governed delegated mandate structure from the Board Risk Committee, the Credit Committee, individual Material Risk Takers and underwriters holding personal lending mandates make credit decisions, based on a thorough credit risk assessment, to ensure that customers and counterparties are able to meet their obligations.

Credit risk is managed within the risk appetite set by the Board. Performance against this appetite is measured across a range of metrics and is reported to Credit Committee on a monthly basis. Corrective action is taken when metrics move towards or beyond defined thresholds to ensure performance remains or returns to appetite within an appropriate timescale.

Nationwide is 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. Accounts in arrears, or where the borrower is in financial difficulty, are managed by specialist teams within Nationwide or referred to debt charities to ensure an optimal outcome for our customers and the Society.

Forbearance

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

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

Consistent with the European Banking Authority reporting definitions, loans are reported as forborne until they meet the regulatory forbearance exit criteria. The concession events used to classify balances subject to forbearance for residential mortgages, consumer banking and commercial lending are described in the relevant sections of this report.

Impairment provisions

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

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

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

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

Governance and oversight of impairment provisions

The models used in the calculation of impairment provisions are governed in accordance with the Society's Model Risk Framework as described in the Model risk section of this report. PD, EAD and LGD models are subject to regular monitoring and back testing and are reviewed annually. Where necessary, adjustments are approved for risks not captured in model outputs, for example where insufficient historic data exists. The economic scenarios used in the calculation of impairment provisions and associated probability weightings are proposed by our Chief Economist. Details of these economic assumptions and material adjustments are included in note 10 to the financial statements.

Governance and oversight of economic assumptions, weightings applied to economic scenarios and all key judgements relating to impairment provisions are through a formal monthly meeting including the Chief Financial Officer and Chief Credit Officer. Impairment provisions are regularly reported to the Audit Committee, which reviews and challenges the key judgements and estimates made by management.

Developments in the year

During the period the UK has seen interest rates remain elevated with a view to steadily reducing the rate of inflation towards the Bank of England's 2% target. The cost of borrowing has declined following an increase earlier in the financial year, which has slightly eased affordability pressures and prompted a partial recovery in the housing market; however, uncertainty remains due to the unclear future path of interest rates.

Residential mortgage arrears have increased from historically low levels, driven by elevated interest rates, but remain well below the industry average. Consumer banking arrears have similarly increased from a low base during the year but remain at historically low levels.

Nationwide has supported the Mortgage Charter initiatives introduced by the Government to mitigate the increase in mortgage costs for customers and provide help and support to those who are in financial difficulty. The first concessions under the charter expired in early 2024 and, to date, the number of customers requiring further support has been low.

Provisions have increased to £781 million (2023: £765 million) and include a modelled adjustment for economic uncertainty totalling £145 million (2023: £177 million). This modelled adjustment captures the affordability risks caused by recent inflation and increased mortgage interest rates, combined with adjustments to model inputs relating to improvements in borrower credit quality which are expected to reverse.

The Group has progressed the quantitative assessment of the credit risks resulting from climate change during the year; the Group's view is that the impact of climate change on modelled impairment provisions is not currently material. For further information, please see note 10 to the financial statements.

Outlook

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

Nationwide remains vigilant to the uncertainties within the geopolitical and economic landscape, assessing its impact on borrowers and the credit risks affecting our lending portfolios to ensure appropriate actions are taken to support our customers.

Maximum exposure to credit risk

Nationwide's maximum exposure to credit risk at 4 April 2024 was £283 billion (2023: £279 billion).

Credit risk largely arises from loans and advances to customers, which account for 80% (2023: 79%) of Nationwide's total credit risk exposure. Within this, the exposure relates primarily to residential mortgages, which account for 95% (2023: 95%) of total loans and advances to customers and comprise high-quality assets with historically low occurrences of arrears and repossessions.

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

Maximum exposure to credit risk

2024	Gross balances	Impairment provisions	Carrying value	Commitments (note i)	Maximum credit risk exposure	% of total credit risk exposure
(Audited)	£m	£m	£m	£m	£m	%
Amortised cost loans and advances to customers:						
Residential mortgages	204,427	(321)	204,106	11,526	215,632	76
Consumer banking	4,263	(436)	3,827	18	3,845	2
Commercial lending	5,139	(24)	5,115	1,795	6,910	2
Fair value adjustment for micro hedged risk (note ii)	350	-	350	-	350	-
	214,179	(781)	213,398	13,339	226,737	80
FVTPL loans and advances to customers:						
Residential mortgages (note iii)	40	-	40	-	40	-
Commercial lending	2	-	2	-	2	-
	42	-	42	-	42	-
Other items:						
Cash	23,817	-	23,817	-	23,817	9
Loans and advances to banks and similar institutions	2,478	-	2,478	-	2,478	1
Investment securities – FVOCI	26,522	-	26,522	-	26,522	9
Investment securities – Amortised cost	4	-	4	-	4	-
Investment securities – FVTPL	6	-	6	5	11	-
Derivative financial instruments	6,290	-	6,290	-	6,290	2
Fair value adjustment for portfolio hedged risk (note ii)	(3,330)	-	(3,330)	-	(3,330)	(1)
	55,787	-	55,787	5	55,792	20
Total	270,008	(781)	269,227	13,344	282,571	100

Maximum exposure to credit risk						
2023	Gross balances	Impairment provisions	Carrying value	Commitments (note i)	Maximum credit risk exposure	% of total credit risk exposure
(Audited)	£m	£m	£m	£m	£m	%
Amortised cost loans and advances to customers:						
Residential mortgages	201,615	(280)	201,335	8,952	210,287	75
Consumer banking	4,408	(469)	3,939	28	3,967	2
Commercial lending	4,994	(16)	4,978	1,353	6,331	2
Fair value adjustment for micro hedged risk (note ii)	430	-	430	-	430	-
	211,447	(765)	210,682	10,333	221,015	79
FVTPL loans and advances to customers:						
Residential mortgages (note iii)	47	-	47	-	47	-
Commercial lending	53	-	53	-	53	-
	100	-	100	-	100	-
Other items:						
Cash	25,635	-	25,635	-	25,635	9
Loans and advances to banks and similar institutions	2,860	-	2,860	-	2,860	1
Investment securities – FVOCI	27,562	-	27,562	-	27,562	10
Investment securities – Amortised cost	40	-	40	-	40	-
Investment securities – FVTPL	13	-	13	-	13	-
Derivative financial instruments	6,923	-	6,923	-	6,923	3
Fair value adjustment for portfolio hedged risk (note ii)	(5,011)	-	(5,011)	-	(5,011)	(2)
	58,022	-	58,022	-	58,022	21
Total	269,569	(765)	268,804	10,333	279,137	100

Notes:

i. In addition to the amounts shown above, Nationwide has 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.

ii. 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.

iii. FVTPL residential mortgages include equity release and shared equity loans.

Commitments

Irrevocable undrawn commitments to lend are within the scope of provision requirements. The commitments in the table above consist of overpayment reserves and separately identifiable irrevocable commitments for the pipeline of residential mortgages, personal loans, commercial loans and investment securities. These commitments are not recognised on the balance sheet; the associated provision of £0.3 million (2023: £0.2 million) is included within provisions for liabilities and charges.

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

Credit risk – Residential mortgages

Summary

Nationwide's residential mortgages comprise owner-occupied, buy to let and legacy loans. Owner-occupied residential mortgages are mainly Nationwide-branded advances made through intermediary channels and the branch network. Since 2008, all new buy to let mortgages have been originated under The Mortgage Works (UK) plc (TMW) brand. Legacy mortgages are smaller owner-occupied portfolios in run-off.

Residential mortgage arrears have seen gradual increases, with the proportion of cases more than 3 months in arrears increasing to 0.41% (2023: 0.32%), as inflation and rising interest rates have placed greater pressure on household finances.

Mortgage lending has been robust during the year, with residential mortgage balances increasing to £204.5 billion (2023: £201.7 billion), maintaining our market share of mortgage balances.

Residential mortgage gross balances

	2024		2023	
(Audited)	**£m**	**%**	£m	%
Owner-occupied	**160,941**	**79**	157,511	78
Buy to let and legacy:				
Buy to let (note i)	**42,321**	**21**	42,704	21
Legacy (note ii)	**1,165**	**-**	1,400	1
	43,486	**21**	44,104	22
Amortised cost loans and advances to customers	**204,427**	**100**	201,615	100
FVTPL loans and advances to customers	**40**		47	
Total residential mortgages	**204,467**		201,662	

Notes:
i. Buy to let mortgages include £41,577 million (2023: £41,805 million) originated under the TMW brand, with other brands now closed to new originations.
ii. Legacy includes self-certified, near prime and sub-prime owner-occupied lending, all of which were discontinued in 2009.

Impairment charge and write-offs for the year		
	2024	2023
(Audited)	**£m**	£m
Owner-occupied	**7**	11
Buy to let and legacy	**37**	83
Total impairment charge	**44**	94
	%	%
Impairment charge as a % of average gross balance	**0.02**	0.05
	£m	£m
Gross write-offs	**8**	5

Balance sheet provisions have increased to £321 million (2023: £280 million). This includes a modelled adjustment totalling £72 million (2023: £77 million) to reflect an increase to the PD to account for ongoing economic uncertainty, including the risks related to higher interest rates. Further information is included in note 10. The impairment charge of £44 million (2023: £94 million) is lower than the prior year due to a larger increase in balance sheet provisions during 2023, driven by affordability risks recognised in relation to rising inflation and higher interest rates.

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

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

Residential mortgages staging analysis								
2023	Stage 1	Stage 2 total	Stage 2 Up to date	Stage 2 1 – 30 DPD (note i)	Stage 2 >30 DPD (note i)	Stage 3	POCI (note ii)	Total
(Audited)	£m	£m	£m	£m	£m	£m	£m	£m
Gross balances								
Owner-occupied	138,670	18,200	17,134	811	255	641	-	157,511
Buy to let and legacy	26,211	17,345	16,875	294	176	425	123	44,104
Total	164,881	35,545	34,009	1,105	431	1,066	123	201,615
Provisions								
Owner-occupied	10	48	39	5	4	26	-	84
Buy to let and legacy	13	143	127	8	8	41	(1)	196
Total	23	191	166	13	12	67	(1)	280
Provisions as a % of total balance	%	%	%	%	%	%	%	%
Owner-occupied	0.01	0.26	0.23	0.60	1.51	4.04	-	0.05
Buy to let and legacy	0.05	0.83	0.75	2.85	4.70	9.76	-	0.44
Total	0.01	0.54	0.49	1.20	2.81	6.30	-	0.14

Notes:
i. Days past due (DPD) is a measure of arrears status.
ii. POCI loans are those which were credit impaired on purchase or acquisition. The POCI loans shown in the table above were recognised on the balance sheet when the Derbyshire Building Society was acquired in December 2008. These balances, which are mainly interest-only, were 90 days or more in arrears when they were acquired and so have been classified as credit impaired on acquisition. The gross balance for POCI is shown net of the lifetime ECL on transition to IFRS 9 of £5 million (2023: £5 million).

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

Stage 2 balances total £35.6 billion (2023: £35.5 billion), which includes £12.8 billion (2023: £16.6 billion) of balances where the PD has been uplifted to recognise the increased risk of default in a period of economic uncertainty. Owner-occupied stage 2 balances have reduced as a result of updates to the PD uplift for economic uncertainty adjustment. Buy to let and legacy stage 2 balances have increased during the year as the portfolio is more sensitive to changes in interest rates.

Credit performance continues to be strong. Stage 3 loans in the residential mortgage portfolio equate to 0.6% (2023: 0.5%) of the total residential mortgage exposure. Of the total £1,233 million (2023: £1,066 million) stage 3 loans, £800 million (2023: £562 million) is in respect of loans which are more than 90 days past due, with the remainder being impaired due to other indicators of unlikeliness to pay such as forbearance. For loans subject to forbearance, accounts are transferred from stage 3 to stages 1 or 2 only after being up to date and meeting contractual obligations for a period of 12 months; £164 million (2023: £179 million) of the stage 3 balances in forbearance are in this probation period.

The table below summarises the movements in, and stage allocations of, the Group's residential mortgages held at amortised cost, including the impact of ECL impairment provisions. The movements within the table compare the position at 4 April 2024 to that at the start of the reporting period.

Reconciliation of net movements in residential mortgage balances and impairment provisions (note i)

	Non-credit impaired				Credit impaired (note ii)			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Stage 1		Stage 2		Stage 3 and POCI			
	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
(Audited)	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2023	164,881	23	35,545	191	1,189	66	201,615	280
Stage transfers:								
Transfers from stage 1 to stage 2	(15,657)	1	15,657	(1)	-	-	-	-
Transfers to stage 3	(143)	-	(500)	(10)	643	10	-	-
Transfers from stage 2 to stage 1	12,782	31	(12,782)	(31)	-	-	-	-
Transfers from stage 3	69	-	160	5	(229)	(5)	-	-
Net remeasurement of ECL arising from transfer of stage	-	(29)	-	54	-	33	-	58
Net movement arising from transfer of stage	(2,949)	3	2,535	17	414	38	-	58
New assets originated or purchased (note iii)	23,728	3	1,196	11	3	1	24,927	15
Net impact of further lending and repayments	(7,134)	(1)	(625)	(2)	(2)	2	(7,761)	(1)
Changes in risk parameters in relation to credit quality	-	(4)	-	(6)	-	14	-	4
Other items impacting income statement (including recoveries)	-	-	-	-	-	(5)	-	(5)
Redemptions	(11,031)	(2)	(3,065)	(14)	(233)	(11)	(14,329)	(27)
Income statement charge for the year								44
Decrease due to write-offs	-	-	-	-	(25)	(8)	(25)	(8)
Other provision movements	-	-	-	-	-	5	-	5
At 4 April 2024	167,495	22	35,586	197	1,346	102	204,427	321
Net carrying amount		167,473		35,389		1,244		204,106

Notes:
i. The basis of preparation for this table has been updated. Previously, the table was presented on a gross basis, with the reported values representing an aggregation of monthly movements over the period. To present more directly the change in credit quality compared to the previous reporting period, the table is now prepared on a net basis.
ii. Gross balances of credit impaired loans include £113 million (2023: £123 million) of POCI loans, which are presented net of lifetime ECL on transition to IFRS 9 of £5 million (2023: £5 million).
iii. If a new asset is originated in the period, the values included are the closing gross balance and provision for the period. The stage in which the addition is shown reflects the stage of the account at the end of the period.

Further information on movements in total gross loans and advances to customers and impairment provisions, including the methodology applied in preparing the table, is included in note 14.

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

Reason for residential mortgages being reported in stage 2 (note i)									
2023	Owner-occupied			Buy to let and legacy			Total		
	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance
	£m	£m	%	£m	£m	%	£m	£m	%
Quantitative criteria:									
Payment status (greater than 30 DPD)	255	4	1.51	176	8	4.70	431	12	2.81
Increase in PD since origination (less than 30 DPD)	17,769	44	0.25	15,952	105	0.66	33,721	149	0.44
Qualitative criteria:									
Forbearance (less than 30 DPD)	137	-	0.17	5	-	0.21	142	-	0.02
Interest only – significant risk of inability to refinance at maturity (less than 30 DPD)	-	-	-	1,203	30	2.46	1,203	30	2.46
Other qualitative criteria	39	-	0.02	9	-	1.12	48	-	0.23
Total stage 2 gross balances	18,200	48	0.26	17,345	143	0.83	35,545	191	0.54

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

Loans which are reported within stage 2 are those which have experienced a significant increase in credit risk since origination, determined through both quantitative and qualitative indicators, as shown in the table below.

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

At 4 April 2024, stage 2 balances were £35.6 billion (2023: £35.5 billion). Of these, only 1% (2023: 1%) are in arrears by 30 days or more, with the majority of balances in stage 2 due to an increase in PD since origination. This category includes £12.8 billion (2023: £16.6 billion) of loans where the PD has been uplifted to recognise the increased risk of default in a period of economic uncertainty. The impact of this uplift in PD has resulted in these loans breaching existing quantitative PD thresholds.

Stage 2 loans include all loans greater than 30 days past due (DPD), including those where the original reason for being classified as stage 2 was other than arrears greater than 30 DPD. The total value of loans in stage 2 due solely to payment status is less than 0.1% (2023: <0.1%) of total stage 2 balances.

Credit quality

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

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

Loan balance and provisions by PD									
2023	Gross balances (note i)				Provisions				
(Audited)	Stage 1	Stage 2	Stage 3 and POCI	Total	Stage 1	Stage 2	Stage 3 and POCI	Total	Provision coverage
12-month IFRS 9 PD Range	£m	£m	£m	£m	£m	£m	£m	£m	%
0.00 to < 0.15%	126,387	5,620	48	132,055	4	19	-	23	0.02
0.15 to < 0.25%	20,845	5,133	17	25,995	9	19	-	28	0.11
0.25 to < 0.50%	12,556	6,566	29	19,151	5	26	-	31	0.16
0.50 to < 0.75%	3,020	3,981	19	7,020	1	16	-	17	0.24
0.75 to < 2.50%	1,937	8,180	62	10,179	2	39	-	41	0.40
2.50 to < 10.00%	120	3,663	77	3,860	1	31	1	33	0.86
10.00 to < 100%	16	2,402	141	2,559	1	41	4	46	1.76
100% (default)	-	-	796	796	-	-	61	61	7.61
Total	164,881	35,545	1,189	201,615	23	191	66	280	0.14

Note:
i. Includes POCI loans of £113 million (2023: £123 million).

At 4 April 2024, 94% (2023: 96%) of the portfolio had a 12-month IFRS 9 PD of less than 2.5%, reflecting the high quality of the residential mortgage portfolio.

Distribution of new business by borrower type (by value)

Distribution of new business by borrower type (by value) (note i)		
	2024	2023
	%	%
Owner-occupied:		
First time buyers	**31**	29
Home movers	**28**	29
Remortgages	**28**	24
Other	**1**	1
Total owner-occupied	**88**	83
Buy to let:		
Buy to let new purchases	**5**	7
Buy to let remortgages	**7**	10
Total buy to let	**12**	17
Total new business	**100**	100

Note:
i. All new business measures exclude further advances and product switches.

The proportion of new owner-occupied lending increased to 88% (2023: 83%), with the proportion of buy to let lending reducing to 12% (2023: 17%). This is due to the volume of both house purchases and remortgages reducing in the buy to let market due to increased interest rates, which have adversely affected landlord sentiment.

LTV and credit risk concentration

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

LTV distribution of new business (by value) (note i)	2024	2023
	%	%
0% to 60%	**28**	28
60% to 75%	**29**	35
75% to 80%	**9**	9
80% to 85%	**13**	13
85% to 90%	**16**	12
90% to 95%	**5**	3
Over 95%	**-**	-
Total	**100**	100

Average LTV of new business (by value) (note i)	2024	2023
	%	%
Owner-occupied	**71**	70
Buy to let	**62**	66
Group	**70**	69

Average LTV of loan stock (by value) (note ii)	2024	2023
	%	%
Owner-occupied	**55**	54
Buy to let and legacy	**56**	56
Group	**55**	55

Notes:

i. The LTV of new business excludes further advances and product switches.

ii. The average LTV of loan stock includes both amortised cost and FVTPL balances. There have been no new FVTPL advances during the year.

The Nationwide House Price Index has shown a 1.6% year on year increase in house prices, resulting in limited movements in the average LTV of loan stock. Owner-occupied new lending average LTV has increased modestly to 71% (2023: 70%) due to support for the first time buyer segment. Buy to let new lending average LTV has reduced to 62% (2023: 66%) due to increased interest rates reducing available loan amounts.

Residential mortgage balances by LTV and region

Geographical concentration by stage

The following table shows residential mortgages, excluding FVTPL balances, by LTV and region across stages 1 and 2 (non credit impaired) and stage 3 and POCI (credit impaired). The LTV is calculated using the latest indexed valuation based on the Nationwide House Price Index.

Residential mortgage gross balances by LTV and region										
2024	**Greater London**	**Central England**	**Northern England**	**South East England**	**South West England**	**Scotland**	**Wales**	**Northern Ireland**	**Total**	**Provision Coverage**
(Audited)	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**
Stage 1 and 2 loans										
Fully collateralised										
LTV ratio:										
Up to 50%	24,865	14,422	11,819	9,016	7,515	4,186	2,543	1,100	75,466	0.05
50% to 60%	11,941	7,343	6,440	4,474	3,750	2,240	1,326	446	37,960	0.10
60% to 70%	13,155	7,641	6,753	5,025	3,985	2,469	1,226	457	40,711	0.12
70% to 80%	10,501	5,050	4,409	3,330	2,466	1,615	832	324	28,527	0.16
80% to 90%	4,424	2,915	2,835	1,867	1,350	1,048	592	219	15,250	0.15
90% to 100%	1,152	1,164	502	990	744	238	207	70	5,067	0.21
	66,038	38,535	32,758	24,702	19,810	11,796	6,726	2,616	202,981	0.10
Not fully collateralised										
Over 100% LTV	5	14	8	14	21	23	1	14	100	14.81
Collateral value	4	13	7	14	20	19	1	13	91	
Negative equity	1	1	1	-	1	4	-	1	9	
Total stage 1 and 2 loans	66,043	38,549	32,766	24,716	19,831	11,819	6,727	2,630	203,081	0.11
Stage 3 and POCI loans										
Fully collateralised										
LTV ratio:										
Up to 50%	256	102	80	64	49	21	20	10	602	3.52
50% to 60%	88	59	54	35	29	13	12	3	293	5.86
60% to 70%	59	39	54	24	19	14	10	5	224	8.56
70% to 80%	43	19	34	12	8	10	3	6	135	10.73
80% to 90%	11	6	17	4	2	4	1	4	49	27.03
90% to 100%	3	3	4	1	3	1	-	4	19	22.15
	460	228	243	140	110	63	46	32	1,322	6.78
Not fully collateralised										
Over 100% LTV	3	3	7	1	1	3	-	6	24	51.79
Collateral value	3	2	6	1	1	2	-	5	20	
Negative equity	-	1	1	-	-	1	-	1	4	
Total stage 3 and POCI loans	463	231	250	141	111	66	46	38	1,346	7.58
Total residential mortgages	66,506	38,780	33,016	24,857	19,942	11,885	6,773	2,668	204,427	0.16
Total geographical concentrations	33%	19%	16%	12%	10%	6%	3%	1%	100%	

Residential mortgage gross balances by LTV and region 2023 *(Audited)*	Greater London £m	Central England £m	Northern England £m	South East England £m	South West England £m	Scotland £m	Wales £m	Northern Ireland £m	Total £m	Provision Coverage %
Stage 1 and 2 loans										
Fully collateralised										
LTV ratio:										
Up to 50%	25,295	14,722	11,214	9,433	7,969	3,944	2,512	1,074	76,163	0.03
50% to 60%	11,743	7,396	6,162	4,572	3,882	2,127	1,338	421	37,641	0.08
60% to 70%	12,937	7,878	6,956	5,108	4,142	2,478	1,299	504	41,302	0.13
70% to 80%	11,411	4,977	4,601	3,406	2,239	1,875	791	345	29,645	0.21
80% to 90%	3,704	2,072	2,132	1,368	952	766	418	206	11,618	0.18
90% to 100%	866	718	817	551	351	330	175	86	3,894	0.26
	65,956	37,763	31,882	24,438	19,535	11,520	6,533	2,636	200,263	0.10
Not fully collateralised										
Over 100% LTV	7	23	21	20	21	36	5	30	163	6.90
Collateral value	6	22	20	20	20	32	5	28	153	
Negative equity	1	1	1	-	1	4	-	2	10	
Total stage 1 and 2 loans	65,963	37,786	31,903	24,458	19,556	11,556	6,538	2,666	200,426	0.11
Stage 3 and POCI loans										
Fully collateralised										
LTV ratio:										
Up to 50%	225	99	77	59	50	24	18	11	563	1.95
50% to 60%	82	51	48	29	25	12	11	3	261	3.30
60% to 70%	48	36	46	18	15	12	7	5	187	5.47
70% to 80%	29	18	29	12	4	11	3	4	110	11.53
80% to 90%	9	3	12	2	1	5	1	3	36	22.39
90% to 100%	3	1	5	-	1	1	-	3	14	31.00
	396	208	217	120	96	65	40	29	1,171	4.67
Not fully collateralised										
Over 100% LTV	1	1	5	1	-	2	-	8	18	71.68
Collateral value	1	1	3	1	-	2	-	7	15	
Negative equity	-	-	2	-	-	-	-	1	3	
Total stage 3 and POCI loans	397	209	222	121	96	67	40	37	1,189	5.53
Total residential mortgages	66,360	37,995	32,125	24,579	19,652	11,623	6,578	2,703	201,615	0.14
Total geographical concentrations	33%	19%	16%	12%	10%	6%	3%	1%	100%	

Over the year, the geographical distribution of residential mortgages across the UK has remained stable. The highest concentration for both the owner-occupied and buy to let and legacy portfolios is in Greater London, with proportions broadly stable at 29% and 45% (2023: 29% and 46%) respectively.

In addition to balances held at amortised cost shown in the table above, £40 million (2023: £47 million) of residential mortgages are held at FVTPL. These have an average LTV of 34% (2023: 35%). The largest geographical concentration within the FVTPL balances is also in Greater London, at 63% (2023: 61%) of total FVTPL balances.

Arrears and possessions

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

Number of cases more than 3 months in arrears as % of total book (note i)

	2024	2023
	%	%
Owner-occupied	**0.36**	0.29
Buy to let and legacy	**0.60**	0.44
Total	**0.41**	0.32
UK Finance (UKF) industry average	**0.94**	0.72

Notes:

i. 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.

Number of properties in possession as % of total book

	2024		2023	
	Number of properties	**%**	Number of properties	%
Owner-occupied	**137**	**0.01**	117	0.01
Buy to let and legacy	**232**	**0.07**	129	0.04
Total	**369**	**0.02**	246	0.02
UKF industry average		**0.03**		0.02

The proportion of cases more than 3 months in arrears across all residential lending has increased during the year to 0.41% (2023: 0.32%) as a result of the rising cost of living, including higher mortgage payments, but remains low relative to the industry average. The performance of the open buy to let book originated under the TMW brand remains strong, with 0.23% (2023: 0.15%) of cases more than 3 months in arrears.

The number of properties in possession has increased to 369 (2023: 246), reflective of increased arrears volumes over 2023. The possession of a borrower’s property is only undertaken where all reasonable attempts to resolve the situation have been unsuccessful.

Residential mortgages by payment status

The following table shows the payment status of all residential mortgages.

Residential mortgages gross balances by payment status								
	2024				2023			
	Owner-occupied	**Buy to let and legacy**	**Total**		Owner-occupied	Buy to let and legacy	Total	
(Audited)	**£m**	**£m**	**£m**	**%**	£m	£m	£m	%
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 balance of cases past due by more than 3 months has increased to £850 million (2023: £600 million) reflecting economic conditions, including rising interest rates. Increases remain well below the levels expected in our provisioning calculations.

As at 4 April 2024, the mortgage portfolios include 1,634 (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 (2023: £147 million), and the total value of arrears was £35 million (2023: £26 million).

Interest only mortgages

At 4 April 2024, interest only balances of £6,240 million (2023: £6,812 million) account for 4% (2023: 4%) of the owner-occupied residential mortgage portfolio. Nationwide re-entered the owner-occupied market for interest only lending under a newly established credit policy in April 2020; however, 78% of current interest only mortgage balances relate to historical accounts which were originally advanced as interest only mortgages or where a subsequent change in terms to an interest only basis was agreed. Maturities on interest only mortgages are managed closely, with regular engagement with borrowers to ensure the loan is redeemed or to agree a strategy for repayment.

Of the buy to let and legacy portfolio, £39,619 million (2023: £40,126 million) relates to interest only balances, representing 91% (2023: 91%) of balances. Buy to let remains open to new interest only lending under standard terms.

There is a risk that a proportion of interest only mortgages will not be redeemed at their contractual maturity date, because a borrower does not have a means of capital repayment or has been unable to refinance the loan. Interest only loans which are judged to have a significantly increased risk of inability to refinance at maturity are transferred to stage 2. The ability of a borrower to refinance is calculated using current lending criteria which consider LTV and affordability assessments. The impact of recognising this risk is to increase provisions by £35 million (2023: £45 million).

Interest only mortgages (gross balance) – term to maturity (note i)

	Term expired (still open)	Due within one year	Due after one year and before two years	Due after two years and before five years	Due after more than five years	Total	% of book
2024	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**
Owner-occupied	**69**	**187**	**223**	**981**	**4,780**	**6,240**	**3.9**
Buy to let and legacy	**174**	**191**	**356**	**1,679**	**37,219**	**39,619**	**91.1**
Total	**243**	**378**	**579**	**2,660**	**41,999**	**45,859**	**22.4**
2023	£m	£m	£m	£m	£m	£m	%
Owner-occupied	69	209	261	1,023	5,250	6,812	4.3
Buy to let and legacy	190	195	269	1,729	37,743	40,126	91.0
Total	259	404	530	2,752	42,993	46,938	23.3

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

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

Forbearance

Nationwide is committed to supporting borrowers facing financial difficulty by working with them to find a solution through proactive arrears management and forbearance. The Group applies the European Banking Authority (EBA) definition of forbearance.

The following concession events are included within the forbearance reporting for residential mortgages:

Past term interest only concessions

Nationwide works with borrowers who are unable to repay the capital at term expiry of their interest only mortgage. Where a borrower is unable to renegotiate the facility within six months of maturity, but no legal enforcement is pursued, the account is considered forborne. Should another concession event such as a term extension occur within the six month period, this is also classed as forbearance.

Interest only concessions

Where a temporary interest only concession is granted the loans do not accrue arrears for the period of the concession and these loans are categorised as impaired.

Capitalisation

When a borrower emerges from financial difficulty, provided they have made at least six full monthly instalments, they are offered the option to capitalise arrears. This results in the account being repaired and the loans are categorised as not impaired provided contractual repayments are maintained.

Capitalisation following notification of death of a borrower

On notification of death, a 12-month capitalisation concession is offered to allow time for the estate to redeem the account. The loan does not accrue arrears for the period of the concession although interest will continue to be added. Accounts subject to this concession will be classed as forborne if the full contractual payment is not received.

Term extensions (within term)

Customers in financial difficulty may be allowed to extend the term of their mortgage. On a capital repayment mortgage this will reduce their monthly commitment; interest only borrowers will benefit by having a longer period to repay the capital at maturity.

Permanent interest only conversions

In the past, some borrowers in financial difficulty were granted a permanent interest only conversion, normally reducing their monthly commitment. This facility was withdrawn in March 2012; it remains available for buy to let lending in line with Nationwide's new business credit policy.

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

Gross balances subject to forbearance (note i)						
	2024			2023		
	Owner-occupied	**Buy to let and legacy**	**Total**	Owner-occupied	Buy to let and legacy	Total
	£m	**£m**	**£m**	£m	£m	£m
Past term interest only (note ii)	**97**	**140**	**237**	101	149	250
Interest only concessions	**360**	**20**	**380**	503	25	528
Capitalisation	**76**	**17**	**93**	85	22	107
Capitalisation following notification of death of borrower	**79**	**118**	**197**	75	105	180
Term extensions (within term)	**48**	**13**	**61**	41	18	59
Permanent interest only conversions	**1**	**31**	**32**	1	29	30
Total forbearance (note iii)	**661**	**339**	**1,000**	806	348	1,154
Of which stage 2	**206**	**66**	**272**	289	74	363
Of which stage 3	**320**	**263**	**583**	383	253	636
	%	**%**	**%**	%	%	%
Total forbearance as a % of total gross balances	**0.4**	**0.8**	**0.5**	0.5	0.8	0.6
	£m	**£m**	**£m**	£m	£m	£m
Impairment provisions on forborne loans	**15**	**29**	**44**	11	20	31

Notes:
i. Where more than one concession event has occurred, balances are reported under the latest event.
ii. Includes interest only mortgages where a customer is unable to renegotiate the facility within six months of maturity and no legal enforcement is pursued. Should a concession event such as a term extension occur within the six-month period, this will also be classed as forbearance.
iii. For loans subject to concession events, accounts are transferred back to stage 1 or 2 only after being up to date and meeting contractual obligations for a period of 12 months.

As part of our ongoing commitment to support our borrowers facing financial difficulty, Nationwide has signed up to HM Government's Mortgage Charter. This offers borrowers who are up to date on their mortgage payments the option to switch to interest only payments for a six-month period. As at 31 March 2024, £1,384 million of outstanding balances have a live concession. £45 million of these balances are included in the table above, as they were in a forbearance probation period when the option was taken up. The remainder are not classified as forborne.

As a result of this new option available to borrowers, total balances subject to forbearance have reduced to £1,000 million (2023: £1,154 million), largely due to a reduction in non-Mortgage Charter interest only concessions.

The average LTV for forborne accounts is 47% (2023: 47%). In addition to the amortised cost balances above, £3 million (2023: £4 million) of FVTPL balances are also forborne.

Credit risk – Consumer banking

Summary

The consumer banking portfolio comprises balances on unsecured retail banking products: overdrawn current accounts, personal loans and credit cards. Over the year, total balances have reduced to £4,263 million (2023: £4,408 million), driven by reduced new business and repayments of the existing personal loan book.

Arrears levels have remained low during the year. Excluding charged off accounts, balances more than 3 months in arrears represent 1.36% (2023: 1.21%) of the portfolio. During the year there has also been an increase in early arrears, which the Group will continue to monitor. Arrears levels are expected to increase over the short to medium term due to continued high interest rates and ongoing household affordability pressures.

Consumer banking gross balances				
	2024		2023	
(Audited)	**£m**	**%**	£m	%
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

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

Impairment charge/(release) and write-offs for the year		
	2024	2023
(Audited)	**£m**	£m
Overdrawn current accounts	**15**	9
Personal loans	**37**	28
Credit cards	**(1)**	(6)
Total impairment charge	**51**	31
	%	%
Impairment charge as a % of average gross balance	**1.17**	0.68
	£m	£m
Overdrawn current accounts	**14**	15
Personal loans	**45**	47
Credit cards	**30**	35
Total gross write-offs	**89**	97

Balance sheet provisions reduced in the year to £436 million (2023: £469 million), primarily due to write offs of £89 million, offset by impairment charges recognised of £51 million (2023: £31 million). Provisions include a modelled adjustment totalling £73 million (2023: £100 million) to reflect ongoing economic uncertainty, including the risks related to borrower affordability. This adjustment has reduced during the year by £27 million (2023: £46 million) due to a combination of wage growth and a lower rate of inflation.

The impairment charge of £51 million (2023: £31 million) is higher than the prior year, reflecting the smaller release of modelled adjustments in the current year as compared to the prior year. Further information is included in note 10 to the financial statements.

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

	2024				2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
(Audited)	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
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	**%**	**%**	**%**	**%**	%	%	%	%
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

Stage 2 balances total £1,450 million (2023: £1,745 million), which includes £473 million (2023: £585 million) of balances where the PD has been uplifted to recognise the increased risk of default in a period of economic uncertainty. The reduction in balances impacted by this PD uplift, combined with an update to the credit card PD model, has driven the reduction in stage 2 balances.

Credit performance continues to be strong, with the proportion of total balances in stage 3 decreasing 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 and thus moved to stage 3, returning to stage 1 or 2 after reaching 12 months from when the 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.

The table below summarises the movements in, and stage allocations of, the Group's consumer banking balances held at amortised cost, including the impact of ECL impairment provisions. The movements within the table compare the position at 4 April 2024 to that at the start of the reporting period.

Reconciliation of net movements in consumer banking balances and impairment provisions (note i)

	Non-credit impaired				Credit impaired			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Stage 1		Stage 2		Stage 3			
	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
(Audited)	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2023	2,383	25	1,745	211	280	233	4,408	469
Stage transfers:								
Transfers from stage 1 to stage 2	(270)	(4)	270	4	-	-	-	-
Transfers to stage 3	(17)	(1)	(64)	(22)	81	23	-	-
Transfers from stage 2 to stage 1	648	69	(648)	(69)	-	-	-	-
Transfers from stage 3	7	1	16	5	(23)	(6)	-	-
Net remeasurement of ECL arising from transfer of stage	-	(53)	-	47	-	42	-	36
Net movement arising from transfer of stage	368	12	(426)	(35)	58	59	-	36
New assets originated or purchased (note ii)	644	8	445	28	9	6	1,098	42
Net impact of further lending and repayments	(469)	(13)	(110)	(23)	(4)	-	(583)	(36)
Changes in risk parameters in relation to credit quality	-	2	-	6	-	14	-	22
Other items impacting income statement (including recoveries)	-	-	-	-	-	(5)	-	(5)
Redemptions	(366)	(3)	(204)	(5)	(1)	-	(571)	(8)
Income statement charge for the year								51
Decrease due to write-offs	-	-	-	-	(89)	(89)	(89)	(89)
Other provision movements	-	-	-	-	-	5	-	5
At 4 April 2024	2,560	31	1,450	182	253	223	4,263	436
Net carrying amount		2,529		1,268		30		3,827

Notes:
i. The basis of preparation for this table has been updated. Previously, the table was presented on a gross basis, with the reported values representing an aggregation of monthly movements over the year. To present more directly the change in credit quality compared to the previous reporting period, the table is now prepared on a net basis.
ii. If a new asset is originated in the period, the values included are the closing gross balance and provision for the period. The stage in which the addition is shown reflects the stage of the account at the end of the period.

Further information on movements in total gross loans and advances to customers and impairment provisions, including the methodology applied in preparing the table, is included in note 14.

Reason for consumer banking balances being reported in stage 2 (note i)

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

Reason for consumer banking balances being reported in stage 2 (note i)

2023	Overdrawn current accounts			Personal loans			Credit cards			Total		
	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance
	£m	£m	%	£m	£m	%	£m	£m	%	£m	£m	%
Quantitative criteria:												
Payment status (greater than 30 DPD) (note ii)	2	2	98	11	6	52	4	4	84	17	12	65
Increase in PD since origination (less than 30 DPD)	81	18	22	1,049	48	5	576	130	23	1,706	196	12
Qualitative criteria:												
Forbearance (less than 30 DPD) (note iii)	-	-	17	1	-	10	-	-	19	1	-	13
Other qualitative criteria (less than 30 DPD)	8	1	10	2	-	4	11	2	18	21	3	13
Total stage 2 gross balances	91	21	23	1,063	54	5	591	136	23	1,745	211	12

Notes:

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

ii. This category includes all loans greater than 30 DPD, including those whose original reason for being classified as stage 2 was not arrears greater than 30 DPD.

iii. Stage 2 forbearance relates to cases where full repayment of principal and interest is still anticipated.

Balances reported within stage 2 represent loans which have experienced a significant increase in credit risk since origination. The significant increase is determined through both quantitative and qualitative indicators. Of the £1,450 million (2023: £1,745 million) stage 2 balances, only 1% (2023: 1%) are in arrears by 30 days or more, with the majority of balances in stage 2 due to an increase in PD since origination. This category includes £473 million (2023: £585 million) of loans where the PD has been uplifted to recognise the increased risk of default in a period of economic uncertainty. The impact of this uplift in PD has resulted in these loans breaching existing quantitative PD thresholds.

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

Criteria	Detail
Quantitative	The primary quantitative indicators are the outputs of internal credit risk assessments. For consumer banking exposures, PDs are derived using models, which use external information such as that from credit reference agencies, as well as internal information such as known instances of arrears or other financial difficulty. Current and historical data relating to the exposure are combined with forward-looking macroeconomic information to determine the likelihood of default. 12-month and lifetime PDs are calculated for each loan. The 12-month and lifetime PDs are compared to pre-determined benchmarks at each reporting date to ascertain whether a relative or absolute increase in credit risk has occurred. The indicators for a significant increase in credit risk are: • Absolute measures: - The 12-month PD exceeds the 12-month PD threshold that is indicative, at the assessment date, of an account being in arrears. - The residual lifetime PD exceeds the residual lifetime PD threshold, set at inception, which represents the maximum credit risk that would have been accepted at that point. • Relative measure: - The residual lifetime PD has increased by at least 75 basis points and has at least doubled.
Qualitative	Qualitative criteria include both forbearance events and, within the credit card portfolio, recognition of the risk related to borrowers in persistent debt.
Backstop	In addition to the primary criteria for stage allocation described above, accounts that are more than 30 days past due are also transferred to stage 2.

Credit quality

Nationwide adopts robust credit management policies and processes designed to recognise and manage the risks arising from the portfolio.

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

Consumer banking gross balances and provisions by PD

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

Consumer banking gross balances and provisions by PD

2023	Gross balances				Provisions				Provision coverage
(Audited)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
12-month IFRS 9 PD range	£m	£m	£m	£m	£m	£m	£m	£m	%
0.00 to <0.15%	644	7	-	651	2	-	-	2	0.30
0.15 to < 0.25%	338	26	-	364	1	1	-	2	0.48
0.25 to < 0.50%	397	136	-	533	2	2	-	4	0.77
0.50 to < 0.75%	225	157	-	382	1	3	-	4	1.13
0.75 to < 2.50%	482	554	3	1,039	6	21	-	27	2.60
2.50 to < 10.00%	270	552	13	835	10	69	2	81	9.70
10.00 to < 100%	27	313	9	349	3	115	4	122	34.79
100% (default)	-	-	255	255	-	-	227	227	89.38
Total	2,383	1,745	280	4,408	25	211	233	469	10.63

The credit quality of the consumer banking portfolio has remained strong. 87% (2023: 86%) of the portfolio has a 12-month IFRS 9 PD of less than 10%.

Consumer banking balances by payment due status

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

Consumer banking gross balances by payment due status

	2024					2023				
	Overdrawn current accounts	**Personal loans**	**Credit cards**	**Total**		Overdrawn current accounts	Personal loans	Credit cards	Total	
(Audited)	**£m**	**£m**	**£m**	**£m**	**%**	£m	£m	£m	£m	%
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 (note i)	**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:
i. Charged off balances relate 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) whilst recovery procedures take place.

Of total balances excluding charged off accounts, arrears greater than three months are £55 million (2023: £51 million), representing 1.36% (2023: 1.21%) of these balances. Arrears balances of less than three months have increased to £114 million (2023: £98 million). Arrears levels are expected to increase further due to the ongoing affordability pressures for borrowers.

Forbearance

Nationwide is committed to supporting customers facing financial difficulty by working with them to find a solution through proactive arrears management and forbearance. The Group applies the European Banking Authority definition of forbearance.

The following concession events are included within the forbearance reporting for consumer banking:

Payment concession

This concession consists of reductions to the monthly payments or interest rate charged over an agreed period and may be offered to customers with an overdraft or credit card. For credit cards subject to such a concession, arrears do not increase provided the payments are made.

Interest suppressed payment arrangement

This temporary interest payment concession results in reduced monthly payments and may be offered to customers with an overdraft, credit card or personal loan. Interest payments are suppressed during the period of the concession and arrears do not increase. Cases subject to this concession are classified as impaired.

Balances re-aged/re-written

As customers repay their debt in line with the terms of their new arrangement, their accounts are re-aged, bringing them into an up to date and performing position. For personal loans the loan will be re-written to extend the term and thus maintain a reduced monthly payment. For credit cards the account is re-aged and the payment status set to 'up to date', at which point the customer is treated in the same way as any other performing account.

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

Gross balances subject to forbearance (note i)	2024				2023 (note ii)			
	Overdrawn current accounts	**Personal loans**	**Credit cards**	**Total**	Overdrawn current accounts	Personal loans	Credit cards	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Payment concession	**4**	**-**	**11**	**15**	4	-	13	17
Interest suppressed payment concession	**26**	**28**	**8**	**62**	28	33	9	70
Balance re-aged/re-written	**-**	**2**	**2**	**4**	-	2	2	4
Total forbearance (note iii)	**30**	**30**	**21**	**81**	32	35	24	91
Of which stage 2	**16**	**2**	**12**	**30**	3	3	14	20
Of which stage 3	**9**	**27**	**9**	**45**	29	31	9	69
	%	**%**	**%**	**%**	%	%	%	%
Total forbearance as a % of total gross balances	**8.6**	**1.3**	**1.3**	**1.9**	10.3	1.4	1.6	2.1
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Impairment provisions on forborne loans	**12**	**24**	**10**	**46**	12	28	12	52

Notes:
i. Where more than one concession event has occurred, balances are reported under the latest event.
ii. The 2023 values for credit cards have been restated to reflect an update to forbearance definitions during the current year, which has resulted in £12 million of payment concessions being classified as forbearance.
iii. For loans subject to concession events, accounts are transferred back to stage 1 or 2 only after being up to date and meeting contractual obligations for a period of 12 months.

Credit risk – Commercial lending

Summary

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

Commercial gross balances		
	2024	2023
(Audited)	**£m**	£m
Registered social landlords (note i)	**4,386**	4,131
Project finance (note ii)	**496**	537
Commercial real estate (CRE)	**257**	326
Commercial balances at amortised cost	**5,139**	4,994
Fair value adjustment for micro hedged risk (note iii)	**350**	430
Commercial balances – FVTPL (note iv)	**2**	53
Total	**5,491**	5,477

Notes:
i. Loans to registered social landlords are secured on residential property.
ii. Loans advanced in relation to project finance are secured on cash flows from government or local authority backed contracts under the Private Finance Initiative.
iii. Micro hedged risk relates to loans hedged on an individual basis.
iv. 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.

Impairment charge and write-offs for the year		
	2024	2023
(Audited)	**£m**	£m
Total impairment charge	**17**	1
Gross write-offs	**9**	15

Commercial provision charges have increased due to updated case assessments for a small number of individually assessed exposures.

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

Commercial portfolio and staging analysis

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

Impaired loans have increased, reflecting a small number of defaults, whilst the credit quality of the wider book remains stable. Overall, 94% (2023: 96%) of balances are 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.

The increase in stage 2 balances reflects idiosyncratic risk events considered capable of remedy with a low risk of loss. Stage 2 exposures are subject to increased monitoring and supported via forbearance measures where appropriate. The increase in stage 3 balances and provisions is due to a distressed project finance exposure where a restructure remains under negotiation.

Credit quality

Nationwide applies robust credit management policies and processes to identify and manage the risks arising from the portfolio.

The credit risk of the registered social landlord portfolio is managed through risk appetite and risk limits reflected in approved credit risk frameworks, policies, and controls. Ongoing monitoring of the project finance and CRE portfolios is undertaken to identify signs of risk deterioration.

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

Risk grades

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 strong, with an average 12-month PD of 0.04% (2023: 0.04%) across the portfolio.

Risk grades for the project finance portfolio are based upon the IRB supervisory slotting approach for specialised lending exposures, with 84% (2023: 85%) of the exposure rated strong or good.

Risk grades for the CRE portfolio use the same slotting approach as for project finance lending. Exposures are classified into categories depending on the underlying credit risk, with the assessment based upon financial strength, property characteristics, strength of sponsor and any other forms of security. 88% of the CRE balances are rated as strong, good, or satisfactory (2023: 73%).

Forbearance

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

Forbearance is recorded and reported at borrower level and applies to all commercial lending, including impaired exposures and borrowers subject to enforcement and recovery action. The Group applies the European Banking Authority definition of forbearance.

The table below provides details of commercial loans that are currently subject to forbearance by concession event.

Gross balances subject to forbearance (notes i and ii)	2024 £m	2023 £m
Modifications:		
Payment concession	**7**	79
Extension at maturity	**14**	16
Breach of covenant	**163**	21
Total	**184**	116
Total impairment provision on forborne loans	**23**	14

Notes:
i. Balances include micro hedging.
ii. Loans where more than one concession event has occurred are reported under the latest event.

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

There are no FVTPL commercial balances which are forborne (2023: £36 million).

Credit risk – Treasury assets

Summary

The treasury portfolio is held primarily for operational purposes, liquidity management and, in the case of derivatives, for market risk management. As at 4 April 2024, treasury assets represented 21.7% (2023: 23.2%) of total assets. The classification of treasury asset balances is set out below.

Treasury asset balances

(Audited)	Classification	2024 £m	2023 £m
Cash	Amortised cost	**23,817**	25,635
Loans and advances to banks and similar institutions (note i)	Amortised cost	**2,478**	2,860
Investment securities (note ii)	FVOCI	**26,522**	27,562
Investment securities (note ii)	FVTPL	**6**	13
Investment securities	Amortised cost	**4**	40
Liquidity and investment portfolio		**52,827**	56,110
Derivative instruments (note iii)	FVTPL	**6,290**	6,923
Treasury assets		**59,117**	63,033

Notes:
i. The majority of this balance is collateral placed with the Bank of England to cover requirements for payments systems.
ii. Investment securities at FVOCI include £57 million (2023: £44 million) and investment securities at FVTPL include £6 million (2023: £13 million) which relate to investments not included within the Group's liquidity portfolio. These investments primarily relate to investments made in Fintech companies which are being held for strategic purposes.
iii. Derivatives are classified as assets where their fair value is positive and liabilities where their fair value is negative. As at 4 April 2024, derivative liabilities were £1,451 million (2023: £1,524 million).

Investment activity remains focused on high-quality liquid assets, including assets eligible for central bank operations. Fixed rate investment securities are fully swapped to floating rate sterling receipts for the duration of the holding. The £4 million (2023: £40 million) of investment securities classified as amortised cost are residential mortgage backed securities (RMBS), which are expected to have paid down fully by December 2024. Derivatives are used to economically hedge financial risks inherent in core lending and funding activities and are not used for trading or speculative purposes. There are no exposures to emerging markets, hedge funds or credit default swaps.

Managing treasury credit risks

Credit risk within the treasury portfolio arises from the instruments held. In addition, counterparty credit risk arises from the use of derivatives to reduce exposure to market risks; these are only transacted with highly-rated organisations and are collateralised under market standard documentation. There were no impairment losses for the year ended 4 April 2024 (2023: £nil). For financial assets held at amortised cost or at FVOCI, all exposures within the table below are classified as stage 1, reflecting the strong and stable credit quality of treasury assets.

Impairment provisions on treasury assets

	2024		2023	
	Gross balances	Provisions	Gross balances	Provisions
(Audited)	£m	£m	£m	£m
Loans and advances to banks and similar institutions	**2,478**	**-**	2,860	-
Investment securities – FVOCI	**26,522**	**-**	27,562	-
Investment securities – amortised cost	**4**	**-**	40	-

Liquidity and investment portfolio

The liquidity and investment portfolio of £52,827 million (2023: £56,110 million) comprises liquid assets and other securities as set out below.

Liquidity and investment portfolio by credit rating (note i)										
2024		**AAA**	**AA**	**A**	**Other**	**UK**	**US & Canada**	**Europe**	**Japan**	**Other**
(Audited)	**£m**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Liquid assets:										
Cash and reserves at central banks	**23,817**	**-**	**100**	**-**	**-**	**100**	**-**	**-**	**-**	**-**
Government bonds (note ii)	**19,080**	**5**	**81**	**14**	**-**	**39**	**35**	**14**	**12**	**-**
Supranational bonds	**3,093**	**44**	**56**	**-**	**-**	**-**	**-**	**-**	**-**	**100**
Covered bonds	**2,980**	**99**	**1**	**-**	**-**	**46**	**29**	**17**	**-**	**8**
Residential mortgage backed securities (RMBS)	**631**	**100**	**-**	**-**	**-**	**63**	**-**	**37**	**-**	**-**
Other asset backed securities	**137**	**100**	**-**	**-**	**-**	**100**	**-**	**-**	**-**	**-**
Liquid assets total	**49,738**	**12**	**83**	**5**	**-**	**67**	**15**	**7**	**4**	**7**
Other securities (note iii):										
RMBS FVOCI	**544**	**100**	**-**	**-**	**-**	**100**	**-**	**-**	**-**	**-**
RMBS amortised cost	**4**	**100**	**-**	**-**	**-**	**100**	**-**	**-**	**-**	**-**
Other investments (note iv)	**63**	**-**	**-**	**-**	**100**	**100**	**-**	**-**	**-**	**-**
Other securities total	**611**	**90**	**-**	**-**	**10**	**100**	**-**	**-**	**-**	**-**
Loans and advances to banks and similar institutions	**2,478**	**-**	**84**	**16**	**-**	**80**	**16**	**4**	**-**	**-**
Total	**52,827**	**13**	**81**	**6**	**-**	**68**	**15**	**7**	**4**	**6**
2023 *(Audited)*	£m	%	%	%	%	%	%	%	%	%
Liquid assets:										
Cash and reserves at central banks	25,635	-	99	1	-	99	-	1	-	-
Government bonds (note ii)	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	-	-
Other asset backed securities	197	100	-	-	-	94	-	6	-	-
Liquid assets total	52,261	22	72	6	-	67	16	7	4	6
Other securities (note iii):										
RMBS FVOCI	885	100	-	-	-	100	-	-	-	-
RMBS amortised cost	40	100	-	-	-	100	-	-	-	-
Other investments (note iv)	64	-	11	-	89	89	-	11	-	-
Other securities total	989	93	1	-	6	99	-	1	-	-
Loans and advances to banks and similar institutions	2,860	-	85	14	1	82	13	5	-	-
Total	56,110	22	71	7	-	68	16	7	4	5

Notes:
i. 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.
ii. Balances classified as government bonds include government guaranteed, agency and government sponsored bonds.
iii. Includes RMBS (UK buy to let and UK non-conforming) not eligible for the Liquidity Coverage Ratio (LCR).
iv. Includes investment securities held at FVTPL of £6 million (2023: £13 million).

Country exposures

The following table summarises the exposure (shown at the balance sheet carrying value) to institutions outside of the UK.

Country exposures **2024** ***(Audited)***	**Government Bonds (note i)** **£m**	**Residential mortgage backed securities** **£m**	**Covered bonds** **£m**	**Supranational bonds** **£m**	**Loans and advances to banks and similar institutions** **£m**	**Other assets** **£m**	**Total** **£m**
Austria	479	-	-	-	-	-	479
Belgium	454	-	-	-	-	-	454
Denmark	59	-	9	-	-	-	68
Finland	441	-	23	-	-	-	464
France	1,033	-	179	-	32	-	1,244
Germany	151	-	52	-	71	-	274
Netherlands	69	236	-	-	-	-	305
Norway	-	-	130	-	-	-	130
Sweden	-	-	107	-	-	-	107
Total Europe	2,686	236	500	-	103	-	3,525
Australia	41	-	176	-	-	-	217
Canada	2,587	-	848	-	1	-	3,436
Japan	2,311	-	-	-	-	-	2,311
Singapore	-	-	70	-	-	-	70
USA	4,075	-	-	-	380	-	4,455
Supranational entities (note ii)	-	-	-	3,093	-	-	3,093
Total	11,700	236	1,594	3,093	484	-	17,107

Country exposures (continued)

Country exposures							
2023	Government Bonds (note i)	Residential mortgage backed securities	Covered bonds	Supranational bonds	Loans and advances to banks and similar institutions	Other assets	Total
(Audited)	£m	£m	£m	£m	£m	£m	£m
Austria	418	-	-	-	-	-	418
Belgium	360	-	-	-	-	-	360
Denmark	105	-	9	-	-	-	114
Finland	355	-	23	-	-	-	378
France	939	-	139	-	60	7	1,145
Germany	274	-	57	-	72	12	415
Netherlands	306	191	-	-	-	-	497
Norway	-	-	128	-	-	-	128
Sweden	11	-	107	-	-	-	118
Total Europe	2,768	191	463	-	132	19	3,573
Australia	43	-	153	-	-	-	196
Canada	2,506	-	852	-	6	-	3,364
Japan	2,383	-	-	-	-	-	2,383
Singapore	-	-	76	-	-	-	76
USA	4,959	-	-	-	384	-	5,343
Supranational entities (note ii)	-	-	-	2,838	-	-	2,838
Total	12,659	191	1,544	2,838	522	19	17,773

Notes:
i. Balances classified as government bonds include government guaranteed, agency and government sponsored bonds.
ii. Exposures to Supranational entities are made up of bonds issued by highly-rated multilateral development banks (MDBs) and international organisations (IOs).

Derivative financial instruments

Derivatives are used for market risk management, and not for trading or speculative purposes, although the application of accounting rules can create volatility in the income statement in an individual financial year. The fair value of derivative assets at 4 April 2024 was £6.3 billion (2023: £6.9 billion) and the fair value of derivative liabilities was £1.5 billion (2023: £1.5 billion).

Nationwide, as a direct member of a central clearing counterparty (CCP), has the capability to clear standardised derivatives. Where derivatives are not cleared at a CCP they are transacted under the International Swaps and Derivatives Association (ISDA) Master Agreement. A Credit Support Annex (CSA) is always executed in conjunction with the ISDA Master Agreement. Under the terms of a CSA, collateral is passed between parties to mitigate the market-contingent counterparty risk inherent in the outstanding positions. CSAs are two-way agreements where both parties post collateral dependent on the exposure of the derivative. Collateral is paid or received on a regular basis (typically daily) to mitigate the mark-to-market exposures. Market standard CSA collateral agreements allow GBP, EUR and USD cash, and in some cases high-grade sovereign debt securities to be posted; both cash and securities can be held as collateral by the Society.

Nationwide's CSA documentation for derivatives grants legal rights of set-off for transactions with the same counterparty. Accordingly, the credit risk associated with such positions is reduced to the extent that negative mark-to-market values offset positive mark-to-market values in the calculation of credit risk within each netting agreement.

Under the terms of CSA netting agreements, outstanding transactions with the same counterparty can be offset and settled on a net basis following a default, or another predetermined event. Under these arrangements, netting benefits of £1.3 billion (2023: £1.3 billion) were available and £5.0 billion (2023: £5.6 billion) of collateral was held.

This table shows the exposure to counterparty credit risk for derivative contracts after netting benefits and collateral.

Derivative credit exposure

	2024			2023		
Counterparty credit quality	**AA**	**A**	**Total**	AA	A	Total
(Audited)	**£m**	**£m**	**£m**	£m	£m	£m
Derivative assets as per balance sheet	**584**	**5,706**	**6,290**	636	6,287	6,923
Netting benefits	**(156)**	**(1,109)**	**(1,265)**	(182)	(1,104)	(1,286)
Net current credit exposure	**428**	**4,597**	**5,025**	454	5,183	5,637
Collateral (cash)	**(422)**	**(4,587)**	**(5,009)**	(451)	(5,183)	(5,634)
Net derivative credit exposure	**6**	**10**	**16**	3	-	3

Outlook

The treasury portfolio will continue to be held primarily for liquidity management and to hedge market risks taken in the normal course of business. Risk appetite remains low, ensuring new credit exposure taken is high credit quality. No material change to risk appetite is anticipated.

Liquidity and funding risk

Summary

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

Liquidity and funding risks are managed within a comprehensive risk framework which includes policies, strategy, limit setting and monitoring, stress testing and robust governance controls. This framework ensures that Nationwide maintains stable and diverse funding sources and a sufficient holding of high-quality liquid assets such that there is no significant risk that liabilities cannot be met as they fall due.

Nationwide's Liquidity Coverage Ratio (LCR), which ensures that sufficient high-quality liquid assets are held to survive a short-term severe but plausible liquidity stress, averaged 191% over the 12 months ended 4 April 2024 (2023: 180%). Nationwide continues to manage its liquidity against internal risk appetite which is more prudent than regulatory requirements; under the most severe internal 30 calendar day stress test, the average ratio of the liquid asset buffer to stressed net outflows over the 12 months ended 4 April 2024 equated to 167% (2023: 155%).

The position against the longer-term funding metric, the Net Stable Funding Ratio (NSFR), is also monitored. Nationwide's average NSFR for the four quarters ended 4 April 2024 was 151% (2023: 147%), well in excess of the 100% minimum requirement.

Funding risk

Funding strategy

Nationwide's funding strategy is to remain predominantly retail funded, as set out below.

Funding profile					
Assets (note i)	**2024 £bn**	2023 £bn	**Members' interests, equity and liabilities**	**2024 £bn**	2023 £bn
Retail mortgages	**204.1**	201.4	Retail funding	**193.4**	187.1
Treasury assets (including liquidity portfolio)	**52.8**	56.1	Wholesale funding	**50.5**	57.9
Commercial lending	**5.5**	5.5	Other liabilities	**2.9**	3.1
Consumer banking	**3.8**	3.9	Capital and reserves (note ii)	**25.1**	23.8
Other assets	**5.7**	5.0			
Total	**271.9**	271.9	**Total**	**271.9**	271.9

Notes:
i. Figures are stated net of impairment provisions where applicable.
ii. Includes all subordinated liabilities and subscribed capital.

At 4 April 2024, Nationwide's loan to deposit ratio, which represents loans and advances to customers divided by the total of shares and other deposits, was 107.9% (2023: 109.6%). Included within shares and other deposits, which are reported in the retail and wholesale funding categories above, is £37 billion (4 April 2023: £35 billion[1]) of deposits that exceed the £85,000 per customer Financial Services Compensation Scheme (FSCS) limit.

[1] The 4 April 2023 comparative for deposits that exceed the £85,000 threshold has been restated to reflect improved data quality since originally reported.

Wholesale funding

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

Wholesale funding has decreased by £7.4 billion to £50.5 billion during the year, primarily due to the repayment of £7.9 billion of drawings from the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME). The wholesale funding ratio (on-balance sheet wholesale funding as a proportion of total funding liabilities) at 4 April 2024 was 22.5% (2023: 25.0%).

The table below sets out Nationwide's wholesale funding by currency.

Wholesale funding by currency

	2024						2023					
	GBP £bn	**EUR £bn**	**USD £bn**	**Other £bn**	**Total £bn**	**% of total**	GBP £bn	EUR £bn	USD £bn	Other £bn	Total £bn	% of total
Repos	**0.1**	**1.7**	**0.1**	**-**	**1.9**	**4**	1.4	0.1	0.6	-	2.1	4
Deposits	**9.7**	**-**	**-**	**-**	**9.7**	**19**	11.0	-	-	-	11.0	19
Certificates of deposit	**1.5**	**-**	**-**	**-**	**1.5**	**3**	1.0	-	-	-	1.0	2
Covered bonds	**5.7**	**7.4**	**1.2**	**1.2**	**15.5**	**31**	6.0	7.2	-	1.2	14.4	25
Medium term notes	**1.5**	**5.9**	**2.9**	**1.3**	**11.6**	**23**	1.1	4.8	3.9	1.3	11.1	19
Securitisations	**1.9**	**-**	**0.1**	**-**	**2.0**	**4**	2.3	-	0.2	-	2.5	4
TFSME	**9.3**	**-**	**-**	**-**	**9.3**	**18**	17.2	-	-	-	17.2	29
Other (note i)	**-**	**(0.8)**	**(0.2)**	**-**	**(1.0)**	**(2)**	-	(1.1)	(0.2)	(0.1)	(1.4)	(2)
Total	**29.7**	**14.2**	**4.1**	**2.5**	**50.5**	**100**	40.0	11.0	4.5	2.4	57.9	100

Note:

i. Other consists of fair value adjustments to debt securities in issue for micro hedged risks.

The table below sets out Nationwide's residual maturity of wholesale funding, on a contractual maturity basis.

Wholesale funding – residual maturity								
2024	**Not more than one month**	**Over one month but not more than three months**	**Over three months but not more than six months**	**Over six months but not more than one year**	**Subtotal less than one year**	**Over one year but not more than two years**	**Over two years**	**Total**
	£bn	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**
Repos	**1.9**	**-**	**-**	**-**	**1.9**	**-**	**-**	**1.9**
Deposits	**6.5**	**1.6**	**1.2**	**0.4**	**9.7**	**-**	**-**	**9.7**
Certificates of deposit	**1.5**	**-**	**-**	**-**	**1.5**	**-**	**-**	**1.5**
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**
Securitisations	**0.1**	**-**	**-**	**0.1**	**0.2**	**0.2**	**1.6**	**2.0**
TFSME	**-**	**-**	**-**	**4.0**	**4.0**	**5.3**	**-**	**9.3**
Other (note i)	**-**	**-**	**-**	**-**	**-**	**(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**

Wholesale funding – residual maturity								
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	Subtotal less than one year	Over one year but not more than two years	Over two years	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Repos	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
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
Securitisations	0.7	-	0.2	0.2	1.1	0.3	1.1	2.5
TFSME	-	-	-	-	-	11.9	5.3	17.2
Other (note i)	-	-	-	-	-	(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

Note:
i. Other consists of fair value adjustments to debt securities in issue for micro hedged risks.

At 4 April 2024, cash, government bonds and supranational bonds included in the liquid asset buffer represented 220% (2023: 229%) of wholesale funding maturing in less than one year, assuming no rollovers.

Liquidity risk

Liquidity strategy

The Society's risk appetite, as set by the Board, defines the size and mix of the liquid asset buffer and is translated into a set of liquidity risk limits. Sufficient liquid assets, both in terms of amount and quality, are held to meet daily cash flow needs as well as simulated stressed requirements driven by the Society's risk appetite and regulatory assessments. This includes prudent management of the currency mix of liquid assets to ensure there is no undue reliance on currencies not consistent with the profile of stressed outflows.

Liquid assets are held and managed centrally by the Treasury function. A high-quality liquidity portfolio is maintained, predominantly comprising reserves held at central banks and highly-rated debt securities issued by a restricted range of governments, central banks and supranationals.

Nationwide also holds a portfolio of high-quality, central bank-eligible covered bonds, residential mortgage backed securities (RMBS) and asset-backed securities. Other securities are held that are not eligible for central bank operations but can be monetised through sale and repurchase (repo) agreements with third parties or through sale.

Nationwide undertakes securities financing transactions in the form of repo agreements. This demonstrates the liquid nature of the assets held in its liquid asset buffer as well as satisfying regulatory requirements. Cash is borrowed in return for pledging assets as collateral and because settlement is on a simultaneous 'delivery versus payment' basis, the main credit risk arises from intra-day changes in the value of the collateral. This is largely mitigated by Nationwide's collateral management processes.

Repo market capacity is regularly assessed and tested to ensure there is sufficient capacity to monetise the liquid asset buffer rapidly in a stress.

For contingency purposes, Nationwide prepositions 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.

Nationwide has met its most recent investment target of holding £1.5 billion of Environmental, Social and Governance (ESG) assets for 2023/24, with ESG assets defined as comprising bonds issued by multilateral development banks and green bonds issued by selected governments. Going forward, Nationwide aims to hold at least £2.0 billion of ESG assets, with the definition of ESG assets widened to comprise bonds issued by multilateral development banks and all green, social, and sustainable-labelled bonds.

Liquid assets

The table below sets out the sterling equivalent fair value of the liquidity portfolio, by issuing currency. It includes off-balance sheet liquidity, such as securities received through reverse repo agreements, and excludes securities encumbered through repo agreements and for other purposes.

Liquid assets

	2024						2023					
	GBP	EUR	USD	JPY	Other (note i)	Total	GBP	EUR	USD	JPY	Other (note i)	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Cash and reserves at central banks	23.8	-	-	-	-	23.8	25.5	-	0.1	-	-	25.6
Government bonds (note ii)	6.8	2.5	5.0	1.7	1.0	17.0	5.9	3.2	5.3	1.3	1.1	16.8
Supranational bonds	0.1	1.6	0.4	-	-	2.1	0.1	2.2	0.5	-	-	2.8
Covered bonds	0.9	1.8	0.2	-	-	2.9	1.1	1.6	0.1	-	-	2.8
RMBS (note iii)	0.9	0.3	-	-	-	1.2	1.3	0.2	-	-	-	1.5
Asset-backed securities and other securities	0.1	-	-	-	-	0.1	0.2	-	-	-	-	0.2
Total	**32.6**	**6.2**	**5.6**	**1.7**	**1.0**	**47.1**	34.1	7.2	6.0	1.3	1.1	49.7

Notes:
i. Other currencies primarily consist of Canadian dollars.
ii. Balances classified as government bonds include government guaranteed, agency and government sponsored bonds.
iii. Balances include all RMBS held by the Society which can be monetised through sale or repo.

The table above primarily comprises LCR eligible high-quality liquid assets which averaged £56.1 billion for the 12 months ended 4 April 2024 (2023: £53.3 billion). Further details can be found in the Group's annual Pillar 3 Disclosure 2024 at **nationwide.co.uk.**

Residual maturity of financial assets and liabilities

The table below segments the carrying value of financial assets and financial liabilities into relevant maturity groupings based on the final contractual maturity date (residual maturity):

Residual maturity (note i)									
2024	**Due less than one month (note ii)**	**Due between one and three months**	**Due between three and six months**	**Due between six and nine months**	**Due between nine and twelve months**	**Due between one and two years**	**Due between two and five years**	**Due after more than five years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Financial assets									
Cash	23,817	-	-	-	-	-	-	-	23,817
Loans and advances to banks and similar institutions	2,378	-	-	-	-	-	-	100	2,478
Investment securities	58	212	272	239	325	2,016	10,639	12,771	26,532
Derivative financial instruments	20	41	51	11	276	1,736	2,170	1,985	6,290
Fair value adjustment for portfolio hedged risk	(41)	(18)	(140)	(185)	(171)	(814)	(1,698)	(263)	(3,330)
Loans and advances to customers	2,806	1,321	1,953	1,925	1,927	7,664	22,460	173,384	213,440
Total financial assets	29,038	1,556	2,136	1,990	2,357	10,602	33,571	187,977	269,227
Financial liabilities									
Shares	139,238	4,595	14,887	12,006	8,486	12,126	1,128	900	193,366
Deposits from banks and similar institutions	7,129	7	1	1	3,980	5,270	-	-	16,388
Of which repo	1,943	-	-	-	-	-	-	-	1,943
Of which TFSME	-	4	-	-	3,980	5,270	-	-	9,254
Other deposits	1,283	1,585	1,167	223	192	75	5	-	4,530
Fair value adjustment for portfolio hedged risk	1	3	16	17	7	6	-	-	50
Secured funding – ABS and covered bonds	176	533	49	54	659	1,652	7,663	6,488	17,274
Senior unsecured funding	1,527	73	75	20	748	3,101	6,189	592	12,325
Derivative financial instruments	21	42	43	-	59	158	574	554	1,451
Subordinated liabilities	37	2	30	15	-	827	4,265	2,049	7,225
Subscribed capital (note iii)	1	-	1	-	-	-	-	171	173
Total financial liabilities	149,413	6,840	16,269	12,336	14,131	23,215	19,824	10,754	252,782
Off-balance sheet commitments (note iv)	13,344	-	-	-	-	-	-	-	13,344
Net liquidity difference	(133,719)	(5,284)	(14,133)	(10,346)	(11,774)	(12,613)	13,747	177,223	3,101
Cumulative liquidity difference	(133,719)	(139,003)	(153,136)	(163,482)	(175,256)	(187,869)	(174,122)	3,101	-

Residual maturity (note i) 2023	Due less than one month (note ii) £m	Due between one and three months £m	Due between three and six months £m	Due between six and nine months £m	Due between nine and twelve months £m	Due between one and two years £m	Due between two and five years £m	Due after more than five years £m	Total £m
Financial assets									
Cash	25,635	-	-	-	-	-	-	-	25,635
Loans and advances to banks and similar institutions	1,887	-	-	-	-	-	-	973	2,860
Investment securities	81	151	41	68	402	772	8,880	17,220	27,615
Derivative financial instruments	77	1	59	44	243	450	3,904	2,145	6,923
Fair value adjustment for portfolio hedged risk	(16)	(31)	(297)	(26)	(314)	(1,118)	(2,829)	(380)	(5,011)
Loans and advances to customers	2,784	1,371	2,127	2,053	2,076	7,957	23,489	168,925	210,782
Total financial assets	30,448	1,492	1,930	2,139	2,407	8,061	33,444	188,883	268,804
Financial liabilities									
Shares	149,642	2,153	6,955	8,292	6,473	10,116	2,581	931	187,143
Deposits from banks and similar institutions	7,882	13	1	-	-	11,890	5,270	-	25,056
Of which repo	2,075	-	-	-	-	-	-	-	2,075
Of which TFSME	-	6	-	-	-	11,890	5,270	-	17,166
Other deposits	1,806	1,559	1,374	224	103	116	9	-	5,191
Fair value adjustment for portfolio hedged risk	-	1	1	-	-	-	-	-	2
Secured funding – ABS and covered bonds	1,501	41	264	233	1,592	1,328	5,930	5,142	16,031
Senior unsecured funding	1,685	12	53	200	1,126	805	5,757	1,957	11,595
Derivative financial instruments	56	-	2	1	24	134	405	902	1,524
Subordinated liabilities	8	2	31	14	-	795	3,225	2,680	6,755
Subscribed capital (note iii)	1	-	1	-	-	-	-	171	173
Total financial liabilities	162,581	3,781	8,682	8,964	9,318	25,184	23,177	11,783	253,470
Off-balance sheet commitments (note iv)	10,333	-	-	-	-	-	-	-	10,333
Net liquidity difference	(142,466)	(2,289)	(6,752)	(6,825)	(6,911)	(17,123)	10,267	177,100	5,001
Cumulative liquidity difference	(142,466)	(144,755)	(151,507)	(158,332)	(165,243)	(182,366)	(172,099)	5,001	-

Notes:

i. The analysis excludes certain financial assets and liabilities relating to accruals, trade receivables, trade payables and settlement balances which are generally short-term in nature and lease liabilities. Further information on lease liabilities is shown in note 28 to the financial statements.

ii. Due less than one month includes amounts repayable on demand.

iii. The principal amount for undated subscribed capital is included within the due after more than five years column.

iv. 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.

In practice, customer behaviours mean that liabilities are often retained for longer than their contractual maturities and assets are repaid earlier. This gives rise to funding mismatches on the balance sheet. The balance sheet structure and risks are managed and monitored by Nationwide's Assets and Liabilities Committee (ALCO). Judgement and past behavioural performance of each asset and liability class are used to forecast likely cash flow requirements.

Financial liabilities – gross undiscounted contractual cash flows

The tables below provide an analysis of gross contractual cash flows. The totals differ from the analysis of residual maturity as they include estimated future interest payments, calculated using balances outstanding at the balance sheet date, contractual maturities, and appropriate forward-looking interest rates.

Amounts are allocated to the relevant maturity band based on the timing of individual contractual cash flows.

Gross contractual cash flows									
2024	**Due less than one month (note i)**	**Due between one and three months**	**Due between three and six months**	**Due between six and nine months**	**Due between nine and twelve months**	**Due between one and two years**	**Due between two and five years**	**Due after more than five years**	**Total**
(Audited)	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Shares	139,238	5,206	15,376	12,327	8,679	12,442	1,284	900	195,452
Deposits from banks and similar institutions	7,129	128	122	122	4,067	5,281	-	-	16,849
Other deposits	1,283	1,612	1,179	227	194	77	5	-	4,577
Secured funding – ABS and covered bonds	191	564	153	208	835	2,238	8,740	7,222	20,151
Senior unsecured funding	1,530	85	148	63	845	3,479	6,814	1,143	14,107
Subordinated liabilities	41	4	87	91	74	1,153	5,021	2,324	8,795
Subscribed capital (note ii)	1	-	4	1	4	11	33	188	242
Total non-derivative financial liabilities	149,413	7,599	17,069	13,039	14,698	24,681	21,897	11,777	260,173
Derivative financial liabilities:									
Gross settled derivative outflows	366	841	1,328	268	1,216	3,085	11,863	7,758	26,725
Gross settled derivative inflows	(314)	(787)	(1,256)	(219)	(1,150)	(2,906)	(11,480)	(7,670)	(25,782)
Gross settled derivatives – net flows	52	54	72	49	66	179	383	88	943
Net settled derivative liabilities	254	695	1,132	937	808	2,570	3,363	3,442	13,201
Total derivative financial liabilities	306	749	1,204	986	874	2,749	3,746	3,530	14,144
Total financial liabilities	149,719	8,348	18,273	14,025	15,572	27,430	25,643	15,307	274,317
Off-balance sheet commitments (note iii)	13,344	-	-	-	-	-	-	-	13,344
Total financial liabilities including off-balance sheet commitments	163,063	8,348	18,273	14,025	15,572	27,430	25,643	15,307	287,661

Gross contractual cash flows (note iv) 2023 *(Audited)*	Due less than one month (note i) £m	Due between one and three months £m	Due between three and six months £m	Due between six and nine months £m	Due between nine and twelve months £m	Due between one and two years £m	Due between two and five years £m	Due after more than five years £m	Total £m
Shares	149,642	2,430	7,194	8,468	6,587	10,335	2,749	931	188,336
Deposits from banks and similar institutions	7,882	195	183	182	182	12,437	5,280	-	26,341
Other deposits	1,806	1,573	1,380	226	104	117	9	-	5,215
Secured funding – ABS and covered bonds	1,516	56	346	322	1,777	1,741	6,748	6,568	19,074
Senior unsecured funding	1,688	17	109	210	1,252	1,064	6,496	2,261	13,097
Subordinated liabilities	9	-	94	59	90	1,040	3,957	3,072	8,321
Subscribed capital (note ii)	1	-	4	1	4	11	35	181	237
Total non-derivative financial liabilities	162,544	4,271	9,310	9,468	9,996	26,745	25,274	13,013	260,621
Derivative financial liabilities:									
Gross settled derivative outflows	1,477	106	267	232	404	3,634	8,336	10,934	25,390
Gross settled derivative inflows	(1,439)	(89)	(244)	(205)	(381)	(3,555)	(8,154)	(10,422)	(24,489)
Gross settled derivatives – net flows	38	17	23	27	23	79	182	512	901
Net settled derivative liabilities	237	370	917	918	932	3,039	4,207	3,842	14,462
Total derivative financial liabilities	275	387	940	945	955	3,118	4,389	4,354	15,363
Total financial liabilities	162,819	4,658	10,250	10,413	10,951	29,863	29,663	17,367	275,984
Off-balance sheet commitments (note iii)	10,333	-	-	-	-	-	-	-	10,333
Total financial liabilities including off-balance sheet commitments	173,152	4,658	10,250	10,413	10,951	29,863	29,663	17,367	286,317

Notes:

i. Due less than one month includes amounts repayable on demand.

ii. The principal amount for undated subscribed capital is included within the due more than five years column.

iii. Off-balance sheet commitments include amounts payable on demand for undrawn loan commitments, customer overpayments on residential mortgages where the borrower is able to draw down the amount overpaid and commitments to acquire financial assets.

iv. Prior year comparatives for derivative financial liabilities 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.

Asset encumbrance

Encumbrance arises where assets are pledged as collateral against secured funding and other collateralised obligations and therefore cannot be used for other purposes. The majority of asset encumbrance arises from the use of owner-occupied mortgage pools to collateralise the Covered Bond and securitisation programmes (further information is included in note 14 to the financial statements) and from participation in the Bank of England's TFSME.

Certain unencumbered assets are readily available to secure funding or meet collateral requirements. These include owner-occupied mortgages and cash and securities held in the liquid asset buffer. Other unencumbered assets, such as buy to let mortgages, are capable of being encumbered with a degree of further management action. Assets which do not fall into either of these categories are classified as not being capable of being encumbered.

An analysis of Nationwide's encumbered and unencumbered on-balance sheet assets is set out below. This disclosure is not intended to identify assets that would be available in the event of a resolution or bankruptcy.

Asset encumbrance

2024	**Assets encumbered as a result of transactions with counterparties other than central banks**				**Other assets (comprising assets encumbered at the central bank and unencumbered assets)**					**Total**
						Assets not positioned at the central bank				
	As a result of covered bonds	**As a result of securitisations**	**Other**	**Total**	**Assets positioned at the central bank (i.e. prepositioned plus encumbered)**	**Readily available for encumbrance**	**Other assets that are capable of being encumbered**	**Cannot be encumbered**	**Total**	
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cash	**558**	**394**	**-**	**952**	**-**	**22,625**	**-**	**240**	**22,865**	**23,817**
Loans and advances to banks and similar institutions	**-**	**-**	**352**	**352**	**1,449**	**-**	**-**	**677**	**2,126**	**2,478**
Investment securities (note i)	**-**	**-**	**3,873**	**3,873**	**-**	**22,596**	**-**	**63**	**22,659**	**26,532**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,290**	**6,290**	**6,290**
Loans and advances to customers (note ii)	**23,581**	**7,321**	**-**	**30,902**	**67,206**	**51,983**	**62,999**	**350**	**182,538**	**213,440**
Non-financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,690**	**2,690**	**2,690**
Fair value adjustment for portfolio hedged risk	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,330)**	**(3,330)**	**(3,330)**
Total	**24,139**	**7,715**	**4,225**	**36,079**	**68,655**	**97,204**	**62,999**	**6,980**	**235,838**	**271,917**
2023	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cash	522	637	-	1,159	-	23,972	-	504	24,476	25,635
Loans and advances to banks and similar institutions	-	-	589	589	1,944	-	-	327	2,271	2,860
Investment securities (note i)	-	-	4,508	4,508	-	23,050	-	57	23,107	27,615
Derivative financial instruments	-	-	-	-	-	-	-	6,923	6,923	6,923
Loans and advances to customers (note ii)	20,254	8,705	-	28,959	66,591	52,908	61,894	430	181,823	210,782
Non-financial assets	-	-	-	-	-	-	-	3,089	3,089	3,089
Fair value adjustment for portfolio hedged risk	-	-	-	-	-	-	-	(5,011)	(5,011)	(5,011)
Total	20,776	9,342	5,097	35,215	68,535	99,930	61,894	6,319	236,678	271,893

Notes:

i. Encumbered investment securities primarily relate to repo transactions and collateral pledged for derivatives.

ii. Loans and advances to customers 'readily available for encumbrance' are expected to be immediately eligible to use in existing secured funding programmes or at the central bank. Any fair value micro hedge balance is reported as 'cannot be encumbered'. Prior year reporting has been updated to reflect this refinement in definition.

Managing liquidity and funding risk

Nationwide's 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; and
- 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 Nationwide maintains a prudent funding mix and maturity profile, sufficient levels of high-quality liquid assets, and appropriate encumbrance levels.

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. 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. Nationwide's Recovery Plan describes potential actions that could be utilised in a more extreme stress.

Liquidity stress testing

To mitigate liquidity and funding risks generated by its business activities, Nationwide aims to maintain a liquid asset buffer of at least 100% of the anticipated outflows seen under internal stress test scenarios and the regulatory-prescribed LCR.

Potential contractual and behavioural stress outflows are assessed across a range of liquidity risk drivers over 30 calendar days, with the key assumptions shown below. An assessment over three months is also performed against which LCP capacity is assessed. Internal stress assumptions are reviewed regularly, with changes approved by ALCO, and approved annually by the Board as part of the ILAAP.

Liquidity risk driver	Modelling assumptions used
Retail funding	Significant unexpected outflows are experienced with no new deposits received.
Wholesale funding	Following a credit rating downgrade: • zero roll-over of maturing long-term wholesale funding; • zero roll-over of maturing short-term funding received from financial counterparties and partial roll-over from non-financial counterparties; and • no new wholesale funding received.
Off-balance sheet	Contractual outflows occur in relation to secured funding programmes due to credit rating downgrades. Lending commitments continue to be met. Collateral outflows arise due to adverse movements in market rates. Expected inflows from mortgages or retail and commercial loans are recognised.
Intra-day	Liquidity is needed to pre-fund outgoing payments.
Liquid assets	Asset values are reduced in recognition of the stressed conditions assumed.

Under the most severe internal 30 calendar day stress test (a combined market-wide and Nationwide-specific stress scenario), the average ratio of the liquid asset buffer to stressed net outflows over the 12 months ended 4 April 2024 equated to 167% (2023: 155%).

External credit ratings

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

Credit ratings

	Senior preferred	Short-term	Senior non-preferred	Tier 2	Date of last rating action / confirmation	Outlook
Standard & Poor's	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

The table below sets out Nationwide's additional contractual collateral requirement in the event of a one and two notch downgrade by external credit rating agencies.

Collateral sensitivity

	Cumulative adjustment for a one notch downgrade	Cumulative adjustment for a two notch downgrade
	£bn	£bn
2024	**-**	**0.7**
2023	-	0.6

The contractually required cash outflow would not necessarily match the actual cash outflow, because of management actions that could be taken to reduce the impact of the downgrades.

Outlook

Nationwide continues to hold a diversified high-quality liquid asset buffer which will evolve in line with Nationwide's liquidity requirements. Nationwide's funding plans include the refinancing of TFSME through a continued presence in wholesale funding markets.

Capital risk

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

Managing capital risk

The Board is responsible for setting risk appetite with respect to capital risk, which is articulated through its risk appetite statements, and it defines minimum levels of capital surplus above regulatory requirements that it is willing to operate with. These are translated into specific risk metrics, which are monitored by the Board Risk Committee (BRC), the Assets and Liabilities Committee (ALCO) and other internal management reviews.

The capital structure is managed to ensure that the minimum regulatory requirements and the expectations of other key stakeholders continue to be met. As part of the risk appetite framework, strong capital ratios are targeted 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 through other comprehensive income reserve and defined benefit pension deficit) are all considered.

The capital strategy is to manage capital ratios through retained earnings, supplemented by external capital where appropriate. Since general reserves form the majority of capital resources, profitability is an important factor when considering the ability to meet capital requirements. A return on capital framework is in place, based upon an allocation of overall capital requirements, which forms part of the Society's Board Risk Appetite metrics as well as its performance monitoring activity for individual product segments. In line with Nationwide's capital management practices, opportunities have been taken to reduce excess capital resources through liabilities and equity management exercises, including a core capital deferred shares (CCDS) repurchase of £0.1 billion in June 2023.

Capital is held to meet Pillar 1 requirements for credit, counterparty credit and operational risks. In addition, the Prudential Regulation Authority (PRA) requires firms to hold capital to meet Pillar 2A requirements which are firm-specific. This is a point-in-time estimate, set by the PRA on an annual basis, based on the submission of the results of the annual Internal Capital Adequacy Assessment Process (ICAAP). This process confirms the amount of capital required to be held to meet risks partly covered by Pillar 1 such as operational risk, and risks not covered by Pillar 1 such as pension and interest rate risk. The combination of Pillar 1 and Pillar 2A requirements form Nationwide's Total Capital Requirement (TCR).

Nationwide's latest Pillar 2A requirements were approved in December 2023 and were equivalent to 5.1% of risk weighted assets (RWAs) at 4 April 2024 (2023: 4.5% of RWA). This is equal to a capital requirement of £2.8 billion, of which at least £1.6 billion must be met by Common Equity Tier 1 (CET1) capital. The Pillar 2A percentage is above the majority of banking peers due to the low average RWA density of Nationwide's balance sheet, given that 82% (2023: 82%) of total assets, excluding central bank reserves, are in the form of secured residential mortgages.

To protect against the risk of falling below Pillar 1 and Pillar 2A requirements (thereby breaching TCR), firms are subject to regulatory capital buffers which are set out in UK Capital Requirements Directive V (UK CRD V). The PRA may set an additional firm-specific PRA buffer based upon supervisory judgement informed by the results of the Bank of England's stress testing scenarios. This Bank of England assessment considers the impacts of the stress scenarios on a firm's capital requirements and resources and other factors including leverage, systemic importance and any weaknesses in firms' risk management and governance procedures. The ICAAP also considers appropriate internal capital buffers to ensure that the impact of a severe but plausible stress can be absorbed.

Stress Testing

Regular stress tests are undertaken, covering Nationwide and its subsidiaries, to enhance the understanding of potential vulnerabilities and how management actions might be deployed in the event of stressed conditions developing. These stress tests project capital resources and requirements over a multi-year period, reflecting severe but plausible scenarios that cover a range of macroeconomic or market-wide stresses, and idiosyncratic scenarios that test particular risks to Nationwide's business model. Stress test results are reported to the Board Risk Committee.

Nationwide aims to be in a position to maintain strong capital and leverage ratios in the event of a severe but plausible economic or idiosyncratic stress. Embedded in the risk appetite framework is an expectation to maintain CET1 and leverage ratios in excess of regulatory minima under stressed conditions.

The Bank of England returned to the Annual Cyclical Scenario (ACS) Stress Test framework in September 2022. This followed two years of Covid-19 pandemic-related stress testing and its decision to postpone the test in March 2022. The 2022/23 ACS tested the resilience of the UK banking system to deep simultaneous recessions in the UK and global economies, large falls in asset prices and higher global interest rates, as well as a separate stress of misconduct costs. Nationwide's low point CET1 ratio through the scenario was 20.3% before strategic management actions. This was in excess of that of peers, showing Nationwide is well capitalised and positioned to meet stressed economic conditions. The leverage ratio low point was 5.6%, remaining in excess of the 3.6% regulatory requirement at that time.

On 10 October 2023, the Bank of England confirmed it intends to run a desk-based stress test exercise in 2024, rather than an ACS, which will use Bank of England models and expertise to test the UK banking system's resilience to multiple adverse macroeconomic scenarios. This is in order to support the Financial Policy Committee (FPC) and PRA monitoring and assessment of the resilience of the UK banking system to potential downside risks.

Recovery planning and resolvability

Nationwide maintains a recovery plan under UK regulatory rules implementing the European Bank Recovery and Resolution Directive (BRRD). This contains a set of management actions that would be available to support Nationwide's capital and liquidity position in the event of a breach of one or more of the Group's internal risk appetite metrics. Nationwide submits its Recovery Plan to the PRA on a two-year cycle, with the latest scheduled submission due in June 2024. In October 2023, Nationwide submitted its second resolvability self-assessment to the Bank of England. This documented the capabilities that are designed to achieve the resolvability outcomes as prescribed within the Bank of England Resolvability Assessment Framework, and included enhancements made since the first self-assessment submission in 2021. A summary of Nationwide's approach to resolvability is available within the Resolvability Assessment Framework disclosure at **nationwide.co.uk** with the latest disclosures available in June 2024. The next self-assessment submission will be made in October 2025 with disclosures to follow in June 2026.

Capital position

The capital disclosures included in this report are in line with UK Capital Requirements Directive V (UK CRD V) with IFRS 9 transitional arrangements applied. In addition, the disclosures are on a consolidated Group basis, including all subsidiary entities, unless otherwise stated.

Capital ratios and requirements		
	2024	2023
Capital ratios	**%**	%
CET1 ratio	**27.1**	26.5
Total Tier 1 ratio	**29.5**	29.1
Total regulatory capital ratio	**32.6**	32.7
Leverage ratio	**6.5**	6.0
Capital requirements	**£m**	£m
Risk weighted assets (RWAs)	**54,628**	51,731
Leverage exposure	**249,263**	249,299

Risk-based capital ratios remain in excess of regulatory requirements with the CET1 ratio at 27.1% (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 resources increase was driven by £1.3 billion profit after tax, partially offset by £0.2 billion of capital distributions. The RWA increase was predominantly driven by an increase in residential mortgage credit risk RWAs.

UK CRD V requires firms to calculate a leverage ratio, which is non-risk-based, to supplement risk-based capital requirements. Nationwide's leverage ratio is 6.5% (2023: 6.0%), with Tier 1 capital increasing by £1.1 billion as a result of the CET1 capital movements outlined above, and leverage exposure remaining at £249 billion.

The leverage ratio remains in excess of Nationwide's leverage capital requirement of 4.3%, which comprises a minimum Tier 1 capital requirement of 3.25% and buffer requirements of 1.05%. The buffer requirements include a 0.7% UK countercyclical leverage ratio buffer, in force from July 2023, and a 0.35% additional leverage ratio buffer.

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

Further details of the leverage exposure can be found in the Group's annual Pillar 3 Disclosure 2024 at **nationwide.co.uk**.

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

Total regulatory capital		
	2024	2023
(Audited)	**£m**	£m
General reserve	**15,119**	14,184
Core capital deferred shares (CCDS) (note i)	**1,334**	1,334
Revaluation reserve	**36**	38
Fair value through other comprehensive income (FVOCI) reserve	**(38)**	(14)
Cash flow hedge and other hedging reserves	**76**	129
Regulatory adjustments and deductions:		
Cash flow hedge and other hedging reserves (note ii)	**(76)**	(129)
Direct holdings of CET1 instruments (note i)	**(177)**	(101)
Foreseeable distributions (note iii)	**(63)**	(67)
Prudent valuation adjustment (note iv)	**(73)**	(119)
Own credit and debit valuation adjustments (note v)	**(11)**	(27)
Intangible assets (note vi)	**(812)**	(839)
Goodwill (note vi)	**(12)**	(12)
Defined-benefit pension fund asset (note vi)	**(454)**	(614)
Excess of regulatory expected losses over impairment provisions (note vii)	**(51)**	(45)
IFRS 9 transitional arrangements (note viii)	**-**	15
Total regulatory adjustments and deductions	**(1,729)**	(1,938)
CET1 capital	**14,798**	13,733
Other equity instruments (Additional Tier 1)	**1,336**	1,336
Total Tier 1 capital	**16,134**	15,069
Dated subordinated debt (note ix)	**1,650**	1,835
Excess of impairment provisions over regulatory expected losses (note vii)	**24**	14
IFRS 9 transitional arrangements (note viii)	**-**	(10)
Tier 2 capital	**1,674**	1,839
Total regulatory capital	**17,808**	16,908

Notes:

i. The CCDS amount does not include the deductions for the Group's repurchase exercises completed in February and June 2023. This is presented separately as a regulatory adjustment in line with UK Capital Requirements Regulation (CRR) article 42.

ii. In accordance with CRR article 33, institutions do not include the fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value.

iii. Foreseeable distributions in respect of CCDS and AT1 securities are deducted from CET1 capital under UK CRD V rules.

iv. A prudent valuation adjustment (PVA) is applied in respect of fair valued instruments as required under UK CRD V rules.

v. Own credit and debit valuation adjustments are applied to remove balance sheet gains or losses of fair valued liabilities and derivatives that result from changes in own credit standing and risk, as per UK CRD V rules.

vi. Intangible, goodwill and defined benefit pension fund assets are deducted from capital resources after netting associated deferred tax liabilities.

vii. Where capital expected loss exceeds accounting provisions, the excess balance is removed from CET1 capital, gross of tax. In contrast, where provisions exceed capital expected loss, the excess amount is added to Tier 2 capital, gross of tax. This calculation is not performed for equity exposures, in line with Article 159 of CRR. The expected loss amounts for equity exposures are deducted from CET1 capital, gross of tax.

viii. The IFRS 9 transitional adjustments to capital resources apply scaled relief until 4 April 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 the IFRS 9 transitional arrangements adjustment to zero. Further detail is provided in the Group's Pillar 3 disclosure 2024 at **nationwide.co.uk**.

ix. Subordinated debt includes fair value adjustments relating to changes in market interest rates, adjustments for unamortised premiums and discounts that are included in the consolidated balance sheet, and any amortisation of the capital value of Tier 2 instruments required by regulatory rules for instruments with fewer than five years to maturity.

As part of the Bank Recovery and Resolution Directive, the Bank of England, in its capacity as the UK resolution authority, has published its policy for setting the minimum requirement for own funds and eligible liabilities (MREL). From 1 January 2024, Nationwide's requirement is to hold twice the minimum capital requirements (6.5% of leverage exposure), plus the applicable capital requirement buffers, which amount to 1.05% of leverage exposure. This equals a total loss-absorbing requirement of 7.55%.

At 4 April 2024, total MREL resources were 9.4% (2023: 8.8%) of leverage exposure, in excess of the loss-absorbing requirement of 7.55% (2023: 7.2%) described above.

Risk weighted assets

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

Risk weighted assets	2024			2023		
	Credit risk (note i)	**Operational risk (note ii)**	**Total risk weighted assets**	Credit risk (note i)	Operational risk (note ii)	Total risk weighted assets
	£m	**£m**	**£m**	£m	£m	£m
Retail mortgages	**37,373**	**2,188**	**39,561**	34,609	2,991	37,600
Retail unsecured lending	**4,750**	**1,270**	**6,020**	5,145	1,114	6,259
Commercial loans	**1,818**	**77**	**1,895**	1,883	60	1,943
Treasury	**1,736**	**266**	**2,002**	1,559	290	1,849
Counterparty credit risk (note iii)	**777**	**-**	**777**	989	-	989
Other (note iv)	**1,676**	**2,697**	**4,373**	1,715	1,376	3,091
Total	**48,130**	**6,498**	**54,628**	45,900	5,831	51,731

Notes:
i. This column includes credit risk exposures, securitisations, counterparty credit risk exposures and exposures below the thresholds for deduction that are subject to a 250% risk weight.
ii. RWAs have been allocated according to the business lines within the standardised approach to operational risk, as per article 317 of UK CRR.
iii. Counterparty credit risk relates to derivative financial instruments, securities financing transactions (repurchase agreements) and exposures to central counterparties.
iv. Other relates to equity, fixed, intangible software and other assets.

RWAs increased by £2.9 billion, predominantly 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. This was partly offset by reductions to credit risk RWAs across other portfolios. Operational risk RWAs increased due to higher average total income over the previous three years, by reference to which they are calculated.

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

More detailed analysis of RWAs is included in the Group's annual Pillar 3 Disclosure 2024 at **nationwide.co.uk**.

IRB model risk

The performance and accuracy of IRB models is critical to the calculation of credit risk capital requirements. The effectiveness of the models is achieved through clear allocation and segregation of roles and responsibilities covering model ownership, approval and governance, ongoing model monitoring, review and independent validation. Further information can be found in the 'Use of the IRB Approach to credit risk' section of the Group's annual Pillar 3 Disclosure 2024 at **nationwide.co.uk**.

Outlook

The Basel Committee published its final reforms to the Basel III framework in December 2017, now denoted by the PRA as Basel 3.1. The amendments include changes to the standardised approaches for credit and operational risks, including the introduction of an RWA standardised output floor to restrict the use of internal models. On 30 November 2022, the Bank of England issued CP16/22 'Implementation of the Basel 3.1 standards'. The consultation paper, although materially similar to the original Basel reforms, includes interpretations and some divergence from Basel standards. A near-final policy statement covering market, counterparty credit and operational risks was published on 12 December 2023. Near-final rules covering credit risk and the output floor are due in Q2 2024.

The reforms may lead to an increase in Nationwide's RWAs relative to the current position, mainly due to the application of the standardised RWA output floor. The expected implementation date is 1 July 2025, with a phased introduction of the standardised RWA output floor until fully implemented by 2030. Based on Nationwide's latest interpretation of the draft rules, there will not be a material day-one impact on Nationwide's CET1 ratio. However, if Nationwide's CET1 ratio was restated to an endpoint position, reflecting full implementation of the standardised RWA output floor, it would reduce to a low to mid 20% range compared to the 27.1% reported at 4 April 2024.

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

During 2024, Nationwide repurchased CCDS at a gross cost of £76 million (2023: £101 million). For further information see note 31 to the financial statements. The PRA has granted a renewed 12 month general prior permission to repurchase CCDS up to 2% of existing CET1 capital resources (£296 million at 4 April 2024), though this does not mean further repurchase exercises will necessarily follow. The permission will expire in January 2025.

Market risk

Summary

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

The principal market risks that affect Nationwide are listed below together with the types of risk reporting measures used:

Market risk exposure	Definition	Reporting measure
Interest rate risk	The impact of market movements in interest rates, which affects interest rate margin realised from lending and borrowing activities. Volatility in short-term interest rates can also impact net income contribution from rate insensitive liabilities.	Value sensitivity / Value at risk / Net interest income sensitivity / Economic value of equity sensitivity
Basis risk	The impact on earnings of relative changes in short-term interest rate benchmarks, for example between Bank rate and Sterling Overnight Index Average (Sonia).	Earnings sensitivity
Swap spread risk	The impact on the market value of treasury investments arising from changes in the spread between bond yields and swap rates.	Value at risk
Inflation risk	The impact on the market value of treasury investments arising from changes in inflation swap rates and published inflation indices.	Value sensitivity
Currency risk	The impact on earnings and market value of treasury positions due to changes in exchange rates.	Value sensitivity / Value at risk
Product option risk	The impact from changes to hedging which may be required when customer behaviour deviates from expectations, principally resulting from early repayment of fixed rate loans or lower take up of reserved mortgages	Value at risk / Economic value of equity sensitivity
Structural interest rate risk	The impact of market movements in interest rates, which affect the income arising from those balance sheet items that have stable balances, an interest rate that is fixed, are non-interest-bearing or insensitive to changes in market rates and have no defined maturity date. This includes the asymmetric risk which arises in very low or negative interest rate scenarios, mainly due to the different levels at which variable product rates can reach a minimum level.	Duration / Value at risk / Net interest income sensitivity

Nationwide has a capital requirement for each of the above market risks. In addition, stress analysis is used to evaluate the impact of severe but plausible events.

The principal market risks, linked to Nationwide's balance sheet assets, liabilities, capital and reserves, are listed in the table below, irrespective of materiality.

Market risk linkage to the balance sheet

	2024 £bn	Market risk						
		Interest rate risk	**Basis risk**	**Swap spread risk**	**Currency risk**	**Inflation risk**	**Product option risk**	**Structural risk**
Assets								
Cash	**23.8**	✓	✓					✓
Loans and advances to banks and similar institutions	**2.5**	✓	✓		✓			✓
Investment securities	**26.5**	✓	✓	✓	✓	✓		
Derivative financial instruments	**6.3**	✓	✓	✓	✓	✓	✓	
Loans and advances to customers	**213.4**	✓	✓		✓		✓	✓
Other assets (note i)	**(0.6)**	✓	✓		✓			
Total assets	**271.9**							
Liabilities								
Shares	**193.4**	✓	✓				✓	✓
Deposits from banks and similar institutions	**16.4**	✓	✓		✓			
Other deposits	**4.5**	✓	✓		✓			✓
Debt securities in issue	**29.6**	✓	✓		✓			
Derivative financial instruments	**1.5**	✓	✓	✓	✓	✓	✓	
Subordinated liabilities	**7.2**	✓	✓		✓			
Other liabilities (note ii)	**1.6**	✓	✓		✓			
Total liabilities	**254.2**							
Total members' interests and equity	**17.7**	✓						✓

Notes:

i. Other assets encompass all other balance sheet asset line items not disclosed separately in this table. It includes the fair value adjustment for portfolio hedged risk of £(3.3) billion. Other assets also include the net defined benefit asset of the Nationwide Pension Fund, being the surplus of plan assets in excess of plan obligations. The Nationwide Pension Fund is subject to pension risk, which includes exposure to market risk factors such as interest rate risk, inflation risk, and equity risk (from changes to share prices). Pension risk is managed separately from the market risk arising from Nationwide's core business. Further information is detailed in the Pension risk section on page 212.

ii. Other liabilities encompass all other balance sheet liability line items not disclosed separately in this table.

Global market conditions

Although economic activity has remained weak and uncertainty remains, some of the cost of living pressures are easing. Market pricing suggests that interest rates have reached their peak, with the Bank of England combating high inflation by increasing the Bank rate up to 5.25%. As a result of the Bank rate increases and the easing of other inflation drivers, the UK Consumer Price Index fell from 10.1% in March 2023 to 3.2% by March 2024. Nationwide has some inflation exposure (to UK, EU and US inflation indices) from investment securities; however, inflation risk is managed within tight limits and the financial impact from recent increases in inflation globally has therefore been limited.

Whilst economic conditions within the UK have an impact on the Group, market risk is managed prudently. This is demonstrated by the Society's very low level of exposure to interest rate risk as outlined below.

Regulation

USD Libor was published for the final time on 30 June 2023. Nationwide completed the transition of a small number of legacy derivative positions referencing USD Libor to risk-free rates ahead of this date.

The Canadian Dollar Offered Rate (CDOR) will cease publication after 28 June 2024. Nationwide will transition a small number of legacy derivative positions referencing CDOR to risk-free rates ahead of this date. These derivative positions largely offset and will leave an immaterial residual exposure for the Society.

Market risk appetite, measurement and management

Nationwide's market risk exposure arises in the banking book; it does not have a trading book. Most of the exposure to market risk arises from fixed rate mortgages or savings and changes in the market value of the liquidity portfolio. There is a limited amount of currency risk on non-sterling financial assets and liabilities held.

The Board is responsible for setting market risk appetite and the Assets and Liabilities Committee (ALCO) is responsible for managing Nationwide's market risk profile within this defined risk appetite. Market risk is managed within a comprehensive risk framework which includes policies, limit setting and monitoring, stress testing and robust governance controls. This includes setting and monitoring more granular limits within Board limits, with relevant market risk metrics reported monthly to ALCO. The analytical techniques used to measure market risk, and details of exposures during the year, are outlined below.

Value and earnings sensitivities

Sensitivity analysis is used to assess the change in value of the net exposure to defined parallel and non-parallel shifts in interest rates. For example, a one basis point (0.01%) shift is measured using PV01. This analysis is performed daily for each currency. Earnings sensitivity metrics are used to measure and quantify exposure to interest rate risks, including basis risk. These techniques assess the impact on earnings when rate shocks are applied to the rates paid on liabilities and to the rates earned on assets.

Nationwide also measures interest rate risk through Net Interest Income (NII) and Economic Value of Equity (EVE) measures, under a range of shock scenarios which include behavioural assumptions for retail products as interest rates change. These measures are assessed based on the standard shocks prescribed, as well as against internally generated shock scenarios.

- NII sensitivities assess the impact to earnings under a range of 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.

Value at Risk (VaR)

VaR is a technique that estimates the maximum potential losses that could occur from risk positions because of future movements in market rates and prices, over a specified time horizon, to a given level of statistical confidence. VaR is based on historic market behaviour and uses a series of recorded market rates and prices to derive plausible future scenarios. This considers inter-relationships between different markets and rates.

The VaR model incorporates risk factors based on historic interest rate and currency movements using a ten-year historical data series. A two-week horizon and a 99% confidence level is 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.

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; and
- Historical data may not adequately predict circumstances arising from government interventions and stimulus packages, which increase the difficulty of evaluating risks.

The Society validates the VaR model on a monthly basis by back-testing the calculated VaR against a hypothetical profit and loss, which reflects the profit and loss that would have been realised if positions were held constant over a two-week period. An exception is recognised where a loss over a two-week period exceeds the VaR calculated by the model. The number of exceptions over a 12-month period is used to assess the performance of the VaR model, which in turn helps to decide whether it requires recalibration.

In addition, the model is subject to an annual review process to ensure it remains appropriate for risk reporting. The types of risks not captured in VaR include:

- Market liquidity risk – this has a limited impact because, whilst Nationwide requires an appropriate level of market liquidity to manage market risk, it does not have a high ongoing dependency on liquidity for market risk purposes as it does not operate a trading book.
- Interest rate movements that can impact valuation adjustments, including credit, debit and funding valuation adjustments (CVA/DVA/FVA). These are not captured in the VaR or sensitivity analysis but are negligible.

In addition, stressed VaR is used to estimate the potential loss arising from unfavourable market movements in a stressed environment. It is calculated in the same way as standard VaR, calibrated with a 99% confidence level and on a two-week basis, but uses market data from a two-year period of significant financial stress.

Interest rate risk

Nationwide's main market risk is interest rate risk. Market movements in interest rates affect the interest rate margin realised from lending and borrowing activities. To reduce the impact of such movements, hedging activities are undertaken by Nationwide's 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 balances, including reserves and core capital deferred shares (CCDS), is structurally hedged. Nationwide's interest rate risk is measured using a combination of value-based assessments and earnings sensitivity assessments.

The table below highlights Nationwide's limited exposure to interest rate risk, shown against a range of value-based assessments. The risk exposure is calculated each day and summarised over the financial year:

Interest rate risk – Key management metrics						
	2024			2023		
	Average	**High**	**Low**	Average	High	Low
(Audited)	**£m**	**£m**	**£m**	£m	£m	£m
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

The interest rate sensitivities in the table above do not include retail product behavioural changes, which are captured by other measures.

Net Interest Income (NII) sensitivity

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

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

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

Potential (adverse)/favourable impact on annual pre-tax future earnings		
	2024	2023
(Audited)	**£m**	£m
+100 basis points shift	**(16)**	(30)
+25 basis points shift	**(2)**	(6)
-25 basis points shift	**(9)**	(5)
-100 basis points shift	**(47)**	(32)

The low levels of NII sensitivity reflect Nationwide's prudent management of interest rate risk. The sensitivities also reflect that changes in rates are fully passed through in these scenarios, and product margins are held static. The impact of take-up risk in the mortgage pipeline is included within the sensitivities, which contributes to the small negative sensitivities in the +25 and +100 basis point shifts.

Economic Value of Equity (EVE)

Nationwide also measures interest rate risk through EVE sensitivity which identifies the change in value of interest rate sensitive items, both on and off-balance sheet, under a range of interest rate shocks prescribed by the Prudential Regulation Authority (PRA). This measure includes behavioural assumptions using a run-off balance sheet basis. EVE is managed against internal and regulatory risk limits and is monitored by ALCO.

Further details on EVE can be found in the Group's annual Pillar 3 Disclosure for 2024 at **nationwide.co.uk**.

Basis risk

Basis risk arises where variable rate assets and liabilities re-price with reference to differing short-term interest rate benchmarks. The primary interest rates that Nationwide is exposed to are the Bank rate and Sonia. If the difference between these interest rates changes over time, this may impact earnings.

Swap spread risk

A liquidity portfolio is held to manage Nationwide's liquidity risk. The assets in this portfolio are predominantly fixed rate sovereign debt securities. Interest rate swaps are used to hedge the interest rate risk associated with these assets. However, there remains a residual risk associated with the possible movement in the spread between sovereign debt yields and swap rates. This swap spread risk reflects the fact that the market value of the liquidity portfolio assets can change due to movements in bond yields and the swaps due to movements in swap rates. In economic terms, this risk is only realised if a bond is sold and the swap is cancelled ahead of maturity.

Swap spread risk is monitored using a historical VaR metric and the risk is controlled via internal limits linked to capital requirements. Exposures are monitored daily and are reported monthly to ALCO.

Inflation risk

The risk arising from Nationwide's inflation-linked investments are mitigated through the use of inflation swaps and the residual exposure monitored through IE01 metrics, which measure the change in present value of future cashflows from a one basis point parallel shift in inflation swap rates. Inflation risk is captured within our swap spread VaR risk measurement.

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:

Currency risk – Key management metric						
	2024			2023		
	Average	**High**	**Low**	Average	High	Low
(Audited)	**£m**	**£m**	**£m**	£m	£m	£m
VaR (99%/10-day)	**0.1**	**1.0**	**0.0**	0.1	0.7	0.0

Product option risk

Market risk also arises when customers exercise options contained within fixed rate products which can require changes to hedging. The key product risks are repayment risk (early redemption or under- or over-payment of fixed rate mortgages), access risk (early withdrawal of fixed rate savings), and take-up risk (higher or lower completions of fixed rate mortgage reservations than expected). These risk exposures are quantified under a range of stress scenarios using models that predict customer behaviour in response to changes in interest rates. The potential impacts are then closely monitored.

Structural interest rate risk

Nationwide has structural hedging programmes in place to stabilise earnings as interest rates change. Structural hedging is transacted to manage the interest rate risk from balance sheet items that have stable balances, an interest rate that is fixed or rate insensitive and have no defined maturity date. The most material hedging programmes are in place to manage liabilities, including reserves and customer deposits.

Without hedging, the returns earned on these balances are subject to the volatility of short-term interest rates. The structural hedging programme smooths the volatility in net interest margin arising from changes in interest rates. The structural hedges convert the return, through a rolling hedge, into a more stable medium-term return.

Structural hedging is managed to a target duration. Nationwide applies a two and a half year target duration to eligible reserves and customer deposit balances, and assumes in financial planning that structural hedging will be maintained in line with the target duration, with risk limits in place to mitigate deviation from the target duration.

In addition to the structural hedging programmes, Nationwide also undertakes other balance sheet hedging to mitigate the asymmetric risk which arises in very low or negative interest rate scenarios, mainly due to the different levels at which variable product rates can reach a minimum floor level.

Outlook

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

Pension risk

Summary

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 could negatively impact Nationwide's capital position and may result in increased cash funding obligations to the pension schemes.

Nationwide has funding obligations to a number of defined benefit pension schemes, of which the Nationwide Pension Fund (the Fund) represents over 99% of the Society's pension obligations. The Fund has approximately 29,000 participants (Fund members), the majority of whom are deferred members (former and current employee members, not yet retired). The Fund closed to new entrants in 2007 and closed to future accrual on 31 March 2021. Further detail is set out below and in note 30 to the financial statements.

In accordance with UK legislation, the assets of the Fund are held in a legally separate trust from Nationwide's assets and are administered by a board of trustees (the Trustee) which has fiduciary responsibilities to Fund members.

Nationwide has a specialist pension risk management team responsible for regularly monitoring the financial risk to the Group from the Fund. This includes analysis, insight, risk appetite articulation and regular reporting to governance committees. The team maintains effective engagement with the Trustee in order to manage the long-term impact on Nationwide's capital and financial position. This is supported by Nationwide's representation at the Trustee's Investment and Funding Committee and investment working groups, and the sharing of management information between Nationwide and the Trustee for the consideration of specific risk management initiatives.

Pension risk is embedded into Nationwide's Enterprise Risk Management Framework and stress testing processes. Nationwide monitors the potential capital deterioration from the retirement benefit position that might occur in a 1-in-200 year stress test. Nationwide considers all pension regulation and legislation change which may impact Nationwide's obligations to the Fund.

Risk factors

Volatility in investment returns from the assets and the value of the liabilities both affect the Fund's net deficit or surplus position. The key risk factors which impact this position are set out below. These factors can have a positive or negative effect on the position.

Asset performance

The Fund's liabilities are calculated using a discount rate set with reference to high quality bond yields. This creates a risk that the Fund's assets perform worse than those bond yields, resulting in the Fund's net position being volatile or worsening.

The Fund holds a proportion of return-seeking assets, including private equity, infrastructure, property and credit investments. Return-seeking assets are expected to outperform liabilities in the long-term, but they are riskier and volatile in the short to medium-term. Investments in return-seeking assets are monitored by both the Trustee and Nationwide to ensure they remain appropriate given the Fund's long-term objectives. Further details are set out in note 30 to the financial statements.

Liabilities

There is 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.

Actuarial assumptions

There is a risk that a change in the methodology used to derive key actuarial assumptions (for example, the discount rate or longevity assumptions) results in a step change in the assessment of the liabilities and therefore in the net surplus or deficit, potentially impacting Nationwide's capital and/or deficit funding requirements. The ultimate cost of providing pension benefits over the life of the Fund will depend on actual future events, rather than assumptions made.

Developments in the year

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 4 April 2024 and none are scheduled for the year ending 4 April 2025. As the 31 March 2022 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 31 March 2025. Employer deficit contributions of £1 million were made in respect of the Group's defined benefit scheme in its Nationwide (Isle of Man) Limited subsidiary.

As at 4 April 2024, the value of the pension schemes' assets is £4,679 million (2023: £5,281 million) and the value of liabilities is £4,072 million (2023: £4,335 million). The net defined benefit asset on the balance sheet as at 4 April 2024 reflects a surplus of £607 million (2023: £946 million) as set out below:

Changes in the present value of net defined benefit asset		
	2024 **£m**	2023 £m
At 5 April	946	1,008
Pension charge	**(4)**	(4)
Net interest credit	**44**	26
Actuarial remeasurement	**(380)**	(85)
Employer contributions (including deficit contributions)	**1**	1
At 4 April	**607**	946

The movement in the net defined benefit asset is driven by a tightening in credit spreads, which in isolation increased the Fund's liabilities due to a lower discount rate, and had negligible impact on the Fund's assets due to its limited holdings in corporate bonds and other credit investments. The continued increase in gilt yields over the period had a broadly neutral impact, with a reduction in the Fund's liabilities broadly offset by decreases in the value of the Fund's liability matching assets.

The actuarial remeasurement quantifies the impact on the net defined benefit asset from updating financial assumptions (e.g. discount rate and long-term inflation), demographic assumptions (e.g. longevity), and the return on the Fund's assets being greater or less than expected. Further details can be found in note 30 to the financial statements.

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.

In June 2023, His Majesty's High Court of Justice issued a ruling in respect of Virgin Media Limited versus NTL Pension Trustees II Limited (and others) challenging the validity of rule amendments made to pension schemes contracted out on a Reference Scheme Test basis between 6 April 1997 and 5 April 2016. Nationwide has assessed the possible impact of this on the Fund and is of the view that any potential impact is not expected to be material.

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.

Outlook

In the years ahead, the Trustee intends to further reduce the level of risk within the Fund, and Nationwide actively engages 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.

Business risk

Summary

Nationwide defines business risk as the risk that volumes decline, margins shrink, or losses increase relative to the cost or capital base, affecting the sustainability of the business and the ability to deliver the strategy due to external factors (macroeconomic, geopolitical, industry, regulatory or other external events) or internal factors (including the development and execution of the strategy). This risk is actively managed to ensure the Society provides value to, and can meet the needs of, current and future members, with a focus on long-term sustainability rather than short-term benefit. Nationwide ensures that it can generate sustainable profits by focusing on recurrent sources of income that provide value commensurate with risk appetite. This risk is monitored as part of ongoing business performance reporting to, and through regular discussion of business model risks by, senior management and the Board.

Nationwide's business model is reliant on generating net interest margin – primarily the difference between the interest rates paid to savers and those received from mortgage holders. During 2023, the Bank of England's response to high inflation led to the Bank rate increasing to a high of 5.25% by August 2023. This affected both mortgage and savings rates. Inflation has since fallen towards the Bank of England's target of 2%. While economic activity has remained weak, there are encouraging signs that cost of living pressures are easing. Nevertheless, conditions for households are likely to remain challenging in the near term, as the effect of previous interest rate increases feed through and labour market conditions soften.

Competition from incumbent banks and digitally focused new entrants is strong, with improved service and product propositions being used to attract and retain customers. To mitigate the impact of competition on the Society's financial performance, there is an ongoing focus on operational and service excellence which promotes enhanced efficiency and productivity. Furthermore, our continual refresh of customer propositions maintains the Society's competitive position in the core mortgage, savings and personal current account markets in which it operates.

Managing business risk

Business risks are assessed and identified as part of the Society's strategy and financial planning processes and through regular horizon scanning exercises. This activity highlights potential areas of strategic development and areas requiring further assessment through a range of sensitivities to the Society's Financial Plan. Ongoing monitoring ensures the strategy and associated execution plans continue to evolve to address business model risks by considering changes in the external environment, including technology innovation, consumer behaviour, regulation, and market conditions. Business risk is managed and mitigated through a range of measures which include:

- **Financial forecasting** – As part of the financial planning process, income and costs are forecast over a five-year period with an updated forecast reviewed regularly by management, taking into consideration the key risks and sensitivities.
- **Monitoring of financial and business performance** – Financial performance is monitored monthly against internal forecasts and key indicators across a variety of committees and forums, which consider potential risks and possible mitigating actions. In addition, business areas monitor the demand for products and services to ensure we continue to provide propositions that customers want and need, and which provide value to customers.
- **Stress testing and sensitivity analysis –** Business risk is regularly stress tested via upside and downside scenarios to the Financial Plan, the Internal Capital Adequacy Assessment Process, and reverse stress tests. In addition, the Prudential Regulation Authority's annual concurrent stress testing exercise provides a test of the business model through a stressed economic scenario. As an output from these activities, actions are identified that can be taken if risks crystallise. To manage effectively more extreme events, a Recovery Plan is maintained. To identify the emergence of a more extreme stress, a range of indicators are regularly monitored, and a list of strategic actions identified that could be taken, if necessary, to protect the Society.

Outlook

Business risks are closely linked to the emerging risks outlined in the Risk overview on pages 62 to 64. The outlook for the UK economy, elevated geopolitical tensions and uncertainty arising from elections in several large economies may create additional volatility and exacerbate business risk. Competition within the Society's core markets is also expected to increase through further competitor innovation and exploitation of emerging technologies. Delivery of the Society's strategic priorities continues to be an important mitigant to the business risk arising from uncertain macroeconomic and market conditions.

Operational and conduct risk

Summary

Operational and conduct risk is the risk of impacts resulting from inadequate or failed internal processes, conduct and compliance management, people and systems, or from external events. This risk is managed through proportionate controls designed to identify and prevent failures that could affect customers, colleagues or the Society. How the control environment operates is covered in more detail in the Managing risk section of the Risk report on pages 144 to 147.

Nationwide recognises the importance of continuous improvement in the understanding of the operational and conduct risks it is exposed to and the associated control environment it relies on to mitigate these risks. Nationwide has continued to mature its operational and conduct risk management processes and capabilities, with a particular focus on change management, economic crime risk capabilities and strengthening the technology control environment. It is critical Nationwide remains safe and secure and does the right thing for its customers, with a risk and control culture embedded across the Society.

Over the last year, there has been continued focus on achieving the high standards expected by customers and regulators across the key areas detailed below.

Operational resilience and technology

Customers, understandably, expect services to be available when they want to use them, with a demand for an 'always on' capability. To support customers, operational resilience is a fundamental part of the Society's strategy and continues to be a significant area of regulatory focus. Nationwide has identified the services that matter most to customers (Important Business Services), defined unacceptable levels of customer disruption, and mapped the critical resources which include technology, premises, third-party suppliers and people required to deliver those services. The Society continually assesses and tests for vulnerabilities that could impact the delivery of the Important Business Services, and the effectiveness of incident recovery responses. Remediation of identified vulnerabilities will continue to be a priority focus area for the Society to ensure customers are provided with the services they expect.

The requirement to build and maintain effective technology underpins all Important Business Services. Therefore, a co-ordinated approach to prioritise investment is in place to enhance and remediate any identified issues. This will enable Nationwide to meet the operational resilience expectations set by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) by the prescribed deadline of March 2025. Investments include upgrading legacy infrastructure, utilising latest technology to provide payments services and strengthening support from specialist third-party suppliers.

Artificial Intelligence (AI)

The rapid growth of digitisation 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 AI. This requires an evolving set of skills both to operate and maintain systems and ensure a rigorous focus on customer outcomes. Alongside the benefits that new artificial technologies may bring, Nationwide is ensuring associated risks are appropriately identified and managed. A governance framework is being developed to support AI experimentation in line with defined AI risk and control principles. These principles are designed to support the responsible use of AI, meet regulatory expectations including the Consumer Duty, and deliver good customer outcomes.

Data

Nationwide collects, stores, and processes customer data to provide effective services and is committed to protecting personal data under its control, complying with its legal and regulatory obligations such as the General Data Protection Regulation (GDPR) and the Basel Committee on Banking Supervision (BCBS) 239 guidelines. Through our data protection, security, and data governance policies we seek to protect customer data, and to manage and enhance our end-to-end management of data risk. We undertake timely and active remediation activities for any data issues we identify. The data governance framework has been refreshed and further embedded over the year, and as a result there is an enhanced focus on data management in the Society.

Cyber security

A successful cyber attack on Nationwide could potentially cause significant disruption to business operations and prevent our customers accessing key services. The Society continues to manage and further develop cyber risk and control capabilities, with ongoing investment in the detection and prevention of attacks. This includes testing Nationwide's multi-layered control approach using techniques practiced by the individuals and organisations that attempt attacks, and there is also regular testing of cyber response strategies which could be invoked to maintain customer services should an attack be successful. As new technologies are implemented and external attack techniques strengthen, Nationwide constantly assesses how to prevent future attacks. This includes ensuring resource is repositioned, the security culture is maintained, third parties are risk assessed, and investment is allocated appropriately. To stay up to date and informed about the latest cyber threats, Nationwide works closely with the National Cyber Security Centre, other government bodies and peers in financial services and other industries.

Supply chain

To provide services to customers and internal functions, Nationwide uses a network of third parties to support with areas such as IT infrastructure and back office processing. When outsourcing activities to third parties, Nationwide retains responsibility for all services and the associated risks. The Society manages third-party risk in proportion to the criticality of the service provided. This is achieved through controls to support the operational resilience of the Society, such as business continuity, exit management, regular ongoing performance monitoring and robust contractual provisions. During the year, Nationwide was impacted by the financial failure of a material supplier. This prompted the successful transition of services previously provided by the third party to mitigate the potential risk to service delivery and minimise disruption to customers. This incident highlighted the importance of robust controls relating to the third-party supply chain and led to a further enhancement of the control framework.

We continue to focus on supply chain risk and this is also an area of increased regulatory focus as there are third parties that provide similar services to many banks and building societies, and their failure could potentially impact on the UK's financial stability, market integrity and consumer protection. Nationwide will continue to maintain and enhance internal continuity strategies and participate with the Bank of England consultation papers which sets out its proposal to manage the systemic risks posed by critical third parties.

People

Our people are fundamental to the success of Nationwide, and it is important that we continue to attract and retain people with the right skills and capabilities. The external labour market remains highly competitive and upward pressure on pay continues. Where change programmes are used to develop the shape and nature of the workforce, risks are carefully considered, and support is made available to ensure any impacts on colleague wellbeing and sentiment are managed. Flexible working across the industry presents both opportunities and risks to the attraction and retention of diverse talent, particularly in the post Covid-19 pandemic era as hybrid working becomes more common. The Society has evolved its hybrid working approach to increase the time colleagues spend in the office, enabling people to come together to share ideas and solutions. Nationwide also focuses on improving diversity across all levels of the workforce, ensuring it is a place where colleagues know they can be themselves and thrive at work.

Economic crime

Nationwide, as a UK-wide financial services firm, is exposed to economic crime risks across all its business lines. Criminal activity to which Nationwide is exposed includes money laundering, terrorist financing, bribery and corruption, sanctions, tax evasion, and fraud, both external and internal. The Society may be adversely affected if its customers, employees or third-party suppliers engage in criminal activity, or if the Society's products or services are used to facilitate economic crime. Furthermore, the Society may incur significant remediation costs to rectify issues, reimburse losses incurred by customers, and address regulatory concerns and potential penalties. Management's consideration of such matters and any associated contingent liabilities or provisions is discussed further in notes 27 and 29 to the financial statements. The Society takes its obligations and responsibilities to reduce the risk of it being used to further economic crime seriously. Accordingly, it operates a framework of controls, which is supported by a suite of policies, control standards and procedures.

The management of economic crime remains an important area of focus, with a combination of evolving legal and regulatory requirements, and changing criminal methods shaping the nature of the threats Nationwide faces. The Economic Crime Risk Committee, chaired by the Director of Retail Products, is the core governance committee for economic crime. It oversees economic crime risk management, operational performance, and transformation matters, including decision making, and escalates matters to the Executive Risk Committee and Board Risk Committee as appropriate.

Good customer outcomes and the Consumer Duty

Nationwide has implemented the requirements of the FCA's Consumer Duty for new and existing products, which came into effect on 31 July 2023. The Consumer Duty requires a higher standard of consumer care beyond the previous set of principles and rules set by the FCA and requires firms to be more proactive in the delivery of fair outcomes and more robust in demonstrating and measuring them. A range of activity has been undertaken to ensure that Nationwide continues to deliver good customer outcomes and meets these increased expectations, including the enhancement of our product governance, reviews of the value offered by our products and services, assessment of the support offered throughout our customer journeys and an uplifted approach to designing and reviewing our customer communications. This is supported by improved monitoring of customer outcomes including Board level monitoring. Work is ongoing to ensure the same standards are applied to products and services which are no longer on sale, prior to the FCA's deadline of 31 July 2024.

Customer vulnerability

Nationwide is committed to ensuring good outcomes for all customers, and continuing to improve outcomes and offer the right support for our vulnerable customers remains a priority. A programme of work is underway which will enhance our approach to identifying customers showing characteristics of vulnerability, improve our capabilities in offering appropriate, tailored support to those customers, and allow more focused monitoring of outcomes for these customers.

Regulatory environment

There continues to be a high volume of complex regulatory change impacting the financial services industry, and Nationwide will respond to these changes while actively engaging with its regulators. Key developments include the following:

- The PRA has progressed implementation of the remaining elements of the Basel 3.1 framework, with new requirements currently scheduled to begin on a phased basis from July 2025. Further detail of the impact for Nationwide is provided in the 'Capital risk' and 'Model risk' sections of the Risk report.
- The PRA supervisory statement 'Model risk management principles for banks' came into effect from May 2024. This is discussed in more detail in the 'Model risk' section of the Risk report.
- The FCA is consulting on the establishment of a new regulatory regime to ensure reasonable provision of cash deposit and withdrawal services for consumers. Nationwide is fully supportive of the FCA's aim of preserving access to cash for those who want it in a sustainable way, and will engage with the FCA and the wider industry as these proposals develop.

Operational and conduct risk events

Operational and conduct risk events which have occurred are monitored and reported on to better understand those exposures and drive sustainable mitigation to prevent recurrence. For the purposes of this report, events include only those where a financial loss arises from an incident. Events are recorded against internally defined risk categories, in addition to reporting them against the categories defined by the Basel Committee on Banking Supervision in Basel II, which allows comparison of risk experience with our main banking peers.

Operational risk events by Basel risk category, % of total events by value (note i)	2024	2023 (note ii)
	%	%
Clients, products and business practices	**2.3**	4.5
External fraud	**32.5**	41.9
Execution, delivery and process management	**64.3**	53.3
Internal fraud	**0.1**	0.1
Business disruption and system failure	**-**	-
Damage to physical assets	**0.1**	-
Employment practices and workplace safety	**0.7**	0.2
Total	**100.0**	100.0

Operational risk events by Basel risk category, % of total events by number (note i)	2024	2023 (note ii)
	%	%
Clients, products and business practices	**0.6**	0.2
External fraud	**94.5**	94.7
Execution, delivery and process management	**4.1**	4.4
Internal fraud	**0.2**	0.2
Business disruption and system failure	**-**	-
Damage to physical assets	**0.1**	0.1
Employment practices and workplace safety	**0.5**	0.4
Total	**100.0**	100.0

Notes:
i. Risk events with aggregated gross losses of £5,000 and over (before monies recovered); multiple losses related to the same event are counted once.
ii. Comparatives have been restated to include additional historic data where more information has been received.

The most material categories remain 'Execution, delivery and process management' and 'External fraud'.

The value and number of losses against the 'Execution, delivery and process management' category is largely attributable to key customer remediation projects. Losses have decreased this year as a result of several remediation projects winding down.

Operational losses arising from external fraud risk events, as a percentage of events by number, have remained stable. However, there has been a reduction in the percentage of events by value due to a reduction in redress related to historic Authorised Push Payment scams recognised in 2024, compared to 2023.

Outlook

Nationwide's operational and conduct risk outlook is impacted by the environment it operates in and its strategy. The drivers of operational and conduct risk are expected to remain broadly consistent. Nationwide continues to invest to maintain and develop appropriate controls in all areas to ensure residual risk exposures are managed within appetite.

Model risk

Summary

Model risk is the risk of adverse consequences from model errors or the inappropriate use of modelled outputs. Model outputs may be affected by the quality of data inputs, choice and suitability of methodology and the integrity of implementation. The adverse consequences include financial loss, poor business or strategic decision making, or damage to Nationwide's reputation. A model is a quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into output. There is an inherent risk associated with the use of models because they are imperfect and incomplete representations that rely on assumptions and theoretical methodologies and use data which may not represent future outcomes.

The Society relies on models to support a broad range of business and risk management activities. Examples include the use of model outputs in credit approval, capital and liquidity assessments, stress testing, loss provisioning, financial planning, and product pricing.

Managing model risk

Model risk is managed at an enterprise level through the Model Risk Framework and within a defined risk appetite set by the Board. The framework prescribes Society-wide requirements including roles and responsibilities, governance, model development standards, independent oversight, monitoring and independent assurance.

Responsibility for oversight of model risk is delegated from the Executive Risk Committee to the Model Risk Oversight Committee (MROC). MROC assesses whether material models are fit for purpose and monitors model risk exposure on a Society-wide aggregated basis.

Developments in the year

The Society's model risk profile remains elevated as the inflationary and cost of living pressures, interest rate rises and market volatility are materially different to the periods upon which some models were developed. This means reliance needs to be placed on the use of model adjustments to capture the risks and uncertainty arising from the effects of the economic environment. Model adjustments are governed and monitored, with modifications made as appropriate.

The delivery of new capital models that comply with the Internal Ratings Based (IRB) roadmap regulations, which came into effect on 1 January 2022, remains a priority and is in line with the PRA timetable. Temporary adjustments are currently made to risk weighted assets and expected loss amounts, ensuring the Society's minimum capital requirements reflect IRB roadmap expectations. Further information on capital impacts is detailed in the Capital risk section on page 199.

In May 2024, the PRA supervisory statement 'Model risk management principles for banks' came into effect. Readiness for this implementation date has been a key focus in 2023/24, with a number of model risk management enhancements delivered in anticipation of the regulation.

Outlook

The PRA is expected to publish final rules on the implementation of Basel 3.1 in Q2 2024. Once published, these will inform Nationwide's model redevelopment and maintenance plans for capital models, including any required changes. Further information is detailed in the Capital risk section on page 199.

Nationwide will continue to evolve its model risk capabilities and governance approaches in response to emerging modelling techniques and technologies such as generative artificial intelligence and machine learning.

Financial statements

Independent auditor's report to the members of Nationwide Building Society

Report on the audit of the financial statements

Opinion

In our opinion:

- the Group's financial statements and the Society's financial statements (the "financial statements") give a true and fair view of the state of the Group's and the Society's affairs as at 4 April 2024 and of the Group's and the Society's income and expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with UK adopted International Accounting Standards; and as regards the Group financial statements, International Financial Reporting Standards adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements, included within the Annual Report and Accounts 2024 (the "Annual Report") of Nationwide Building Society (the "Society") and its subsidiaries (together, the "Group") for the year ended 4 April 2024, which comprise:

Group	Society
• Consolidated balance sheet as at 4 April 2024; • Consolidated income statement for the year then ended; • Consolidated statement of comprehensive income for the year then ended; • Consolidated statement of movements in members' interests and equity for the year then ended; • Consolidated cash flow statement for the year then ended; • Related notes 1 to 39 to the financial statements, including information on material accounting policies; • Information identified as 'audited' in the Report of the directors on remuneration; • Information identified as 'audited' in the Risk report; and • Information in the Capital Requirements (Country-by-country reporting) Regulations report.	• Balance sheet as at 4 April 2024; • Income statement for the year then ended; • Statement of comprehensive income for the year then ended; • Statement of movements in members' interests and equity for the year then ended • Cash flow statement for the year then ended; and • Related notes 1 to 39 to the financial statements, including information on material accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, and as regards the Group financial statements, International Financial Reporting Standards adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ("FRC's") Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Society and we remain independent of the Group and the Society in conducting the audit.

Conclusions relating to going concern

The directors have voluntarily complied with the UK Corporate Governance Code (the "Code") and Listing Rule 9.8.6(R)(3)(a) of the Financial Conduct Authority ("FCA") and provided a viability and going concern statement, required for companies with a premium listing on the London Stock Exchange.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Society's ability to continue to adopt the going concern basis of accounting included the following:

- We obtained management's going concern assessment for the Group, including forecasts for the going concern period covering 12 months from the date of approval of the financial statements by the Board, and compared historical budgeted financial information with actual results to form a view of the reliability of the forecasting process;
- We understood and evaluated the reasonableness of these forecasts, which included using EY financial modelling specialists to help assess the assumptions used to develop forecasted results using relevant peer and sector comparatives, to challenge the reasonableness of the Bank rate assumptions and resultant impact on net interest margin, operating costs and customer deposit growth, and to assess the refinancing risk of wholesale funding maturing in the 12 months from the date of approval of the financial statements by the Board;
- We used EY economic specialists to assess the macroeconomic assumptions in the forecast, through benchmarking to institutional and HM Treasury consensus forecasts and Bank of England fan charts;
- We reviewed the results of adverse scenarios modelled by management to incorporate unexpected changes to forecasted liquidity and capital positions of the Group, as well as its reverse stress testing exercise, to identify whether they indicated significant issues that might impact the Group's or Society's ability to continue as a going concern;
- We understood and evaluated the reasonableness of financial projections relating to the potential acquisition of Virgin Money, including capital and liquidity stress scenarios for both standalone entities and the combined group. We involved EY financial modelling and regulatory capital specialists to help assess the key assumptions and sensitivities underpinning these forecasts and scenarios;
- We also understood the directors' considerations of the current uncertain geopolitical and economic outlook and climate change, including both financial risks and impacts on operational resilience; and
- We read and evaluated the adequacy of the disclosures included in the Annual Report in relation to going concern and considered whether there were other events subsequent to the balance sheet date which could have a bearing on the going concern conclusion.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Society's ability to continue as a going concern for a period over the 12 months from the date the financial statements are approved for issue.

In relation to the Group's and Society's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or Society's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of two entities within the Nationwide Group and audit procedures on specific balances for a further six entities; and • The entities where we performed audit procedures over complete financial information or over specific balances accounted for 100% of the Group's profit before tax measure used to calculate materiality, 100% of revenue, and 97% of total assets.
Key audit matters	• Measurement of IFRS 9 expected credit losses; • Recoverability of capitalised software costs; • Risk of fraud in revenue recognition relating to effective interest rate ("EIR") accounting; • Measurement of the net defined benefit pension asset; and • IT general controls.
Materiality	• Overall Group and Society materiality were set at £69 million and £55 million respectively, which represent 3.3% and 3.1% of profit before member reward payments and tax.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size and risk profile when assessing the level of work to be performed for each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected eight entities, which represent the principal business units within the Group.

Of the eight entities selected, we performed an audit of the complete financial information of two entities ("full scope entities") which were selected based on their size or risk characteristics. For the remaining six entities ("specific scope components"), we performed audit procedures on specific accounts within that entity that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Group and Society. Management of the Group and Society has determined that the most significant future impacts from climate change on their operations will be from physical and transitional risks. These are explained on pages 53 to 61 in the Climate-related Financial Disclosures section of the Strategic Report. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements and our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's and Society's business and any consequential material impact on its financial statements.

The Group has explained in Note 2 'Judgements in applying accounting polices and critical accounting estimates' on page 252 how climate risks have been considered in the preparation of the financial statements. The Group notes that management has considered the impact of climate-related risks on its financial position and performance. While the effects of climate change represent a source of uncertainty, management does not consider there to be a material impact on its judgements and estimates from physical and transition risks of climate change in the short to medium term. The Group has also explained within the Credit risk section of the Risk report their approach to quantifying the impact of climate risks on expected credit losses.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk (physical and transition), their climate commitments, the effects of material climate risks disclosed on pages 53 to 61 and the significant judgements and estimates disclosed in Note 2 and whether these have been appropriately reflected in the financial statements, following the requirements of UK adopted International Accounting Standards. As part of this evaluation, we performed our own risk assessment, supported by our EY climate change specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit and assess whether the effects of potential climate risks have been appropriately reflected by management in reaching their judgements in relation to the measurement of financial assets and liabilities.

We also challenged the directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact on the following key audit matter: IFRS 9 expected credit losses. Details of the impact, our procedures and findings are included in our explanation of key audit matters below.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of IFRS 9 expected credit losses *Group and Society: Refer to the Audit Committee report (page 97); Accounting policies (page 241); and note 10 of the consolidated financial statements (page 262)*	
Key audit matter	**Our response to the key audit matter**
IFRS 9 expected credit losses (ECL): **£781 million (2023: £765 million)** The degree of subjectivity in the assumptions and estimates used by management to measure IFRS 9 ECL is high due to significant uncertainty associated with the assumptions used. These include the impacts of the continuing uncertain geopolitical and economic outlook, a higher for longer interest rate environment, a protracted period of inflation that is above the UK Government policy target, stresses on recoverable values, and potential impacts of climate change, which were all considered in our risk assessment.	*Control testing:* We evaluated the design and operating effectiveness of controls across the processes relevant to ECL, including the controls around approval of key judgements and development of the estimate. These controls included: • Review of staging effectiveness; • Model governance controls, including monitoring and model validation; • Controls over the completeness and accuracy of data feeding into ECL provision calculations; • Governance of statistical models used to develop the MES and their associated probability weights; and • The governance and review of MES, post-model adjustments, and individual provisions. In evaluating the controls, we obtained evidence of the governance process that is followed to review, challenge and approve all key assumptions underpinning the IFRS 9 ECL provisions, and we involved EY risk modelling specialists where needed to assess the effective operation of management's controls.

Measurement of IFRS 9 expected credit losses *Group and Society: Refer to the Audit Committee report (page 97); Accounting policies (page 241); and note 10 of the consolidated financial statements (page 262)*	
The risk of material misstatement within the measurement and timing of IFRS 9 ECL manifests itself across the following five areas: *Staging:* The qualitative and quantitative criteria applied by management may not completely and accurately identify a significant increase in credit risk or credit impairment on a timely basis. *Modelling:* Models that calculate the ECLs, including probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") models, may not appropriately apply accounting interpretations, modelling assumptions, or data; or may not be appropriately implemented. *Multiple Economic Scenarios ("MES"):* ECLs may be inaccurate because the range of scenarios considered and the probability weightings applied to them are not sufficient or appropriate to capture all relevant factors required, including the continuing uncertain geopolitical and economic outlook, higher for longer interest rates and protracted period of inflation, or because the MES may not be incorporated appropriately into the estimation of PD, LGD, and EAD. *In-Model and Post Model Adjustments ("PMAs"):* In-model and post-model adjustments could be inappropriate, incomplete, or in the case of in-model adjustments, incorrectly incorporated into the PD, LGD, and EAD models, and there is a risk over the adequacy of disclosures in the financial statements.	*Staging:* We reviewed the Group's accounting policies and tested how they were applied in allocating a financial asset to stage 1, 2 or 3, to ensure they remained compliant with the requirements of IFRS 9. This included peer benchmarking to assess staging triggers and staging levels. We assessed the appropriateness of the staging criteria and their logical application through the modelled environment, and then independently recalculated staging results for the entire retail portfolio by recreating the staging model code and recreating the results in our own environment. We also performed sensitivity analysis to consider the significance of potential impacts on staging (i) as a result of cohorts of borrowers coming to the end of their fixed term contracts, thereby moving to higher interest rates; and (ii) as a result of collectively downgrading exposures to industries and geographic regions at greater risk of climate change impacts. We also tested the staging of the commercial portfolio on a sample basis to ensure the completeness and accuracy of loans classified in respective stages. *Modelling:* We involved EY model risk specialists to lead the qualitative and quantitative risk assessment of the models, and to perform a combination of model methodology reviews, model implementation testing, model reperformance testing, model assumptions testing and model sensitivity analysis, based on the risk designated to each model. We tested the completeness and accuracy of data fields that drive ECL provisions through a combination of controls and substantive testing. Key controls we tested included reconciliation and validation of data quality scorecards ("DQS"). We substantively tested the accuracy of data underpinning the ECL provisions by testing lineage from the ECL models back to source systems for each critical data item, and a sample of non-critical data items, and testing the completeness and accuracy of loan data lineage from source systems into the ECL models. *MES:* With the support of our EY economic specialists, we considered both the appropriateness of the scenario weightings and the underlying macroeconomic variables, with specific focus on the continuing uncertain geoploticial and economic outlook, higher for longer interest rates and the protracted period of inflation impacts, as well as the impacts of climate change on the economic variables. In addition, we evaluated management's approach in using statistical models to inform their judgement in determining the scenarios and their probability weightings. We carried out comparisons to consensus forecasts and other independently derived assumptions. We also engaged our Economists and Modelling teams to assess the reasonableness of the non-linearity in the scenarios and perform sensitivities on the weights and macroeconomic variables to ensure they were reasonable. We also independently tested the appropriate application of the MES data within the models. *In-Model and PMAs:* We involved modelling specialists to assess whether the inventory of adjustments was complete considering the evolution of external factors, and whether each adjustment included was appropriate. In performing the model methodology reviews for a sample of models, we considered whether there were shortcomings that could require further adjustment. We reviewed risk registers and governance meeting materials, and performed independent cohort analysis to ensure the completeness of management adjustments. Additionally we have performed a benchmarking exercise by comparing the suite of model adjustments recognised by management to those seen in the industry and concluded that they were complete. We also evaluated the application of each adjustment and independently recalculated all material PMAs, the outputs of which we reconciled to the reported balances.

<table>
<tr><td colspan="2">Measurement of IFRS 9 expected credit losses
Group and Society: Refer to the Audit Committee report (page 97); Accounting policies (page 241); and note 10 of the consolidated financial statements (page 262)</td></tr>
<tr><td>Individually impaired assets:
Individual impairment may not be identified on a timely basis, or the provisions recognised may be incorrectly measured considering the impact of geopolitical tensions on exit strategies, collateral valuation and time to collect.</td><td>Individually impaired assets:
We assessed the completeness and reasonableness of impairment recorded for individually assessed loans by selecting a sample for which we recalculated the expected credit loss. As part of this recalculation, we independently estimated the impact on ECLs of applying multiple scenarios that impact collateral values estimated by management.

Overall stand-back assessment:
We performed a stand-back assessment of the ECL provisions and coverage at an overall level and by stage to determine if changes were reasonable and internally consistent by considering the overall credit quality of the Group's portfolios, their risk profile, and the impacts of the current uncertain geopolitical and economic outlook and climate change. We performed peer benchmarking where available to assess overall staging and provision coverage levels. We also assessed the adequacy of the disclosures made in the financial statements in comparison to peers, including the appropriateness of the assumptions and sensitivities disclosed.</td></tr>
<tr><td colspan="2">Key observations communicated to the Audit Committee
Based on the work we performed, we were satisfied that IFRS 9 ECL were reasonably stated. In particular:
Independent model testing showed that IFRS 9 ECL models performed as expected with some immaterial differences and were aligned to the requirements of the standard, and that the external data, internal data and assumption data feeding into the IFRS 9 ECL models were complete and accurate.
Economic assumptions and probability weightings assigned to the multiple economic scenarios used within the models were concluded to be reasonable.
Staging criteria were appropriate and the results of staging reperformance indicated their application was complete and accurate.
Independent replication of PMA calculations confirmed they had been accurately recorded, and we were satisfied that they were complete and appropriate.
Individual provisions recorded for the stage 3 commercial portfolio were in line with the industry-specific risks highlighted by our EY Real Estate specialists.
Our stand-back assessment of the overall provision balance, in light of the current economic environment, through peer benchmarking and analysis of key indicators such as coverage ratios, did not indicate the provision recorded as at year end was unreasonable.</td></tr>
</table>

<table>
<tr><td colspan="2">Recoverability of capitalised software costs
Group and Society: Refer to the Audit Committee report (page 97); Accounting policies (page 241); and note 25 of the consolidated financial statements (page 296)</td></tr>
<tr><td>Key audit matter</td><td>Our response to the key audit matter</td></tr>
<tr><td>Intangible assets: £836 million
(2023: £850 million)

The Group capitalises significant software and IT costs which are subsequently amortised over their useful economic lives. Management undertakes bi-annual impairment assessments to determine whether the capitalised costs should be written down to lower recoverable amounts.</td><td>Control testing:
We tested the design and operating effectiveness of key controls over the Group's asset capitalisation, impairment, and amortisation processes. These controls included:
Project capitalisation and approvals;
Project monitoring controls;
Controls over amortisation and useful economic lives; and
Impairment review controls.</td></tr>
</table>

Recoverability of capitalised software costs *Group and Society: Refer to the Audit Committee report (page 97); Accounting policies (page 241); and note 25 of the consolidated financial statements (page 296)*	
We identified the following risks associated with capitalised software costs: • Project costs capitalised for newly created software could be inappropriate if economic benefits to the Group have not been established and therefore do not meet the capitalisation criteria, or the amount capitalised is incorrect. • Amounts recorded for amortisation rely on judgements made in determining useful economic lives of capitalised software and periodic impairment assessments undertaken by management. There is therefore a risk that management override of controls could result in a material misstatement to amortisation.	*Capitalisation:* We assessed the appropriateness of capitalised costs for a sample of asset additions during the year, including both externally and internally generated costs, and assets in use as well as work in progress. We did this by obtaining evidence to challenge whether the asset will lead to future economic benefit. This included assessment of cloud computing arrangements and software as a service to verify appropriate capitalisation and accounting treatment. *Amortisation and impairment:* We assessed the reasonableness of the amortisation charge by testing and validating the underlying calculations, and performing substantive analytical review. We reviewed management's assessment of impairments at both the individual project level and the cash generating unit (CGU) level. For project asset impairments, we understood the rationale for impairment, recalculated impairment charges independently, and challenged the completeness of impairments recorded. We corroborated the reasonableness of useful economic lives by performing a stand back analysis to the Group's broader IT strategy, understanding pipeline projects and whether current assets would be replaced and/or become obsolete in the future. We involved EY business valuation modelling specialists to assess the assumptions used by the Society in the prospective financial information and forecasts used for their CGU impairment assessment. We considered whether the impacts of future plans were sufficiently reflected in the forecast used, including changes to the technology strategy, likely future use of assets, impact of commitments including climate-related commitments made by the Society and assessment of the impact of geopolitical tensions and cost of living pressures.
Key observations communicated to the Audit Committee We are satisfied that the Group's accounting policies and their application for capitalisation of new software assets and determination of related impairments are in compliance with the accounting standards, IAS 38 and IAS 36, and we concluded that newly capitalised assets, impairments and amortisation in the current period are materially appropriate.	

Risk of fraud in revenue recognition relating to effective interest rate ("EIR") accounting *Group and Society: Refer to Accounting policies (page 241); and note 3 of the consolidated financial statements (page 253)*	
Key audit matter	**Our response to the key audit matter**
EIR adjustment to loans and advances: £15 million (2023: £58 million) Management judgement is required in initially recognising financial instruments under the EIR method, and assumptions made by management will also impact subsequent amortisation of EIR adjustments. This leads to a heightened risk that management override of controls could result in a material misstatement of the financial statements.	*Control testing:* We understood and tested the design and operating effectiveness of the Group's controls over automated revenue recognition, including key reconciliations and processes to ensure complete and accurate capture of fees, interest charges, customer payments and balances. We followed a substantive approach to testing the EIR models and related balances. *Data accuracy and completeness:* We tested the data extracted from systems to be used in the EIR models, including historical data used to analyse customer behaviours. We also involved EY model risk specialists in reviewing the code used to extract historical data from the mortgage systems, to verify that the data used in the EIR models is complete and accurate.

Risk of fraud in revenue recognition relating to effective interest rate ("EIR") accounting *Group and Society: Refer to Accounting policies (page 241); and note 3 of the consolidated financial statements (page 253)*	
We assessed two elements of the EIR calculation as most critical and requiring increased audit focus: • The period over which to defer upfront fees and costs, which is determined by reference to analysis of historical customer behaviours; and • The extent to which early redemption charges (ERCs) and variable interest expected to be collected in the future should be recognised as revenue/assets now.	*Model operation:* We involved EY business valuation modelling specialists in reviewing the functionality of the model, ensuring the consistency of the calculations with the accounting policy. *Key assumptions and judgement:* We benchmarked key assumptions used within the EIR calculation to equivalent assumptions made by peers and performed sensitivity analysis over key assumptions and judgements. We extended our analysis to reflect increased uncertainty and potential irregularities in borrowing and switching activity attributable to changes in Bank rate. Further, we have assessed the reasonableness of the assumption for the future propensity to redeem mortgages early through the performance of EY independent stress testing.
Key observations communicated to the Audit Committee We concluded that the fees and costs being deferred are reasonable and complete; the average lives used in the EIR model are reasonable; the extent of ERC fees recognised upfront is reasonable; and the data populating the EIR model is complete and accurate. We concluded that the resulting EIR adjustments made to revenue fall within our independent range of outcomes, and complied with the requirements of IFRS 9.	

Measurement of the defined benefit pension asset *Group and Society: Refer to the Audit Committee report (page 97); Accounting policies (page 241); and note 30 of the consolidated financial statements (page 302)*	
Key audit matter	**Our response to the key audit matter**
Net retirement benefit asset: £607 million (2023: £946 million) The Group has a defined benefit pension asset which represents the fair value of pension plan assets less the present value of defined benefit obligations after applying the asset ceiling test as required by IFRIC 14. The net defined benefit pension asset is sensitive to changes in key judgements and estimates. Management uses specialists to inform the valuation of the net defined benefit pension asset. We identified the key audit matter as the judgements and estimates used in valuing the illiquid asset portfolio. Below are the key	We assessed the design and tested the effectiveness of controls in place over the valuation of the plan assets, and the process of setting significant assumptions which are used in the calculation of the defined benefit obligation. *Valuations:* We tested the reasonableness of the fair valuation of plan assets by independently repricing 100% of the quoted bonds and equities, a sample of the derivative financial instruments and a sample of the properties held by the pension fund. For complex and illiquid investments held, for example unquoted infrastructure, private equity and private debt instruments, we involved our valuation specialists to assess the appropriateness of management's valuation methodology including the judgements made in determining significant assumptions used in the valuation of these investments. We independently valued illiquid and complex investments that had been valued using unobservable market inputs, using alternative pricing sources where available, to evaluate management's valuations. We performed sectoral and geographical analysis to assess the potential impact of climate change risk on the illiquid assets to inform our sampling of the assets during the testing of the valuation of the illiquid assets. We considered the appropriateness of the Group's recognition of a pension asset in accordance with IFRIC 14. Specifically, we assessed whether the Group was entitled to an unconditional right of refund. We assessed this by reference to the terms of the pension agreement and confirmed that the Group did have such a right.

Measurement of the defined benefit pension asset *Group and Society: Refer to the Audit Committee report (page 97); Accounting policies (page 241); and note 30 of the consolidated financial statements (page 302)*	
judgements and estimates used in deriving the valuation of net defined benefit pension asset: • Valuations - Pricing inputs and calibrations for illiquid or complex valuations of certain investments held by the pension scheme; and • Assumptions - Actuarial assumptions and inputs, including discount rate, inflation, and longevity, which are used to determine the valuation of the defined benefit pension obligation.	*Assumptions:* We evaluated the objectivity and competence of management's specialists involved in the valuation of the defined benefit obligation and we involved EY actuarial specialists to evaluate the actuarial assumptions used to calculate the defined benefit pension obligation by comparing the assumptions to ranges we independently developed based on market observable indices and the knowledge of our actuarial specialists. We assessed the impact on the defined benefit pension obligation of changes in financial, demographic and longevity assumptions over the year, and the continued effects of the economic outlook, including market volatility. We then assessed whether these assumptions were supported by objective external evidence and rationales. We assessed the adequacy of the disclosures made in the financial statements, including the appropriateness of the assumptions and sensitivities disclosed.
Key observations communicated to the Audit Committee Based on the procedures performed and the evidence obtained, we found the key actuarial assumptions used in the valuation of the defined benefit pension obligation to be within a reasonable range and no material differences were identified during our independent valuation of the pension assets. We were also satisfied that the net defined benefit pension asset was recognisable in accordance with the terms of IFRIC 14 after applying the asset ceiling test.	

IT general controls	
Key audit matter	**Our response to the key audit matter**
The Group is highly dependent on technology due to the significant number of transactions that are processed daily. Given the levels of automation in place, our audit focused on ensuring that the Group has appropriate levels of IT general controls. IT general controls are required to ensure that data transfers between applications operate as expected, and that changes are authorised and tested. Access management controls reduce the risk of unauthorised access to applications and data. The Group also has a dependency on third parties and related business teams managing associated IT controls.	We evaluated the design and operating effectiveness of IT general controls over the applications, operating systems and databases that are relevant to financial reporting. This includes testing change management, segregation of duties and data transfer controls. We tested user access by assessing the controls in place for in-scope applications, in particular testing the user access provisioning, de-provisioning, privileged access and periodic recertification of users' access. Where control deficiencies were identified, we performed IT substantive procedures or alternative audit procedures to mitigate any residual risk. Some of the in-scope systems are outsourced to third-party service providers. For these systems, we tested IT general controls through either direct testing or evaluation of the relevant Service Organisation Controls ('SOC') reports (where available). This included assessing the timing of the reports, the controls tested by the service auditor and whether the report addresses relevant IT risks. We also tested required complementary user entity controls performed by management. Where a SOC report was not available, we performed additional procedures on the controls managed by the third party to address the relevant risks to financial reporting.

IT general controls
Key observations communicated to the Audit Committee We are satisfied that IT controls impacting financial reporting are designed and operating effectively. Improvements were made around user entitlement review execution and change controls. The overall number of control deficiencies identified has reduced in these areas. Where control exceptions were noted, we have either relied on mitigating controls or performed IT substantive procedures to ensure that the control exceptions identified did not impact our approach to the financial statement audit.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

Having considered quantitative and qualitative factors and consultation with those charged with governance:

We determined materiality for the Group to be £69 million (2023: £50 million), which is 3.3% (2023: 2.2%) of profit before member reward payments and tax.

We determined materiality for the Society to be £55 million (2023: £50 million), which is 3.1% (2023: 2.0%) of Society's profit before member reward payments and tax.

We believe that profit before member reward payments and tax provides us with an appropriate basis for materiality given the users of the financial statements, including the Group's and the Society's members and regulators, as profit before member reward payments and tax is the more relevant measure in assessing the Group's and the Society's performance.

With the introduction of member rewards payments in the current year, we have revisited the basis of our materiality and updated it accordingly, as described above.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2023: 75%) of our planning materiality, namely £51.8 million and £41.3 million for the Group and the Society respectively (2023: £37.5 million for both the Group and the Society). We have set performance materiality at this percentage based on our experience of misstatements and consistent effectiveness of the control environment.

Audit work relating to underlying entities for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each entity is based on the relative scale and risk of the entity to the Group as a whole and our assessment of the risk of misstatement within that entity. In the current year, the performance materiality allocated to entities was £51.8 million.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £3.5 million (2023: £2.5 million) and £2.8 million (2023: £2.5 million) for the Group and Society respectively, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report, which includes reporting based on the Task Force on Climate-related Financial Disclosure ("TCFD") recommendations.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Building Societies Act 1986

In our opinion:

- The Annual business statement and the Directors' report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The information given in the Annual business statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Building Societies Act 1986 requires us to report to you if, in our opinion:

- Proper accounting records have not been kept by the Society; or
- The Group's or Society's financial statements are not in agreement with the accounting records; or
- We have not received all the information and explanations and access to documents we require for our audit.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's and Society's voluntary compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement are materially consistent with the financial statements or our knowledge obtained during the audit:

- The directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 141;
- The directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate, set out on page 65;
- The directors' statement on fair, balanced and understandable, set out on page 141;
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 62;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 95; and
- The section describing the work of the Audit Committee, set out on page 97.

Report of the directors on remuneration

The Society voluntarily prepares a Report of the directors on remuneration in accordance with the provisions of the Companies Act 2006. The directors have requested that we audit the part of the Report of the directors on remuneration specified by the Companies Act 2006, to be audited as if the Society were a quoted company.

In our opinion, the part of the Report of the directors' on remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 140, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Society or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined below, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Society and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the regulations, licence conditions and supervisory requirements of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as UK adopted International Accounting Standards and the Building Societies Act 1986.
- We understood how the Group is complying with those legal and regulatory frameworks by making enquiries of management, Internal Audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Group and UK regulatory bodies; reviewed minutes of the Board and Board Risk Committee; and gained an understanding of the Group's approach to governance, demonstrated by the Board's approval of the Group's governance framework and the Board's review of the Group's operational risk framework and internal control processes.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. We made enquiries of management and Internal Audit and held a fraud-focused discussion with EY forensic specialists and members of the Board to supplement our assessment of how fraud might occur. We also considered performance and incentive plan targets and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders. Our procedures to address the risks identified also included incorporation of unpredictability into the nature, timing and/or extent of our testing, challenging assumptions and judgements made by management in their significant accounting estimates, and testing year-end adjustments and other targeted journal entries posted with certain descriptions or unusual characteristics.
- Based on this understanding we designed our audit procedures to identify non-compliance with laws and regulations applicable to the Group. Our procedures involved inquiries of internal and external legal counsel, executive management and Internal Audit, and reviewing the key policies, reports on the legal and regulatory frameworks and internal whistleblowing logs. With involvement of the relevant specialists, we also conducted a review of correspondence with, and notices from, the regulators, including the FCA, and gained an understanding of any regulatory investigations being undertaken. We also evaluated the appropriateness of the recognition and disclosure of provisions and the contingent liability disclosures made in note 27 and note 29 to the financial statements.
- The Group operates in the banking industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **https://www.frc.org.uk/auditorsresponsibilities.** This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed as auditors by the Society at the Annual General Meeting in July 2019 and engaged on 2 August 2019 to audit the financial statements for the year ending 4 April 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is five years, covering the years ending 2020 to 2024.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Society and we remain independent of the Group and the Society in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with Section 78 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Javier Faiz *(Senior statutory auditor)*
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
22 May 2024

Income statements

For the year ended 4 April 2024		Group		Society	
		2024	2023	**2024**	2023
	Notes	**£m**	£m	**£m**	£m
Interest receivable and similar income:					
Calculated using the effective interest rate method	3	**13,962**	8,776	**13,255**	8,180
Other	3	**63**	49	**62**	49
Total interest receivable and similar income	3	**14,025**	8,825	**13,317**	8,229
Interest expense and similar charges	4	**(9,575)**	(4,327)	**(9,259)**	(4,238)
Net interest income		**4,450**	4,498	**4,058**	3,991
Fee and commission income	5	**426**	432	**423**	427
Fee and commission expense	5	**(292)**	(311)	**(288)**	(304)
Income from investments	33	**-**	-	**-**	652
Other operating income	6	**80**	54	**159**	133
Gains/(losses) from derivatives and hedge accounting	7	**117**	(4)	**133**	(12)
Total income		**4,781**	4,669	**4,485**	4,887
Administrative expenses	8	**(2,422)**	(2,323)	**(2,419)**	(2,319)
Impairment charge on loans and advances to customers	10	**(112)**	(126)	**(77)**	(44)
Provisions for liabilities and charges	27	**(127)**	9	**(124)**	9
Profit before member reward payments and tax		**2,120**	2,229	**1,865**	2,533
Member reward payments		**(344)**	-	**(344)**	-
Profit before tax		**1,776**	2,229	**1,521**	2,533
Taxation	11	**(476)**	(565)	**(415)**	(496)
Profit after tax		**1,300**	1,664	**1,106**	2,037

The notes on pages 241 to 315 form part of these financial statements.

Statements of comprehensive income

For the year ended 4 April 2024					
		Group		Society	
		2024	2023	2024	2023
	Notes	£m	£m	£m	£m
Profit after tax		**1,300**	1,664	**1,106**	2,037
Other comprehensive (expense)/income:					
Items that will not be reclassified to the income statement					
Retirement benefit obligations:					
Remeasurement of net retirement benefit asset	30	**(380)**	(85)	**(380)**	(84)
Taxation	11	**190**	29	**190**	29
		(190)	(56)	**(190)**	(55)
Revaluation reserve:					
Revaluation of property		**-**	2	**-**	2
Taxation	11	**(2)**	(1)	**(2)**	(1)
		(2)	1	**(2)**	1
Fair value through other comprehensive income reserve:					
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income		**5**	(3)	**2**	(1)
Taxation	11	**(1)**	1	**-**	-
		4	(2)	**2**	(1)
		(188)	(57)	**(190)**	(55)
Items that may subsequently be reclassified to the income statement					
Cash flow hedge reserve:					
Hedging net (losses)/gains arising during the year		**(21)**	40	**(21)**	50
Amount transferred to income statement		**(48)**	(50)	**(16)**	(39)
Taxation	11	**20**	2	**10**	(6)
		(49)	(8)	**(27)**	5
Other hedging reserve:					
Hedging net gains arising during the year		**5**	16	**12**	16
Amount transferred to income statement		**(10)**	(23)	**(10)**	(23)
Taxation	11	**1**	3	**1**	3
		(4)	(4)	**3**	(4)
Fair value through other comprehensive income reserve:					
Revaluation gains/(losses) on debt instruments at fair value through other comprehensive income		**8**	(66)	**8**	(66)
Amount transferred to income statement		**(47)**	(74)	**(47)**	(74)
Taxation	11	**11**	39	**11**	39
		(28)	(101)	**(28)**	(101)
		(81)	(113)	**(52)**	(100)
Other comprehensive expense		**(269)**	(170)	**(242)**	(155)
Total comprehensive income		**1,031**	1,494	**864**	1,882

The notes on pages 241 to 315 form part of these financial statements.

Balance sheets

At 4 April 2024					
		Group		Society	
		2024	2023	**2024**	2023
	Notes	**£m**	£m	**£m**	£m
Assets					
Cash		**23,817**	25,635	**23,817**	25,635
Loans and advances to banks and similar institutions		**2,478**	2,860	**2,468**	2,854
Investment securities	13	**26,532**	27,615	**26,476**	27,570
Derivative financial instruments	15	**6,290**	6,923	**6,905**	7,554
Fair value adjustment for portfolio hedged risk		**(3,330)**	(5,011)	**(3,330)**	(5,011)
Loans and advances to customers	14	**213,440**	210,782	**169,996**	166,696
Investments in Group undertakings	33	**-**	-	**40,223**	41,056
Intangible assets	25	**848**	862	**836**	850
Property, plant and equipment	26	**656**	744	**656**	745
Accrued income and prepaid expenses		**294**	302	**464**	637
Deferred tax	11	**109**	119	**106**	108
Current tax assets		**54**	15	**46**	13
Other assets		**122**	101	**93**	76
Retirement benefit asset	30	**607**	946	**607**	947
Total assets		**271,917**	271,893	**269,363**	269,730
Liabilities					
Shares		**193,366**	187,143	**193,366**	187,143
Deposits from banks and similar institutions	16	**16,388**	25,056	**16,388**	25,054
Other deposits	17	**4,530**	5,191	**4,752**	5,617
Fair value adjustment for portfolio hedged risk		**50**	2	**50**	2
Debt securities in issue	18	**29,599**	27,626	**28,255**	25,993
Derivative financial instruments	15	**1,451**	1,524	**1,640**	1,718
Other liabilities		**689**	695	**2,527**	2,854
Provisions for liabilities and charges	27	**149**	82	**145**	82
Accruals and deferred income		**405**	334	**398**	328
Subordinated liabilities	19	**7,225**	6,755	**7,225**	6,755
Subscribed capital	20	**173**	173	**173**	173
Deferred tax	11	**206**	406	**153**	333
Total liabilities		**254,231**	254,987	**255,072**	256,052
Members' interests and equity					
Core capital deferred shares	31	**1,157**	1,233	**1,157**	1,233
Other equity instruments	32	**1,336**	1,336	**1,336**	1,336
General reserve		**15,119**	14,184	**11,792**	11,051
Revaluation reserve		**36**	38	**36**	38
Cash flow hedge reserve		**127**	176	**6**	33
Other hedging reserve		**(51)**	(47)	**17**	14
Fair value through other comprehensive income reserve		**(38)**	(14)	**(53)**	(27)
Total members' interests and equity		**17,686**	16,906	**14,291**	13,678
Total members' interests, equity and liabilities		**271,917**	271,893	**269,363**	269,730

The notes on pages 241 to 315 form part of these financial statements.

Approved by the Board of directors on 22 May 2024.

K A H Parry Chairman
D Crosbie Chief Executive Officer
C S Rhodes Chief Financial Officer

Group statement of movements in members' interests and equity

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

For the year ended 4 April 2023	Core capital deferred shares	Other equity instruments	General reserve	Revaluation reserve	Cash flow hedge reserve	Other hedging reserve	FVOCI reserve	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2022	1,334	1,336	12,753	46	184	(43)	89	15,699
Profit for the year	-	-	1,664	-	-	-	-	1,664
Net remeasurements of retirement benefit obligations	-	-	(56)	-	-	-	-	(56)
Net revaluation of property	-	-	-	1	-	-	-	1
Net movement in cash flow hedge reserve	-	-	-	-	(8)	-	-	(8)
Net movement in other hedging reserve	-	-	-	-	-	(4)	-	(4)
Net movement in FVOCI reserve	-	-	-	-	-	-	(103)	(103)
Total comprehensive income	-	-	1,608	1	(8)	(4)	(103)	1,494
Reserve transfer	-	-	9	(9)	-	-	-	-
Repurchase of core capital deferred shares	(101)	-	-	-	-	-	-	(101)
Distribution to the holders of core capital deferred shares	-	-	(108)	-	-	-	-	(108)
Distribution to the holders of Additional Tier 1 capital	-	-	(78)	-	-	-	-	(78)
At 4 April 2023	1,233	1,336	14,184	38	176	(47)	(14)	16,906

The notes on pages 241 to 315 form part of these financial statements.

Society statement of movement in members' interests and equity

For the year ended 4 April 2024	Core capital deferred shares	Other equity instruments	General reserve	Revaluation reserve	Cash flow hedge reserve	Other hedging reserve	FVOCI reserve	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2023	1,233	1,336	11,051	38	33	14	(27)	13,678
Profit for the year	-	-	1,106	-	-	-	-	1,106
Net remeasurements of retirement benefit obligations	-	-	(190)	-	-	-	-	(190)
Net revaluation of property	-	-	-	(2)	-	-	-	(2)
Net movement in cash flow hedge reserve	-	-	-	-	(27)	-	-	(27)
Net movement in other hedging reserve	-	-	-	-	-	3	-	3
Net movement in FVOCI reserve	-	-	-	-	-	-	(26)	(26)
Total comprehensive income	-	-	916	(2)	(27)	3	(26)	864
Repurchase of core capital deferred shares	(76)	-	-	-	-	-	-	(76)
Distribution to the holders of core capital deferred shares	-	-	(97)	-	-	-	-	(97)
Distribution to the holders of Additional Tier 1 capital	-	-	(78)	-	-	-	-	(78)
At 4 April 2024	1,157	1,336	11,792	36	6	17	(53)	14,291

For the year ended 4 April 2023	Core capital deferred shares	Other equity instruments	General reserve	Revaluation reserve	Cash flow hedge reserve	Other hedging reserve	FVOCI reserve	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2022	1,334	1,336	9,246	46	28	18	75	12,083
Profit for the year	-	-	2,037	-	-	-	-	2,037
Net remeasurements of retirement benefit obligations	-	-	(55)	-	-	-	-	(55)
Net revaluation of property	-	-	-	1	-	-	-	1
Net movement in cash flow hedge reserve	-	-	-	-	5	-	-	5
Net movement in other hedging reserve	-	-	-	-	-	(4)	-	(4)
Net movement in FVOCI reserve	-	-	-	-	-	-	(102)	(102)
Total comprehensive income	-	-	1,982	1	5	(4)	(102)	1,882
Reserve transfer	-	-	9	(9)	-	-	-	-
Repurchase of core capital deferred shares	(101)	-	-	-	-	-	-	(101)
Distribution to the holders of core capital deferred shares	-	-	(108)	-	-	-	-	(108)
Distribution to the holders of Additional Tier 1 capital	-	-	(78)	-	-	-	-	(78)
At 4 April 2023	1,233	1,336	11,051	38	33	14	(27)	13,678

The notes on pages 241 to 315 form part of these financial statements.

Cash flow statements

For the year ended 4 April 2024					
		Group		Society	
		2024	2023	**2024**	2023
	Notes	**£m**	£m	**£m**	£m
Cash flows generated from/ (used in) operating activities					
Profit before tax		**1,776**	2,229	**1,521**	2,533
Adjustments for:					
Non-cash items included in profit before tax	36	**965**	839	**907**	773
Changes in operating assets and liabilities	36	**(4,256)**	(2,965)	**(4,011)**	(3,272)
Taxation		**(479)**	(558)	**(407)**	(485)
Net cash flows used in operating activities		**(1,994)**	(455)	**(1,990)**	(451)
Cash flows generated from/ (used in) investing activities					
Purchase of investment securities		**(8,598)**	(14,039)	**(8,591)**	(14,038)
Investment in subsidiary share capital		**-**	-	**(15)**	(1)
Sale and maturity of investment securities		**9,736**	12,097	**9,736**	12,096
Proceeds on sale of investment advice business		**33**	-	**33**	-
Purchase of property, plant and equipment		**(85)**	(63)	**(85)**	(63)
Sale of property, plant and equipment		**4**	21	**4**	21
Purchase of intangible assets		**(298)**	(283)	**(298)**	(283)
Net cash flows generated from/ (used in) investing activities		**792**	(2,267)	**784**	(2,268)
Cash flows generated from/ (used in) financing activities					
Distributions paid to the holders of core capital deferred shares		**(97)**	(108)	**(97)**	(108)
Repurchase of core capital deferred shares		**(76)**	(101)	**(76)**	(101)
Distributions paid to the holders of Additional Tier 1 capital		**(78)**	(78)	**(78)**	(78)
Issuance of subordinated liabilities		**1,385**	646	**1,385**	646
Redemption of subordinated liabilities		**(771)**	(2,197)	**(771)**	(2,197)
Interest paid on subordinated liabilities		**(470)**	(260)	**(470)**	(260)
Interest paid on subscribed capital		**(11)**	(6)	**(11)**	(6)
Repayment of lease liabilities		**(34)**	(33)	**(34)**	(33)
Net cash flows used in financing activities		**(152)**	(2,137)	**(152)**	(2,137)
Effect of exchange rate changes on cash and cash equivalents		**(110)**	(10)	**(110)**	-
Net decrease in cash and cash equivalents		**(1,464)**	(4,869)	**(1,468)**	(4,856)
Cash and cash equivalents at start of year		**25,955**	30,824	**25,949**	30,805
Cash and cash equivalents at end of year	36	**24,491**	25,955	**24,481**	25,949

Total interest received was £12,963m (2023: £7,376m) and total interest paid was £7,828m (2023: £3,260m).

The notes on pages 241 to 315 form part of these financial statements.

Notes to the financial statements

1. Statement of accounting policies

Basis of preparation

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

The Group financial statements are also prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

The audited sections in the Risk report form an integral part of these financial statements. These disclosures, where marked as 'audited', are covered by the Independent auditor's report for this Annual Report and Accounts.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, branches and non-specialised buildings, financial assets measured at fair value through other comprehensive income (FVOCI), and derivatives and certain other financial assets and liabilities measured at fair value through profit and loss (FVTPL).

The consolidated financial statements are presented in sterling, which is the functional currency of the Society.

A summary of the Group's material accounting policies, which have been consistently applied, is set out below. There have been no changes arising from adoption of new and revised IFRSs, as explained below.

Further information about judgements in applying accounting policies and critical accounting estimates is provided in note 2.

Going concern

The Group's business activities and financial position, the factors likely to affect its future development and performance, its objectives and policies in managing the financial risks to which it is exposed, and its capital, funding and liquidity positions are set out in the Financial review and the Risk report.

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

Adoption of new and revised IFRSs

A number of amendments and improvements to accounting standards have been issued by the International Accounting Standards Board (IASB) with an effective date for annual reporting periods beginning on or after 1 January 2023. The adoption of these amendments had no significant impact on the Group.

Future accounting developments

The IASB has also issued a number of amendments to IFRSs that become effective for annual reporting periods beginning on or after 1 January 2024, some of which have not yet been endorsed for use in the European Union or the UK. These amendments are not expected to have a significant impact for the Group.

1. Statement of accounting policies (continued)

Basis of consolidation

The assets, liabilities and results of the Society and its undertakings, which include subsidiaries and structured entities, are included in the financial statements on the basis of accounts made up to the reporting date.

Investments in subsidiary undertakings are stated in the Society accounts at cost less provisions for any impairment in value. The directors consider it appropriate for administrative and commercial reasons that subsidiary undertakings have financial years ending on 31 March. Adjustment is made for individually significant transactions arising between 31 March and the Society's year end.

Securitisation and covered bond transactions

The Group has securitised certain mortgage loans by the transfer of the loans to structured entities controlled by the Group. The securitisation enables a subsequent issuance of debt, either by the Society or the structured entities, to investors who gain the security of the underlying assets as collateral. Those structured entities are fully consolidated into the Group accounts.

The transfers of the mortgage loans to the structured entities are not treated as sales by the Society. The Society continues to recognise the mortgage loans on its own balance sheet after the transfer because it retains their risks and rewards through the receipt of substantially all of the profits or losses of the structured entities. In the accounts of the Society, the proceeds received from the transfer are accounted for as a deemed loan repayable to the structured entities.

For covered bonds, the Society itself and not the structured entity issues the covered bonds and then lends the proceeds to the structured entity on back-to-back terms. The structured entity then uses these proceeds as consideration for the loans transferred from the Society. In the accounts of the Society, neither the loan to the structured entity nor the consideration for the transfer of mortgage loans is recognised separately as an additional asset and liability.

The Group has also entered into self-issuances of debt to be used as collateral for repurchase ('repo') and similar transactions. Investments in self-issued debt and the related obligation, together with the related income, expenditure and cash flows, are not recognised in the Society's or Group's financial statements. This avoids the 'grossing-up' of the financial statements that would otherwise arise.

To manage interest rate risk, the Society enters into derivative transactions with the structured entities, receiving a rate of interest based on the securitised mortgages and paying a rate inherent in the debt issuances. These internal derivatives are treated as part of the deemed loan and not separately fair valued because the relevant mortgage loans are not derecognised. All other derivatives relating to securitisations are treated as explained in the derivatives and hedge accounting policy below.

Interest receivable and interest expense

For instruments measured at amortised cost the effective interest rate (EIR) method is used to measure the carrying value of a financial asset or liability and to allocate associated interest income or expense over the relevant period.

In calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, early redemption penalty charges) and anticipated customer behaviour but does not consider future credit losses. The calculation includes all fees received and paid and costs incurred that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts above or below market rates.

Interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets. For credit impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit impaired financial assets (i.e. net of the allowance for expected credit losses (ECLs)). Where loans are credit impaired on origination, or when purchased from third parties, the carrying amount at initial recognition is net of the lifetime ECL at that date. For these assets the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Interest receivable and similar income/(expense) calculated using the effective interest rate method also includes interest on financial assets classified as fair value through other comprehensive income, and on derivatives in qualifying hedge relationships.

Interest income not calculated using the effective interest rate method, including interest on financial assets classified as fair value through profit or loss and derivatives not in qualifying hedge relationships, is presented as other interest receivable and similar income/(expense).

Member reward payments

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. The Group recognises the expected cost of member reward payments on the date at which they are announced.

1. Statement of accounting policies (continued)

Fees and commissions

Fee and commission income and expense comprises fees that are not an integral part of the EIR. Fees and commissions relating to current accounts, savings accounts, mortgages and credit cards are either:

- transaction-based and therefore recognised when the performance obligation related to the transaction is fulfilled, or
- related to the provision of services over a period of time and therefore recognised on a systematic basis over the life of the agreement as services are provided.

The transaction prices and provision of services are defined within the product terms and conditions.

Trail commission relating to investments under administration, general insurance and protection products sold on behalf of third parties may include variable consideration. Where this is the case the trail commission is recognised either on the accruals basis over the period to which the commission relates or, if the uncertainties are more significant, once the uncertainties are resolved.

Fee and commission income is generally earned from short-term contracts with payment terms that do not include a significant financing component.

Segmental reporting

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

The Group has determined that it has one reportable segment as the ExCo reviews performance and makes decisions based on the Group as whole. No segmental analysis is required on geographical lines as substantially all of the Group's activities are in the United Kingdom. As a result, no segmental disclosure is provided.

Leases

At inception, the Group assesses whether a contract is, or contains, a lease. This assessment involves exercising judgement as to whether the contract conveys the right to control the use of an identified asset, and the right to obtain substantially all of the economic benefits from this asset, for a period of time.

Leases held by the Group as a lessee consist primarily of property contracts for branches and office buildings. The Group recognises a right-of-use (RoU) asset and a lease liability at the commencement of the lease, except for short-term leases (defined as leases with a lease term of less than 12 months) and leases of low value assets. Payments for short-term leases and leases of low value assets are generally recognised in the income statement on a straight-line basis.

Intangible assets

Intangible assets held by the Group consist primarily of externally acquired and internally developed computer software which is held at cost less accumulated amortisation and impairment. Computer software intangible assets are amortised using the straight-line method over their estimated useful lives which generally range between 3 and 10 years.

Intangible assets, including computer software, are reviewed for indicators of impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount is not recoverable the asset is written down immediately to the estimated recoverable amount.

Property, plant and equipment

Freehold and long leasehold properties comprise mainly branches and office buildings.

Branches and non-specialised buildings are stated at revalued amounts, being the fair value, determined by market-based evidence at the date of the valuation, less any subsequent accumulated depreciation and subsequent impairment. Valuations are completed annually as at 4 April, or more frequently if required, by external, independent and qualified surveyors who have recent experience in the location and type of properties. Valuations are performed in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards and are generally performed on a vacant possession basis, using a comparative method of valuation with reference to sales prices and observable market rents for similar properties in similar locations.

The Group holds a small number of investment properties comprising properties held for rental which are held at fair value, with changes in fair value included in the income statement.

1. Statement of accounting policies (continued)

Other property, plant and equipment, including specialised administration buildings, are included at historical cost less accumulated depreciation and impairment. Land is not depreciated. Other assets are depreciated over the following estimated useful lives:

Branches and non-specialised buildings	60 years
Specialised administration buildings	up to 60 years
Plant and machinery	5 to 15 years
Equipment, fixtures, fittings and vehicles	3 to 10 years

Assets are reviewed for indicators of impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount is not recoverable the asset is written down immediately to the estimated recoverable amount.

Inventories

Inventories relating to property development activities are held at the lower of cost and net realisable value and are included within other assets on the balance sheet.

Employee benefits

The Group operates a number of defined benefit and defined contribution pension arrangements.

The net defined benefit asset or liability represents the difference between the present value of defined benefit obligations and the fair value of plan assets, after applying the asset ceiling test, where a net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan.

The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows derived from yields of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Actuarial remeasurements arise from experience adjustments (the effects of differences between previous actuarial assumptions and what has actually occurred) and changes in forward-looking actuarial assumptions. Actuarial remeasurements are recognised in full, in the year they occur, in other comprehensive income.

A defined contribution arrangement is one into which the Group and the employee pay fixed contributions, without any further obligation to pay additional contributions. Payments to defined contribution schemes are charged to the income statement as they fall due.

The Group also offers variable compensation to employees including bonus schemes. For performance-based awards, no amounts are recognised in the income statement until it is considered probable that payments will be made. Where a performance-based bonus payment is considered probable, the amount recognised in the income statement will reflect the portion of the vesting period that has passed. The vesting period for performance-based awards runs from the start of the performance period associated with the plan to the settlement date.

Provisions

A provision is recognised where there is a present obligation as a result of a past event, it is probable that the obligation will be settled, and it can be reliably estimated.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by the outcome of uncertain future events which are not wholly within the control of the entity, and present obligations where the outflow of resources is uncertain or cannot be measured reliably. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the likelihood of an outflow of economic resources is remote.

1. Statement of accounting policies (continued)

Taxation

Current tax payable on profits is recognised as an expense in the period in which profits arise. Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, taxation authorities. Management evaluates where uncertain taxation positions exist and recognises provisions where appropriate to reflect the best estimate of the probable outcome.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and which are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle on a net basis.

Current and deferred tax are charged or credited in the income statement except to the extent that the tax arises from a transaction or event which is recognised outside the income statement. In this case, the tax appears in the same statement as the transaction that gave rise to it. An exception to this principle relates to the tax consequences of the Group's distributions on other equity instruments. Although such distributions are recognised directly in equity, the tax consequences are credited to the income statement, where the profit being distributed originally arose.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and non-restricted balances with less than three months maturity from the date of acquisition, included within cash and loans and advances to banks and similar institutions on the balance sheet.

Financial assets

Financial assets primarily consist of cash, loans and advances to banks and similar institutions, investment securities, derivative financial instruments and loans and advances to customers.

Recognition and derecognition

All financial assets are recognised initially at fair value. Purchases and sales of financial assets are accounted for at trade date. Financial assets are derecognised when the rights to receive cash flows have expired or where the assets have been transferred and substantially all the risks and rewards of ownership have been transferred.

Modification of contractual terms

An instrument that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms (such as renegotiations of commercial loans). Residential mortgages reaching the end of a fixed interest deal period are deemed repricing events, rather than a modification of contractual terms, as the change in interest rate at the end of the fixed rate period was envisaged in the original mortgage contract.

Where an instrument is renegotiated and not derecognised, the change is considered a modification of contractual terms. Where this arises, the gross carrying amount of the loan is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the loan's original effective interest rate. Any gain or loss on recalculation is recognised immediately in the income statement.

1. Statement of accounting policies (continued)

Classification and measurement

The classification and subsequent measurement of financial assets is based on an assessment of the Group's business models for managing the assets and their contractual cash flow characteristics. Financial assets are classified into the following three categories:

(a) Amortised cost

Financial assets held to collect contractual cash flows and where contractual terms comprise solely payments of principal and interest (SPPI) are classified as amortised cost. This category of financial assets includes cash, loans and advances to banks and similar institutions, the majority of the Group's residential and commercial mortgage loans, all unsecured lending, and certain investment securities within a 'hold to collect' business model.

Financial assets within this category are recognised on either the receipt of cash or deposit of funds into one of the Group's bank accounts (for cash and loans and advances to banks and similar institutions), when the funds are advanced to borrowers (for residential, commercial and unsecured lending) or on the trade date for purchases of investment securities. After initial recognition, the assets are measured at amortised cost using the effective interest rate method, less provisions for expected credit losses.

(b) Fair value through other comprehensive income

Debt instruments held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where contractual terms comprise solely payments of principal and interest (SPPI), are classified as, and measured at, FVOCI. This category of financial assets includes most of the Group's investment securities which are held to manage liquidity requirements.

Financial assets within this category are recognised on trade date. The assets are measured at fair value using, in the majority of cases, market prices or, where there is no active market, prices obtained from market participants. In sourcing valuations, the Group makes use of a consensus pricing service, in line with standard industry practice. In cases where market prices or prices from market participants are not available, discounted cash flow models are used.

Interest on FVOCI debt instruments is recognised in interest receivable and similar income in the income statement, using the effective interest rate method. Unrealised gains and losses arising from changes in value are recognised in other comprehensive income. Provisions for expected credit losses and foreign exchange gains or losses are recognised in the income statement. Cumulative gains or losses arising on sale of FVOCI debt instruments are recognised in the income statement within other operating income/(expense), net of any credit or foreign exchange gains or losses already recognised.

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as FVOCI when they meet the definition of equity under IAS 32 'Financial Instruments: Presentation' and are not held for trading. Such classification is determined on an instrument-by instrument basis. Gains and losses on these equity instruments are never recycled to the income statement. Dividends are recognised in the income statement as other operating income unless deemed to represent a recovery of part of the cost of the investment. Equity instruments at FVOCI are not subject to an impairment assessment.

(c) Fair value through profit or loss

All other financial assets are measured at FVTPL. Financial assets within this category primarily include derivative instruments and a small number of residential and commercial loans and investment securities with contractual cash flow characteristics which do not meet the SPPI criteria. The contractual terms for these cash flows include contingent or leverage features, or returns based on movements in underlying collateral values such as house prices.

Fair values are based on observable market data, valuations obtained from third parties or, where these are not available, internal models. Gains or losses arising from changes in the fair value of these instruments and on disposal are recognised in the income statement within other operating income.

Hedge accounting is not applied to assets classified as FVTPL; however, hedging may be applied for economic purposes. Gains or losses arising from changes in the fair value of derivatives economically hedging FVTPL financial assets are also included within other operating income.

1. Statement of accounting policies (continued)

Impairment of financial assets

Financial assets within the scope of IFRS 9 expected credit loss (ECL) requirements comprise all financial debt instruments measured at either amortised cost or FVOCI. These include cash, loans and advances to banks and similar institutions, and the majority of investment securities and loans and advances to customers. Also within scope are irrevocable undrawn commitments to lend and intra-group lending (the latter being eliminated on consolidation in the Group accounts).

The ECL represents the present value of expected cash shortfalls following the default of a financial instrument, including any undrawn commitment. A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive.

The allowance for ECLs is based on an assessment of the probability of default, exposure at default and loss given default, discounted at the effective interest rate to give a net present value of cash flows. The estimation of ECLs is unbiased and probability weighted, taking into account all reasonable and supportable information, including forward-looking economic assumptions and a range of possible outcomes. ECLs are typically calculated from initial recognition of the financial asset for the maximum contractual period that the Group is exposed to the credit risk. However, for revolving credit loans such as credit cards and overdrafts, the Group's credit risk is not limited to their contractual period and therefore the expected life of the loan and associated undrawn commitment is calculated based on the behavioural life of the loan.

For financial assets recognised in the balance sheet at amortised cost, the allowance for ECLs is offset against the gross carrying value so that the amount presented in the balance sheet is net of impairment provisions. For financial assets classified as FVOCI, any credit losses recognised are offset against cumulative fair value movements within the other comprehensive income reserve. For separately identifiable irrevocable loan commitments, where the related financial asset has not yet been advanced, the provision is presented in provisions for liabilities and charges in the balance sheet.

Forward-looking economic inputs

ECLs are calculated by reference to information on past events, current conditions and forecasts of future economic conditions. Multiple economic scenarios are incorporated into ECL calculation models. These scenarios are based on external sources where available and appropriate, and internally generated assumptions in all other cases. To capture any non-linear relationship between economic assumptions and credit losses, a minimum of four scenarios is used. This includes a base case scenario which reflects the Group's view of the most likely future economic conditions, together with upside, downside and severe downside scenarios representing alternative plausible views of economic conditions, weighted based on management's view of their probability.

Credit risk categorisation

For the purpose of calculating ECLs, assets are categorised into three stages as follows:

Stage 1: no significant increase in credit risk since initial recognition

On initial recognition, and for financial assets where there has not been a significant increase in credit risk since initial recognition, provision is made for losses from credit default events expected to occur within the next 12 months. Expected credit losses for these stage 1 assets continue to be recognised on this basis unless there is a significant increase in the credit risk of the asset.

Stage 2: significant increase in credit risk

Financial assets are categorised as being within stage 2 where an instrument has experienced a significant increase in credit risk since initial recognition. For these assets, provision is made for losses from credit default events expected to occur over the lifetime of the instrument.

Whether a significant increase in credit risk has occurred is ascertained by considering both quantitative and qualitative factors. Quantitative considerations take into account changes in the residual lifetime probability of default (PD) of the asset. As a backstop, all assets with an arrears status of more than 30 days past due on contractual payments are considered to be in stage 2.

Qualitative factors that may indicate a significant change in credit risk include concession events where full repayment of principal and interest is envisaged, on a discounted basis.

Further information about the identification of significant increases in credit risk is provided in note 10.

1. Statement of accounting policies (continued)

Stage 3: credit impaired (or defaulted) loans

Financial assets are transferred into stage 3 when there is objective evidence that an instrument is credit impaired. Provisions for stage 3 assets are made on the basis of credit default events expected to occur over the lifetime of the instrument. Assets are considered credit impaired when:

- Contractual payments of either principal or interest are past due by more than 90 days;
- There are other indications that the borrower is unlikely to pay, such as signs of financial difficulty, probable bankruptcy, breaches of contract and concession events which have a detrimental impact on the present value of future cash flows; or
- The loan is otherwise considered to be in default.

Interest income on stage 3 credit impaired loans is recognised in the income statement on the loan balance net of the ECL provision. The gross balance sheet value of stage 3 loans reflects the contractual terms of the assets and continues to increase over time with the contractually accrued interest.

Transfers between stages

Transfers from stage 1 to 2 occur when there has been a significant increase in credit risk and from stage 2 to 3 when credit impairment is indicated as described above.

Loans in stage 2 or 3 can transfer back to stage 1 or 2 once the criteria for a significant increase in credit risk or impairment are no longer met. For loans subject to concession events deemed to be forbearance, accounts are transferred back to stage 1 or 2 only after being up to date for a period of 12 months.

Write-off

Loans remain on the balance sheet, net of associated provisions, until they are deemed to have no reasonable expectation of recovery. Loans are generally written off after realisation of any proceeds from collateral and upon conclusion of the collections process, including consideration of whether an account has reached a point where continuing attempts to recover are no longer likely to be successful. Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the value of impairment charges recorded in the income statement.

Financial liabilities

Borrowings, including shares, deposits, debt securities in issue, subordinated liabilities and permanent interest-bearing shares (subscribed capital) are recognised initially at fair value, being the issue proceeds net of premiums, discounts and transaction costs incurred.

All borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is adjusted for the amortisation of any premiums, discounts and transaction costs. The amortisation is recognised in interest expense and similar charges using the effective interest rate method.

Derivative financial liabilities are measured at FVTPL. Borrowings that are designated as hedged items are subject to measurement under the hedge accounting requirements described in the derivatives and hedge accounting policy below.

Financial liabilities are derecognised when the obligation is discharged, cancelled or has expired. The financial liabilities of dormant shares and deposit accounts are extinguished when balances have been transferred to the Government-backed unclaimed asset scheme under the terms of the Dormant Accounts and Building Society Accounts Act 2008, with no impact on the income statement.

Fair value of assets and liabilities

IFRS 13 ‘Fair Value Measurement’ requires an entity to classify assets and liabilities held at fair value, and those not measured at fair value but for which the fair value is disclosed, according to a hierarchy that reflects the significance of observable market inputs in calculating those fair values. The three levels of the fair value hierarchy are defined below:

Level 1 – Valuation using quoted market prices

Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price reflects actual and regularly occurring market transactions on an arm’s length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

1. Statement of accounting policies (continued)

Level 2 – Valuation technique using observable inputs

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuations based on observable inputs include derivative financial instruments such as swaps and forward rate agreements which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable. They also include investment securities valued using consensus pricing or other observable market prices.

Level 3 – Valuation technique using significant unobservable inputs

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. An input is deemed significant if it is shown to contribute more than 10% to the valuation of a financial instrument.

Derivatives and hedge accounting

Derivatives are entered into to reduce exposures to fluctuations in interest rates, exchange rates, market indices and credit risk, and are not used for speculative purposes.

(a) Derivative financial instruments

Derivatives are carried at fair value with movements in fair values recorded in the income statement. Derivative financial instruments are principally valued by discounted cash flow models using yield curves that are based on observable market data or on valuations obtained from third parties. Discounting uses the appropriate risk-free rate for the currency of the cash flow; for example, GBP cash flows are discounted using a Sonia yield curve.

In the first instance fair values are calculated using mid prices. An adjustment is then made to derivative assets and liabilities to value them on a bid and offer basis respectively. The bid-offer adjustment is calculated on a portfolio basis and reflects the costs that would be incurred if substantially all residual net portfolio market risks were closed out using available hedging instruments or by disposing of or unwinding actual positions. The methodology for determining the bid-offer adjustments involves netting between long and short positions and the grouping of risk by type, in accordance with the hedging strategy. Bid-offer spreads are derived from market sources such as broker data and are reviewed periodically.

In measuring fair value, separate credit valuation and debit valuation adjustments are made for counterparty or own credit risk to the extent not already included in the valuation. Funding valuation adjustments are also made to reflect an estimate of the adjustment a market participant would make to incorporate funding costs and benefits that arise in relation to derivative exposures.

All derivatives are classified as assets where their fair value is positive and liabilities where their fair value is negative. Where there is the legal right and intention to settle net, then the derivative is classified as a net asset or liability, as appropriate.

Where cash collateral is received, to mitigate the risk inherent in amounts due to the Group, a liability is recognised within deposits from banks and similar institutions. Similarly, where cash collateral is given, to mitigate the risk inherent in amounts due from the Group, an asset is recognised within loans and advances to banks and similar institutions. Where securities collateral is received the securities are not recognised in the accounts as the Group does not obtain the risks and rewards of the securities. Where securities collateral is given, the securities are not derecognised as the Group retains substantially all the risks and rewards of ownership.

(b) Hedge accounting

The Group has adopted the general hedge accounting requirements of IFRS 9 but continues to apply the scope exception which allows ongoing application of IAS 39 for fair value hedge accounting for a portfolio (macro) hedge of interest rate risk. When transactions meet the criteria specified in IFRS 9, the Group can apply two types of hedge accounting: either hedges of the changes in fair value of the financial asset or liability (fair value hedge accounting) or hedges of the variability in cash flows of the financial asset or liability (cash flow hedge accounting). The Group does not have hedges of net investments.

At inception each hedge relationship is formally documented, including a description of the hedged item (a financial asset or liability which is being economically hedged) and the hedging instrument (a derivative), as well as the methods which will be used to assess the effectiveness of the hedge. Hedges accounted for under IFRS 9 are required to be effective on a prospective basis, in line with risk management strategy. Macro hedges which continue to be accounted for under IAS 39 are required to be highly effective on both a retrospective and a prospective basis.

1. Statement of accounting policies (continued)

Fair value and cash flow hedges may have residual hedge ineffectiveness. This is the degree to which the change in fair value of the hedging instrument does not offset the change in fair value of the hedged item. This ineffectiveness is recognised in the income statement and typically arises from:

- Differences in the magnitude or timing of future expected cash flows in the hedged item and hedging instrument;
- Differences in the market curves used to value the hedged item and hedging instrument;
- Unexpected adjustments to either the hedged item or hedging instrument, due to early repayments or disposals; or
- The ongoing amortisation of any existing balance sheet mismatch between the fair value of the hedged item and hedging instrument.

The Group discontinues hedge accounting when:

- It is evident from testing that a hedging instrument ceases to meet the hedge effectiveness requirements;
- The hedging instrument expires, or is sold, terminated or exercised; or
- The hedged item matures, is sold or repaid or, in the case of a forecasted item, is no longer deemed to be highly probable to occur.

For macro hedges which continue to be accounted for under IAS 39, the Group may also decide to prospectively cease hedge accounting even though the hedge relationship continues to be highly effective, by ceasing to designate the financial instrument as a hedge. For hedges accounted for under IFRS 9, the Group is unable to voluntarily de-designate hedging relationships, unless there has been a change to risk management objectives.

Fair value hedge accounting

Fair value hedge accounting results in the carrying value of the hedged item being adjusted to reflect changes in fair value attributable to the risk being hedged. This creates an offset to the fair value movements of the hedging instrument. Changes in the fair value of the hedged items and hedging instruments are recorded in the income statement, except for changes in the fair value of hedging instruments accounted for under IFRS 9 which are attributable to foreign currency basis spreads. Where foreign currency basis spreads are excluded from hedge designation, this element of fair valuation of the hedging instrument is instead recognised directly within equity within the 'other hedging reserve'.

For larger and distinctively identifiable assets and liabilities, such as investment securities and debt securities in issue, a single or small number of hedging instruments may be used. This is referred to as a micro fair value hedge. If the hedge is effective, the Group adjusts the carrying value of that specific asset or liability to reflect changes in its fair value due to movements in the designated benchmark rate, such as Sonia. This creates an offset to the fair value movement of the hedging instruments.

For hedged items which are classified as FVOCI, such as investment securities, there is no further need to adjust their carrying value as they are already held at fair value. Instead, hedge accounting results in an amount being removed from the FVOCI reserve and instead reported in the income statement, to create an offset to the change in fair value of the hedging instrument.

For balances within portfolios of homogeneous instruments, such as mortgages, savings and commercial loans, derivatives may be used to hedge risks on a portfolio basis. The Group creates separate portfolio (macro) hedges for assets and liabilities. The Group determines the hedged item by identifying portfolios of similar assets or liabilities and scheduling the expected future cash flows from these items into repricing time buckets, based on expected rather than actual repricing dates. A portion of the total cash flow from each time bucket is then included in the hedged item. The size of this portion is set so that it is expected to create a highly effective fair value offset to the equivalent future cash flows from the hedging instruments. If the hedge is highly effective the Group records an adjustment in the fair value adjustment for portfolio hedged risk category on the balance sheet. Macro hedges are frequently rebalanced to include new business.

In fair value hedge accounting relationships, if the hedging instrument no longer meets the criteria for hedge accounting, the cumulative fair value hedge adjustment is amortised over the period to maturity of the previously designated hedge relationship. If the hedged item is sold or repaid, the unamortised fair value adjustment is immediately recognised in the income statement.

Cash flow hedge accounting

In a cash flow hedge accounting relationship, the portion of the hedging instrument's fair value movement that is deemed to be an effective hedge is deferred to the cash flow hedge reserve, instead of being immediately recognised in the income statement. The ineffective portion of the derivative fair value movement is recognised immediately in the income statement.

1. Statement of accounting policies (continued)

Amounts deferred to the cash flow hedge reserve are subsequently recycled to the income statement. This recycling occurs when the underlying asset or liability being hedged impacts the income statement, for example when interest payments are recognised. In cash flow hedge accounting relationships, if the derivative no longer meets the criteria for hedge accounting, the cumulative gain or loss from the effective portion of the movement in the fair value of the derivative remains in other comprehensive income until the cash flows from the underlying hedged item are recognised in the income statement or are no longer expected to occur. If the hedged item is sold or repaid, the cumulative gain or loss in other comprehensive income is immediately recognised in the income statement.

Sale and repurchase agreements

Investment and other securities may be lent or sold subject to a commitment to repurchase them at a pre-determined price (a repo). Such securities are retained on the balance sheet when substantially all the risks and rewards of ownership (typically, the interest rate risk and credit risk on the asset) remain within the Group, and the counterparty liability is included separately on the balance sheet within deposits from banks and similar institutions as appropriate.

Similarly, where the Group borrows or purchases securities subject to a commitment to resell them (a reverse repo) but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans within loans and advances to banks and similar institutions, and the securities are not included on the balance sheet.

The difference between sale and repurchase price is accrued over the life of the agreements using the effective interest rate method.

Equity instruments

Issued financial instruments are classified as equity instruments where the contractual arrangement with the holder does not result in the Group having a present obligation to deliver cash, another financial asset or a variable number of equity instruments. Where the Group does have a present obligation, the instrument is classified as a financial liability.

Own equity instruments that are reacquired, referred to as treasury shares, are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

2. Judgements in applying accounting policies and critical accounting estimates

The preparation of the Group's financial statements in accordance with IFRS involves management making judgements and estimates when applying those accounting policies that affect the reported amounts of assets, liabilities, income and expense. Actual results may differ from those on which management's estimates are based. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. For the year ended 4 April 2024, this evaluation has considered the impact of climate-related risks on the Group's financial position and performance. While the effects of climate change represent a source of uncertainty, the Group does not consider there to be a material impact on its judgements and estimates from physical and transition risks of climate change in the short to medium term.

The key areas involving a higher degree of judgement or areas involving significant sources of estimation uncertainty made by management in applying the Group's accounting policies are disclosed in the following notes.

	Estimates	Judgements
Impairment charge and provisions on loans and advances to customers	Note 10	Note 10
Retirement benefit obligations	Note 30	

3. Interest receivable and similar income

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
On financial assets measured at amortised cost:				
Residential mortgages	**6,424**	4,904	**4,733**	3,550
Connected undertakings	**-**	-	**1,000**	768
Other loans	**718**	602	**702**	592
Other liquid assets, including reserves at central banks	**1,962**	1,002	**1,962**	1,002
Investment securities	**1**	2	**1**	2
On investment securities measured at FVOCI	**522**	310	**522**	310
Net income on financial instruments hedging assets in a qualifying hedge accounting relationship	**4,335**	1,956	**4,335**	1,956
Total interest receivable and similar income calculated using the effective interest rate method	**13,962**	8,776	**13,255**	8,180
Interest on net defined benefit pension surplus (note 30)	**44**	26	**44**	26
Other interest and similar income (note i)	**19**	23	**18**	23
Total	**14,025**	8,825	**13,317**	8,229

Note:

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

4. Interest expense and similar charges

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
On shares held by individuals	**5,217**	1,915	**5,217**	1,915
On subscribed capital	**11**	11	**11**	11
On deposits and other borrowings:				
Subordinated liabilities	**277**	272	**277**	272
Connected undertakings	**-**	-	**112**	81
Deposits from banks and similar institutions and other deposits	**1,723**	1,070	**1,723**	1,069
Debt securities in issue	**1,244**	769	**1,148**	695
Net expense on financial instruments hedging liabilities	**1,103**	290	**771**	195
Total	**9,575**	4,327	**9,259**	4,238

5. Fee and commission income and expense

	2024			2023		
	Income	**Expense**	**Net**	Income	Expense	Net
Group	**£m**	**£m**	**£m**	£m	£m	£m
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
Other fees and commissions	**6**	**(5)**	**1**	8	(8)	-
Total	**426**	**(292)**	**134**	432	(311)	121

The Society's net fee and commission income and expense is as shown above for the Group except that it excludes £1 million (2023: £2 million) of mortgage net expense.

6. Other operating income

	Group		**Society**	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Losses on financial assets measured at FVTPL	**(6)**	(10)	**(6)**	(12)
Gains on disposal of FVOCI investment securities	**47**	74	**47**	74
Recharges for services to connected undertakings	**-**	-	**75**	88
Other income/(expense)	**39**	(10)	**43**	(17)
Total	**80**	54	**159**	133

Other income/(expense) includes a £42 million net gain relating to the disposal of the Society's investment advice business.

There were no gains or losses on disposal of financial assets measured at amortised cost in the year ended 4 April 2024 (2023: £nil).

7. Gains/losses from derivatives and hedge accounting

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

Note 1 describes how fair value and cash flow hedge accounting affect the financial statements and the main sources of the residual hedge ineffectiveness remaining in the income statement. Further information on the current derivative portfolio and the allocation to hedge accounting types is included in note 15.

Gains/(losses) from derivatives and hedge accounting	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Gains/(losses) from fair value hedge accounting (note i)	**111**	(62)	**103**	(60)
Gains from cash flow hedge accounting	**-**	1	**-**	-
Fair value gains from other derivatives (note ii)	**10**	56	**34**	48
Foreign exchange retranslation (note iii)	**(4)**	1	**(4)**	-
Total	**117**	(4)	**133**	(12)

Notes:

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

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

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

7. Gains/losses from derivatives and hedge accounting (continued)

Fair value hedge accounting

Interest rate and currency derivatives are used 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 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. The table below provides further information on the Group's fair value hedges:

Fair value hedge accounting 2024 Group			**Change in fair value used for determining hedge ineffectiveness**		**Hedge ineffectiveness recognised in the income statement**	**Carrying amount of the hedged item**	**Of which: accumulated fair value adjustment**
Hedged item balance sheet classification	**Hedging instrument**	**Risk category**	**Hedged item**	**Instrument (note i)**			
			£m	**£m**	**£m**	**£m**	**£m**
Assets:							
Loans and advances to customers (note ii)	Interest rate swaps	Interest rate	1,601	(1,492)	109	109,318	(2,980)
Investment securities	Interest rate swaps, bond forwards	Interest rate	254	(254)	-	3,176	(220)
Investment securities	Interest rate swaps, cross currency interest rate swaps	Interest rate and foreign exchange	354	(350)	4	13,088	(663)
Investment securities	Interest rate swaps, inflation swaps, cross currency interest rate swaps	Interest rate, inflation and foreign exchange	(75)	77	2	2,631	(316)
Investment securities	Inflation swaps	Interest rate and inflation	(64)	65	1	4,864	(149)
Total assets			2,070	(1,954)	116	133,077	(4,328)
Liabilities:							
Shares (note iii)	Interest rate swaps	Interest rate	(48)	47	(1)	32,458	50
Debt securities in issue	Interest rate swaps	Interest rate	5	(3)	2	1,761	(3)
Debt securities in issue	Interest rate swaps, cross currency interest rate swaps	Interest rate and foreign exchange	(412)	409	(3)	19,788	(1,022)
Subordinated liabilities	Interest rate swaps, cross currency interest rate swaps	Interest rate and foreign exchange	6	(7)	(1)	7,154	(287)
Subscribed capital	Interest rate swaps	Interest rate	1	(3)	(2)	168	-
Total liabilities			(448)	443	(5)	61,329	(1,262)
Total fair value hedges			1,622	(1,511)	111		

7. Gains/losses from derivatives and hedge accounting (continued)

Fair value hedge accounting 2023 Group			Change in fair value used for determining hedge ineffectiveness		Hedge ineffectiveness recognised in the income statement	Carrying amount of the hedged item	Of which: accumulated fair value adjustment
Hedged item balance sheet classification	Hedging instrument	Risk category	Hedged item	Instrument (note i)			
			£m	£m	£m	£m	£m
Assets:							
Loans and advances to customers (note ii)	Interest rate swaps	Interest rate	(2,687)	2,630	(57)	86,465	(4,581)
Investment securities	Interest rate swaps, bond forwards	Interest rate	(107)	107	-	2,936	(474)
Investment securities	Interest rate swaps, cross currency interest rate swaps	Interest rate and foreign exchange	(336)	334	(2)	13,188	(1,017)
Investment securities	Interest rate swaps, inflation swaps, cross currency interest rate swaps	Interest rate, inflation and foreign exchange	(221)	222	1	2,935	(241)
Investment securities	Inflation swaps	Interest rate and inflation	(154)	154	-	5,297	(85)
Total assets			(3,505)	3,447	(58)	110,821	(6,398)
Liabilities:							
Shares (note iii)	Interest rate swaps	Interest rate	9	-	9	2	2
Debt securities in issue	Interest rate swaps	Interest rate	56	(54)	2	1,927	2
Debt securities in issue	Interest rate swaps, cross currency interest rate swaps	Interest rate and foreign exchange	1,060	(1,069)	(9)	18,528	(1,434)
Subordinated liabilities	Interest rate swaps, cross currency interest rate swaps	Interest rate and foreign exchange	200	(204)	(4)	6,755	(281)
Subscribed capital	Interest rate swaps	Interest rate	14	(16)	(2)	168	1
Total liabilities			1,339	(1,343)	(4)	27,380	(1,710)
Total fair value hedges			(2,166)	2,104	(62)		

Notes:

i. The Group does not include cross currency basis spreads within its hedge accounting relationships. The change in fair value is instead deferred to an 'other hedging reserve' and so is not included in the change in value of the hedging instrument.

ii. Some of the Group's loans and advances to customers have been included as hedged items in macro fair value hedges of interest rate risk. The accumulated fair value hedge adjustment includes £(3,330) million (2023: £(5,011) million) which is recognised in the separate balance sheet asset 'fair value adjustment for portfolio hedged risk'. The remaining amount relates to the fair value adjustment to commercial loans in a micro fair value hedge accounting relationship and is included in the carrying value of these loans as shown in note 14.

iii. In the year ended 4 April 2024, a portion of the Group's shares were included as hedged items in macro fair value hedges of interest rate risk, with the accumulated fair value hedge adjustments recognised in the separate balance sheet liability 'fair value adjustment for portfolio hedged risk'. As at 4 April 2023, shares were not designated in fair value hedge accounting relationships, and as a result the carrying amount of the hedged item represented only the value of the historic hedge adjustments remaining from previous hedge relationships, which were amortising over the life of the shares.

7. Gains/losses from derivatives and hedge accounting (continued)

Cash flow hedge accounting

The Group's risk management approach may involve creating future cash flow certainty. The Group uses cross currency interest rate swaps to hedge non-sterling investment securities, debt securities in issue and subordinated liabilities. A portion of the interest rate flows within these derivatives has been included as a hedging instrument in cash flow hedges. In addition, inflation swaps are used to hedge RPI-linked debt securities in issue. The table below provides further information on the Group's cash flow hedges:

Cash flow hedge accounting 2024 Group			**Change in fair value used for determining hedge ineffectiveness**		**Changes in instrument fair value reported as**		**Amounts accumulated in the cash flow hedge reserve (excluding deferred taxation)**		**Amounts reclassified from reserves to income statement (note ii)**
Hedged item balance sheet classification	**Hedging instrument**	**Risk category**	**Hedged item**	**Hedging instrument**	**Hedge ineffectiveness recognised in the income statement**	**Net amounts deferred to other comprehensive income (note i)**	**Continuing hedges**	**Discontinued hedges**	
			£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Assets:									
Investment securities	Cross currency interest rate swaps	Interest rate and foreign exchange	2	(1)	-	(1)	(1)	-	(1)
Total assets			2	(1)	-	(1)	(1)	-	(1)
Liabilities:									
Debt securities in issue	Inflation swaps	Interest rate and inflation	10	(10)	-	(10)	-	-	(10)
Debt securities in issue	Cross currency interest rate swaps	Interest rate and foreign exchange	6	(7)	-	(7)	(2)	160	-
Subordinated liabilities	Cross currency interest rate swaps	Interest rate and foreign exchange	14	(14)	-	(14)	7	10	-
Total liabilities			30	(31)	-	(31)	5	170	(10)
Total cash flow hedges			32	(32)	-	(32)	4	170	(11)

7. Gains/losses from derivatives and hedge accounting (continued)

Cash flow hedge accounting 2023 Group			Change in fair value used for determining hedge ineffectiveness		Changes in instrument fair value reported as		Amounts accumulated in the cash flow hedge reserve (excluding deferred taxation)		Amounts reclassified from reserves to income statement (note ii)
Hedged item balance sheet classification	Hedging instrument	Risk category	Hedged item	Hedging instrument	Hedge ineffectiveness recognised in the income statement	Net amounts deferred to other comprehensive income (note i)	Continuing hedges	Discontinued hedges	
			£m	£m	£m	£m	£m	£m	£m
Assets:									
Investment securities	Cross currency interest rate swaps	Interest rate and foreign exchange	1	(2)	(1)	(1)	-	-	1
Total assets			1	(2)	(1)	(1)	-	-	1
Liabilities:									
Debt securities in issue	Inflation swaps	Interest rate and inflation	5	(5)	-	(5)	10	-	(15)
Debt securities in issue	Cross currency interest rate swaps	Interest rate and foreign exchange	(15)	16	2	14	5	191	5
Subordinated liabilities	Cross currency interest rate swaps	Interest rate and foreign exchange	(15)	15	-	15	21	16	(8)
Total liabilities			(25)	26	2	24	36	207	(18)
Total cash flow hedges			(24)	24	1	23	36	207	(17)

Notes:

i. Net amounts deferred to other comprehensive income, being losses before tax of £32 million (2023: gains of £23 million), is shown within the cash flow hedge reserve section of the statements of comprehensive income. The cash flow hedge reserve also includes amounts previously deferred on instruments which have since been migrated to fair value hedges. Amortisation of these amounts of £37 million (2023: £33 million) is presented within the fair value hedge accounting table within the change in fair value of the hedging instrument.

ii. The amounts reclassified from reserves to income statement of £(11) million (£2023: £(17) million) exclude amortisation of migrated hedges of £37 million (2023: £33 million) which are shown within the cash flow hedge reserve section of the statements of comprehensive income. Of these amounts reclassified, £(10) million (2023: £(17) million) and £(1) million (2023: £nil) were reclassified from the cash flow hedge reserve to net interest income and other operating income, respectively, in the income statement.

8. Administrative expenses

		Group		Society	
		2024	2023	**2024**	2023
	Notes	**£m**	£m	**£m**	£m
Employee costs:					
Wages and salaries		**660**	597	**660**	597
Bonuses		**83**	78	**83**	78
Social security costs		**86**	90	**86**	90
Pension costs	30	**168**	153	**168**	153
		997	918	**997**	918
Other administrative expenses:					
Other staff related costs (note i)		**90**	145	**90**	145
Property costs		**105**	97	**105**	97
Printing, postage and stationery		**50**	36	**50**	36
IT, change and communications (note i)		**383**	299	**383**	299
Marketing and advertising		**62**	46	**62**	46
Product operating costs		**66**	55	**66**	54
Legal, professional and consultancy (note i)		**56**	85	**56**	84
Other operating costs (note ii)		**103**	99	**100**	98
		915	862	**912**	859
Bank levy		**13**	20	**13**	20
Bank of England levy		**36**	-	**36**	-
Depreciation, amortisation and impairment		**461**	523	**461**	522
Total		**2,422**	2,323	**2,419**	2,319

Notes:

i. Certain categories of costs have been updated in the current year to more appropriately present costs relating to IT change activities. Prior year comparatives have been restated to be presented on a consistent basis, increasing Other staff related costs by £98 million, decreasing IT, change and communications costs by £68 million and decreasing Legal professional and consultancy costs by £30 million.

ii. Other operating costs include fraud-related losses.

8. Administrative expenses (continued)

Executive directors and certain senior executives are entitled to long-term bonus payments under the Annual Performance Pay (APP) and the Long-Term Performance Pay (LTPP) plans.

Long-term awards made under the APP plan are based on current year results but are generally paid over a period of up to two years for executive directors, and up to seven years for certain senior executives, with part of the awards linked to the value of Nationwide's core capital deferred shares (CCDS). Awards made under LTPP plans are based on performance over a three-year period but are paid up to five years after the end of the performance period, with part of the awards linked to the value of Nationwide's CCDS.

No bonus is recognised in the income statement for either the APP or LTPP plan until it is considered probable that payments will be made. Where a bonus payment is considered probable, the amount recognised in the income statement will reflect the portion of the vesting period that has passed. The vesting period for both plans runs from the start of the performance period associated with the plan to the settlement date. The payment of deferred elements remains subject to further discretion by the Remuneration Committee. The table below shows actual and expected charges to the income statement in respect of all APP and LTPP long-term bonuses for each relevant scheme year:

Income statement charge for long-term bonuses	Group and Society			
	Actual 2023	**Actual 2024 (notes i and ii)**	Expected 2025 (note iii)	Expected 2026 and beyond (note iii)
	£m	**£m**	£m	£m
Annual Performance Pay:				
2022 and previous years	4.9	**2.0**	0.6	0.7
2023	11.7	**4.5**	1.2	1.3
2024	-	**7.7**	4.3	2.3
Long Term Performance Pay (note iv):				
2024-2026	-	**-**	-	-
Income statement charge for long-term bonuses	16.6	**14.2**	6.1	4.3

Notes:
i. Bonus charges for the year ended 4 April 2024 include £6 million (2023: £7 million) of deferred bonuses which will be paid more than one year from the balance sheet date.
ii. In the year ended 4 April 2024, £7 million (2023: £6 million) was recognised in the income statement in relation to awards linked to share based payments, being amounts dependent on the performance of the Group's CCDS. This payment is deferred and therefore included in accruals and deferred income on the balance sheet.
iii. The amounts expected are based on past performance and are subject to change as a result of future leavers and CCDS performance.
iv. Amounts are only recognised, or reported as expected in future periods, once payments are deemed probable.

The remuneration of the external auditors, Ernst & Young LLP (EY), is set out below:

External auditor's remuneration	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Audit fees for the Group and Society statutory audit	**5.4**	5.1	**5.4**	5.1
Fees payable for other services:				
Audit of Group subsidiaries	**0.3**	0.3	**-**	-
Audit-related assurance services (note i)	**0.4**	0.4	**0.4**	0.4
Total audit and audit-related assurance services	**6.1**	5.8	**5.8**	5.5
Other non-audit services (note i)	**0.8**	1.3	**0.8**	1.3
Total	**6.9**	7.1	**6.6**	6.8

Note:
i. Comparatives have been restated to present fees of £0.5 million for treasury assurance services within Other non-audit services. Previously, these were presented within Audit-related assurance services.

9. Employees

Average number of persons employed during the year	Group		Society	
	2024	2023	**2024**	2023
Full time	**14,230**	13,966	**14,225**	13,961
Part time	**4,080**	4,133	**4,080**	4,133
Total	**18,310**	18,099	**18,305**	18,094

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

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

Impairment charge	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Owner-occupied mortgages	**7**	11	**6**	12
Buy to let and legacy residential mortgages	**37**	83	**3**	-
Consumer banking	**51**	31	**51**	31
Commercial lending	**17**	1	**17**	1
Total	**112**	126	**77**	44

Impairment provisions	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Owner-occupied mortgages	**90**	84	**88**	83
Buy to let and legacy residential mortgages	**231**	196	**5**	3
Consumer banking	**436**	469	**436**	469
Commercial lending	**24**	16	**24**	16
Total	**781**	765	**553**	571

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

Critical accounting estimates and judgements

Impairment is measured as the impact of credit risk on the present value of management's estimate of future cash flows. In determining the required level of impairment provisions, outputs from statistical models are used, and judgements incorporated to determine the probability of default (PD), the exposure at default (EAD), and the loss given default (LGD) for each loan. Provisions represent a probability weighted average of these calculations under multiple economic scenarios. Adjustments are made in modelling provisions, applying further judgements to take into account model limitations, or to deal with instances where insufficient data exists to fully reflect credit risks in the models.

The most significant areas of judgement are:

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

The most significant areas of estimation uncertainty are:

- The use of forward-looking economic information using multiple economic scenarios; and
- The additional judgements made in modelling expected credit losses (ECL) – these currently include PD uplifts relating to the current economic uncertainty and LGD uplifts for property valuation risk.

The Group has progressed the quantitative assessment of the credit risks resulting from climate change during the year, completing a climate change stress test and associated sensitivity analysis. This exercise modelled the expected credit loss impact of macroeconomic impacts, physical risks and transition risks in two climate scenarios, uplifting the PD and/or LGD where appropriate. The stress test exercise outputs support the Group's view that the impact of climate change on impairment provisions is not currently material. The potential economic impact of climate change is captured by our existing range of economic scenarios. The expected credit losses associated with physical risks are low and arise over the long term, and therefore currently have an immaterial impact on the Group's existing lending due to the effect of loan amortisation and redemptions over time. There are no current transition policies that require additional provisions against current portfolios. Potential future Government transition policies and the Group's response to these remain highly uncertain.

Identifying significant increases in credit risk (stage 2)

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

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

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

Identifying credit impaired loans (stage 3)

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

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

Critical accounting estimates and judgements (continued)

Use of forward-looking economic information

Management exercises judgement in estimating future economic conditions which are incorporated into provisions through modelling of multiple scenarios. The economic scenarios are reviewed and updated on a quarterly basis. The provision recognised is the probability-weighted sum of the provisions calculated under a range of economic scenarios. The scenarios and associated probability weights are derived using external data and statistical methodologies, together with management judgement. The Group continues to model four economic scenarios, which together encompass an appropriate range of potential economic outcomes. The base case scenario is aligned to the Society's financial planning process. The upside and downside scenarios are reasonably likely favourable and adverse alternatives to the base case, and the severe downside scenario is aligned with the Society's internal stress testing. The impact of applying multiple economic scenarios (MES) is to increase provisions by £126 million (2023: £125 million), compared with provisions calculated on the base case economic scenario.

Probability weightings for each scenario are reviewed quarterly to reflect economic conditions as they evolve. The probability weightings applied to the scenarios were unchanged over the year and are shown in the table below. Whilst domestic economic uncertainty has eased in the second half of the year, this has been offset by increased geopolitical risks including the ongoing conflicts in Ukraine and Gaza.

Scenario probability weighting (%)	Upside scenario	Base case scenario	Downside scenario	Severe downside scenario
4 April 2024	**10**	**45**	**30**	**15**
4 April 2023	10	45	30	15

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

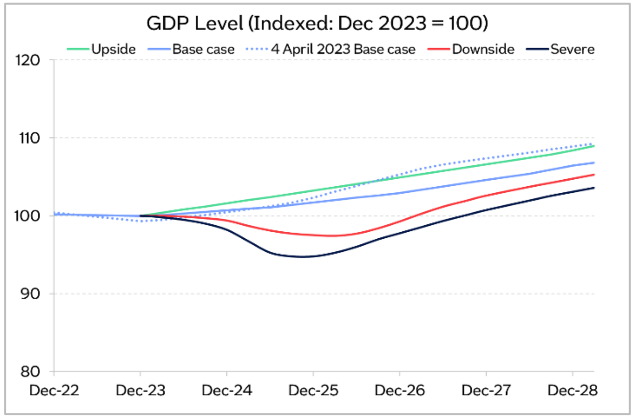
Critical accounting estimates and judgements (continued)

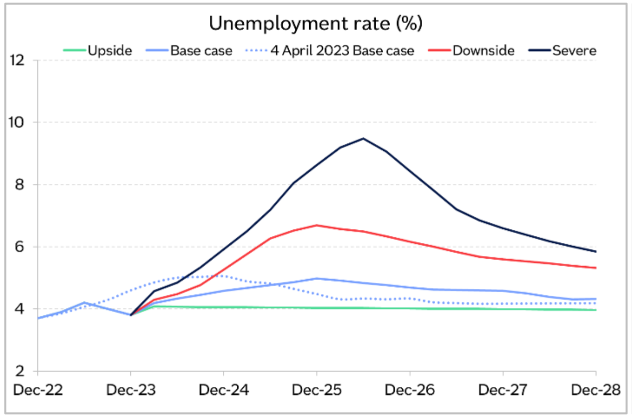
In the base case scenario at 4 April 2024, limited economic growth is forecast, with an increase in GDP of 0.7% expected in 2024. In this scenario unemployment peaks at 5.0%. By contrast, the peak unemployment in the downside scenario of 6.7% reflects a significant UK recession, whilst the severe downside scenario peak of 9.5% reflects a severe and longer-lasting economic downturn.

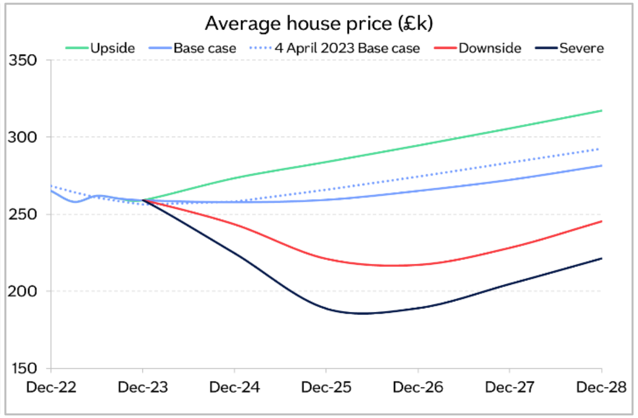
House prices are expected to remain broadly stable in the short term, with a fall in the base case scenario of 0.5% during 2024 and an increase of 0.6% during 2025. The downside scenario assumes more significant falls until 2026, driven by a deterioration in economic conditions, including an increase in unemployment, whilst the severe downside scenario includes a fall in house prices of 28% from December 2023 to the low point in early 2026. The house price forecasts used within the provision calculations cover a wide range of outcomes; the weighted average of the four scenarios represents a fall in house prices of 8% from December 2023 to early 2026.

The Bank rate is assumed to have reached a peak of 5.25% in the base case scenario, with a gradual reduction to 4.25% expected during 2024. Further reductions are expected in this scenario in both 2025 and 2026, with rates stabilising at 3%. Inflation in this scenario is expected to reduce during 2024 to 2.6% and then remain at circa 2% from 2025. In the downside scenario the Bank rate falls to 1% from 2026 onwards, reflecting that there is a significant UK recession, with a reduction in the Bank rate required to stimulate economic demand. The severe downside scenario includes a sustained high level of inflation, which leads to an increase in Bank rate to 7.5%.

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







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

Critical accounting estimates and judgements (continued)

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

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

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

Critical accounting estimates and judgements (continued)

Economic variables									
	Rate/annual growth rate at December 2022-2027						5-year average (note i)	Dec-22 to peak (note ii)	Dec-22 to trough (note ii)
	Actual	Forecast							
	2022	2023	2024	2025	2026	2027			
4 April 2023	%	%	%	%	%	%	%	%	%
GDP growth									
Upside scenario	0.4	1.3	2.0	1.8	1.6	1.6	1.7	8.6	0.2
Base case scenario	0.4	(1.1)	1.2	1.8	2.9	2.0	1.4	7.0	(1.1)
Downside scenario	0.4	(2.9)	0.8	2.4	2.3	2.0	0.9	4.7	(3.2)
Severe downside scenario	0.4	(5.2)	2.2	3.0	2.1	1.7	0.7	3.7	(5.7)
HPI growth									
Upside scenario	6.0	0.4	3.7	3.8	3.8	3.8	3.1	16.2	(1.0)
Base case scenario	6.0	(4.5)	0.7	3.0	3.2	3.2	1.1	5.6	(4.5)
Downside scenario	6.0	(8.6)	(11.4)	2.0	6.8	4.3	(1.7)	(1.7)	(19.5)
Severe downside scenario	6.0	(21.0)	(15.8)	2.2	7.7	5.1	(5.1)	(1.7)	(33.8)
Unemployment									
Upside scenario	3.7	3.9	4.0	4.0	4.0	4.0	3.9	4.0	3.7
Base case scenario	3.7	4.6	5.0	4.5	4.3	4.2	4.5	5.0	3.9
Downside scenario	3.7	5.8	6.5	5.7	5.3	5.1	5.6	7.0	3.9
Severe downside scenario	3.7	6.6	9.4	8.0	7.0	6.4	7.5	10.0	4.2
Bank rate									
Upside scenario	3.5	4.0	3.0	3.0	3.0	3.0	3.3	4.3	3.0
Base case scenario	3.5	4.3	3.8	2.8	2.3	2.0	3.1	4.3	2.0
Downside scenario	3.5	5.0	0.5	0.1	0.1	0.5	1.5	5.0	0.1
Severe downside scenario	3.5	7.0	3.0	2.5	2.5	2.5	3.5	7.0	2.5
Consumer price inflation									
Upside scenario	10.5	1.2	1.8	2.0	2.0	2.0	2.3	8.5	1.2
Base case scenario	10.5	4.0	2.0	2.0	2.0	2.0	2.9	9.0	2.0
Downside scenario	10.5	5.0	1.5	0.5	1.5	1.9	3.0	13.0	0.3
Severe downside scenario	10.5	14.0	3.5	2.0	2.0	2.0	5.3	16.0	2.0

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

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

Critical accounting estimates and judgements (continued)

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

Expected credit losses under 100% weighted scenarios						**Proportion of balances in stage 2 under 100% weighted scenarios**					
	Upside scenario	**Base case scenario**	**Downside scenario**	**Severe downside scenario**	**Reported provision**	**Upside scenario**	**Base case scenario**	**Downside scenario**	**Severe downside scenario**	**Reported stage 2**	**Reported stage 3 (note i)**
4 April 2024	**£m**	**£m**	**£m**	**£m**	**£m**	**%**	**%**	**%**	**%**	**%**	**%**
Residential mortgages	**210**	**216**	**275**	**814**	**321**	**15.0**	**13.7**	**13.0**	**27.7**	**17.4**	**0.6**
Consumer banking – credit cards	**186**	**183**	**187**	**247**	**195**	**23.8**	**23.0**	**22.4**	**24.6**	**24.3**	**5.4**
Consumer banking – personal loans and overdrafts	**229**	**232**	**245**	**269**	**241**	**35.3**	**37.1**	**41.1**	**45.6**	**39.6**	**6.3**
Commercial lending	**24**	**24**	**24**	**24**	**24**	**5.2**	**5.2**	**5.2**	**5.2**	**5.2**	**1.3**
Total	**649**	**655**	**731**	**1,354**	**781**						
4 April 2023	£m	£m	£m	£m	£m	%	%	%	%	%	%
Residential mortgages	160	179	236	789	280	14.6	13.9	13.5	35.7	17.6	0.5
Consumer banking – credit cards	213	212	228	264	225	37.8	37.8	39.0	40.2	38.8	5.8
Consumer banking – personal loans and overdrafts	227	233	247	281	244	34.6	37.5	41.4	46.5	40.0	6.7
Commercial lending	16	16	16	17	16	3.3	3.3	3.3	3.3	3.3	0.7
Total	616	640	727	1,351	765						

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

Reported ECL represents 119% (2023: 120%) of the base case scenario ECL, primarily due to the impact of increased losses in the severe downside scenario. The increased ECLs in both the downside and severe downside scenarios are the result of increased unemployment rates combined with material house price falls. The low Bank rate forecast in the downside scenario is the main driver of residential mortgage and credit cards stage 2 proportion being lower in the downside scenario than in the base case scenario. Provisions in the commercial portfolios relate primarily to a small number of higher risk loans, which are sensitive to loan-specific factors rather than economic scenarios.

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

The table below shows the sensitivity at 4 April 2024 to some of the key assumptions used within the ECL calculation:

Sensitivity to key forward-looking information assumptions	
	Increase in provision
2024	**£m**
Single-factor sensitivity to key economic variables	
10% decrease in house prices (HPI) at 4 April 2024 and throughout the forecast period (note i)	**27**
Sensitivity to changes in scenario probability weightings	
10% increase in the probability of the downside scenario (reducing the upside by a corresponding 10%)	**8**
5% increase in the probability of the severe downside scenario (reducing the downside by a corresponding 5%)	**31**

Note:
i. As this is a single-factor sensitivity, it should not be extrapolated due to the likely non-linear effects. The provision impact is calculated using the base case scenario and only includes the impact of a 10% decrease of house prices on LGD.

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

Critical accounting estimates and judgements (continued)

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

Significant adjustments made in modelling provisions	4 April 2024				4 April 2023			
	Residential Mortgages	Consumer Banking		Total	Residential Mortgages	Consumer Banking		Total
		Credit cards	Personal loans and overdrafts			Credit cards	Personal loans and overdrafts	
	£m	£m	£m	£m	£m	£m	£m	£m
PD uplift for economic uncertainty	72	44	29	145	77	64	36	177
LGD uplift for property valuation risks	19	-	-	19	22	-	-	22
Total	91	44	29	164	99	64	36	199
Of which:								
Stage 1	7	6	3	16	5	4	4	13
Stage 2	76	38	26	140	89	60	30	179
Stage 3	8	-	-	8	5	-	2	7

PD uplift for economic uncertainty

Household disposable income has reduced over recent years due to a combination of high inflation and increasing mortgage interest rates, which has increased the risk that borrowers will not be able to meet their contractual repayments. In addition, model inputs relating to borrower credit quality are still benefitting from improvements to credit indicators which are expected to reverse, such as reduced levels of arrears. An adjustment is made to reflect the cumulative effect of these combined risks by increasing the PD.

At 4 April 2024, the overall PD uplift adjustment for economic uncertainty increased provisions by £145 million (2023: £177 million). During the year, a combination of wage growth and a lower rate of inflation have resulted in a reduction in the PD uplift applied for both residential mortgage and consumer banking portfolios. In the mortgage portfolio this reduction has been partially offset by the impact of uplifting the PD for an increased volume of mortgages which have switched or are expected to switch to higher interest rates. The most significant element of the PD uplift relates to the assumed increase in mortgage rates faced by borrowers over the next two years. If mortgage rates were to increase by 1% above current assumptions this would increase residential mortgage provisions by £18 million.

The uplift in PD has resulted in loans breaching existing quantitative criteria for transfer to stage 2. This has resulted in approximately £12.8 billion (2023: £16.6 billion) of residential mortgages and £473 million (2023: £585 million) of consumer banking balances moving from stage 1 to stage 2.

LGD uplift for property valuation risks

An adjustment is made to reflect the property valuation risk associated with flats, originally driven by risks for properties subject to fire safety issues such as unsuitable cladding. We continue to hold an adjustment to provisions for this segment of the market whilst there is insufficient evidence of a recovery in the value of affected properties. This adjustment increased provisions by £19 million (2023: £22 million).

11. Taxation

Tax charge in the income statement				
	Group		**Society**	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Current tax:				
UK corporation tax	**483**	565	**409**	495
Adjustments in respect of prior years	**(28)**	17	**(29)**	18
Total current tax	**455**	582	**380**	513
Deferred tax:				
Current year (credit)/charge	**(3)**	(4)	**11**	(3)
Adjustments in respect of prior years	**24**	(13)	**24**	(14)
Total deferred taxation	**21**	(17)	**35**	(17)
Tax charge	**476**	565	**415**	496

11. Taxation (continued)

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

Reconciliation of tax charge	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Profit before tax:	**1,776**	2,229	**1,521**	2,533
Tax calculated at a tax rate of 25% (2023: 19%)	**444**	424	**380**	481
Adjustments in respect of prior years	**(4)**	4	**(5)**	4
Tax credit on distribution to the holders of Additional Tier 1 capital	**(20)**	(15)	**(20)**	(15)
Banking surcharge	**41**	145	**41**	145
Temporary differences where no deferred tax is recognised	**-**	1	**-**	1
Expenses not deductible for tax purposes/(income not taxable):				
Depreciation on non-qualifying assets	**2**	2	**2**	2
Bank levy	**3**	4	**3**	4
Effect of results of LLP structured entity (note i)	**-**	-	**2**	(3)
Customer redress	**4**	(2)	**4**	(2)
Dividend income	**-**	-	**-**	(124)
Other	**6**	-	**8**	3
Effect of deferred tax provided at different tax rates	**-**	2	**-**	-
Tax charge	**476**	565	**415**	496

Note:
i. The Society is liable for tax on the results of Nationwide Covered Bonds LLP, the profit or loss of which is reported within that entity.

Following the enactment of Finance Act 2021 on 10 June 2021, the main rate of UK corporation tax increased from 19% to 25% on 1 April 2023. Further, following the enactment of Finance Act 2022 on 24 February 2022, the annual banking surcharge allowance was increased from £25 million to £100 million, and the banking surcharge rate reduced from 8% to 3% with effect from 1 April 2023. The impact of these changes has been reflected in the current tax and deferred tax balances recognised in these financial statements.

On 17 November 2022 the UK Government confirmed its intention to implement the G20-OECD Inclusive Framework Pillar 2 rules in the UK, including a Qualified Domestic Minimum Top-Up Tax rule. This legislation, enacted on 11 July 2023, seeks to ensure that UK-headquartered multinational enterprises pay a minimum tax rate of 15% on UK and overseas profits arising after 31 December 2023. The Group is within the scope of the legislation; however as the UK rate of corporation tax is 25%, and the Group's business is UK based, the impact of these rules on the Group is not expected to be material. The IAS 12 exemption to recognise and disclose information about deferred tax assets and liabilities related to Pillar 2 income taxes has been applied.

The tax on items through other comprehensive income is as follows:

Tax charge/(credit) on items through other comprehensive income	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Relating to:				
FVOCI investment securities	**(10)**	(40)	**(11)**	(39)
Cash flow hedges	**(20)**	(2)	**(10)**	6
Other hedging	**(1)**	(3)	**(1)**	(3)
Revaluation gains	**2**	1	**2**	1
Retirement benefit obligations	**(190)**	(29)	**(190)**	(29)
Total	**(219)**	(73)	**(210)**	(64)

11. Taxation (continued)

Deferred tax

The Authorised Surplus Payments Charge (Variation of Rate) Order 2024 (SI 2024/335) reduces the taxation rate on the payout of pension scheme surpluses from 35% to 25%. This order was published on 11 March 2024 and came into force on 6 April 2024. The impact of the change on deferred tax balances has been recognised in these financial statements.

The movements on the deferred tax account are as follows:

Movements in deferred taxation	**Group**		**Society**	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
At 5 April	(287)	(371)	(225)	(307)
Deferred tax credit/(charge) in the income statement:				
Fixed assets timing differences	**(24)**	25	**(24)**	25
Other items	**3**	(8)	**(11)**	(8)
Tax on items through the income statement	**(21)**	17	**(35)**	17
Deferred tax credit/(charge) in other comprehensive income:				
FVOCI investment securities	**9**	27	**10**	27
Cash flow hedges	**10**	(4)	**10**	(4)
Other hedging	**1**	2	**1**	2
Unrealised revaluation losses	**-**	1	**-**	-
Retirement benefit obligations	**95**	17	**95**	16
Effect of deferred tax provided at different tax rates	**95**	25	**95**	25
Other	**1**	(1)	**2**	(1)
Tax on items through other comprehensive income	**211**	67	**213**	65
At 4 April	**(97)**	(287)	**(47)**	(225)

The majority of deferred tax assets are anticipated to be recoverable after more than one year. Deferred tax assets have not been recognised in respect of gross temporary differences for the Group and Society of £63 million (2023: £59 million and £52 million respectively). These differences relate primarily to revalued properties, for which capital losses realised on disposal can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of these items because it is not considered probable that future taxable gains will be available against which they can be utilised.

Deferred tax assets and liabilities are attributable to the following items:

Deferred tax assets and liabilities	**Group**		**Society**	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Deferred tax assets				
Fixed assets timing differences	**43**	67	**43**	67
IFRS 9 transition	**22**	28	**14**	17
Unrealised revaluation losses	**-**	(1)	**-**	(1)
Cash flow hedges	**(2)**	(14)	**(2)**	(14)
Other hedging	**18**	18	**18**	18
FVOCI investment securities	**13**	8	**19**	8
Other items	**15**	13	**14**	13
	109	119	**106**	108
Deferred tax liabilities				
Unrealised revaluation gains	**-**	(4)	**-**	-
Cash flow hedges	**(41)**	(49)	**-**	-
Retirement benefit obligations (note i)	**(153)**	(333)	**(153)**	(333)
Other items	**(12)**	(20)	**-**	-
	(206)	(406)	**(153)**	(333)
Net deferred tax liability	**(97)**	(287)	**(47)**	(225)

Note:
i. Deferred tax on the Society's retirement benefit asset is provided at 25% (2023: 35%).

For deferred tax assets recognised on the balance sheet, the Group considers that there will be sufficient future trading profits in excess of profits arising from the reversal of existing taxable temporary differences to utilise the deferred tax assets.

As a result of exemptions on dividends from subsidiaries and on capital gains on disposal there are no significant taxable temporary differences associated with investments in subsidiaries.

12. Classification and measurement

As the majority of the Group's assets and liabilities are held within the Society, the disclosures in this note and notes 21 to 24 are on a consolidated basis. The following table summarises the classification of carrying amounts of the Group's financial assets and liabilities:

Classification of financial assets and liabilities

	2024				2023			
	Amortised cost	**Fair value through other comprehensive income**	**Fair value through profit or loss (note i)**	**Total**	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss (note i)	Total
Group	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
Financial assets								
Cash	**23,817**	**-**	**-**	**23,817**	25,635	-	-	25,635
Loans and advances to banks and similar institutions	**2,478**	**-**	**-**	**2,478**	2,860	-	-	2,860
Investment securities	**4**	**26,522**	**6**	**26,532**	40	27,562	13	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	**213,398**	**-**	**42**	**213,440**	210,682	-	100	210,782
Total financial assets (note ii)	**236,367**	**26,522**	**6,338**	**269,227**	234,206	27,562	7,036	268,804
Other (note ii)				**2,690**				3,089
Total assets				**271,917**				271,893
Financial liabilities								
Shares	**193,366**	**-**	**-**	**193,366**	187,143	-	-	187,143
Deposits from banks and similar institutions	**16,388**	**-**	**-**	**16,388**	25,056	-	-	25,056
Other deposits	**4,530**	**-**	**-**	**4,530**	5,191	-	-	5,191
Fair value adjustment for portfolio hedged risk	**50**	**-**	**-**	**50**	2	-	-	2
Debt securities in issue	**29,599**	**-**	**-**	**29,599**	27,626	-	-	27,626
Derivative financial instruments	**-**	**-**	**1,451**	**1,451**	-	-	1,524	1,524
Subordinated liabilities	**7,225**	**-**	**-**	**7,225**	6,755	-	-	6,755
Subscribed capital	**173**	**-**	**-**	**173**	173	-	-	173
Lease liabilities	**172**	**-**	**-**	**172**	225	-	-	225
Total financial liabilities (note ii)	**251,503**	**-**	**1,451**	**252,954**	252,171	-	1,524	253,695
Other (note ii)				**1,277**				1,292
Total liabilities				**254,231**				254,987

Notes:
i. As at 4 April 2024 and 4 April 2023 the Group had no assets or liabilities for which it had taken the option to designate at FVTPL.
ii. Total financial assets and financial liabilities exclude certain financial instruments presented within 'Other' relating to accruals, trade receivables, trade payables and settlement balances which are classified at amortised cost.

Further information on the fair value of financial assets and liabilities is included in notes 21 to 23.

13. Investment securities

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Government, government guaranteed and supranational investment securities	**22,173**	22,968	**22,173**	22,968
Other debt investment securities	**4,299**	4,592	**4,296**	4,590
Investments in equity shares	**60**	55	**7**	12
Total	**26,532**	27,615	**26,476**	27,570

The Group may use its investment securities as collateral to secure deposits received under sale and repurchase agreements or to support derivative financial instruments. The Group retains substantially all of the risks and rewards associated with those investment securities and as a result they are retained on the balance sheet. The counterparty receiving that collateral normally has the contractual right to sell or repledge it.

Investment securities with a fair value of £2,569 million (2023: £3,100 million) have been used for sale and repurchase agreements and £1,304 million (2023: £1,408 million) for derivative financial instruments. The Group also holds £631 million (2023: £1,002 million) of investment securities as collateral under reverse repurchase agreements which are not recognised in the table above.

Further information on investment securities is included in the Credit risk - Treasury assets section of the Risk report.

14. Loans and advances to customers

	2024						2023					
	Loans held at amortised cost				**Loans held at FVTPL**	**Total**	Loans held at amortised cost				Loans held at FVTPL	Total
	Gross	**Provisions**	**Other (note i)**	**Total**			Gross	Provisions	Other (note i)	Total		
Group	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Owner-occupied mortgages	**160,941**	**(90)**	**-**	**160,851**	**40**	**160,891**	157,511	(84)	-	157,427	47	157,474
Buy to let and legacy residential mortgages	**43,486**	**(231)**	**-**	**43,255**	**-**	**43,255**	44,104	(196)	-	43,908	-	43,908
Consumer banking	**4,263**	**(436)**	**-**	**3,827**	**-**	**3,827**	4,408	(469)	-	3,939	-	3,939
Commercial lending	**5,139**	**(24)**	**350**	**5,465**	**2**	**5,467**	4,994	(16)	430	5,408	53	5,461
Total	**213,829**	**(781)**	**350**	**213,398**	**42**	**213,440**	211,017	(765)	430	210,682	100	210,782

	2024						2023					
	Loans held at amortised cost				**Loans held at FVTPL**	**Total**	Loans held at amortised cost				Loans held at FVTPL	Total
	Gross	**Provisions**	**Other (note i)**	**Total**			Gross	Provisions	Other (note i)	Total		
Society	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Owner-occupied mortgages	**160,796**	**(88)**	**-**	**160,708**	**40**	**160,748**	157,339	(83)	-	157,256	47	157,303
Buy to let and legacy residential mortgages	**268**	**(5)**	**-**	**263**	**-**	**263**	326	(3)	-	323	-	323
Consumer banking	**4,263**	**(436)**	**-**	**3,827**	**-**	**3,827**	4,408	(469)	-	3,939	-	3,939
Commercial lending	**4,830**	**(24)**	**350**	**5,156**	**2**	**5,158**	4,679	(16)	430	5,093	38	5,131
Total	**170,157**	**(553)**	**350**	**169,954**	**42**	**169,996**	166,752	(571)	430	166,611	85	166,696

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

14. Loans and advances to customers (continued)

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

The basis of preparation for this note has been updated. Previously, the tables were presented on a gross basis, with the reported values representing an aggregation of monthly movements over the period. To present more directly the change in credit quality compared to the previous reporting period, the tables are now prepared on a net basis. The movements within the tables compare the position at 4 April to that at the start of the reporting period. The comparative tables have been restated to also be presented on a net basis. Further detail on the methodology is included within the footnotes to the tables.

The reasons for key movements for the year ended 4 April 2024 were as follows:

- Gross balances increased, due to £27,219 million of new lending offset by £24,280 million of repayments and redemptions. The majority of these movements relate to residential mortgages.
- Write-offs decreased to £106 million, comprising £89 million relating to consumer banking, £8 million to residential mortgages and £9 million to commercial lending.
- Impairment provisions increased by £16 million in the period to £781 million. Further detail on impairment provisions by portfolio is shown in note 10.

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

14. Loans and advances to customers (continued)

Reconciliation of net movements in balances and impairment provisions								
	Non-credit impaired				Credit impaired (note i)			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Stage 1		Stage 2		Stage 3 and POCI			
	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
Group	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2022	188,130	48	18,326	380	1,691	318	208,147	746
Stage transfers:								
Transfers from stage 1 to stage 2	(24,049)	(7)	24,049	7	-	-	-	-
Transfers to stage 3	(229)	(1)	(392)	(39)	621	40	-	-
Transfers from stage 2 to stage 1	4,956	68	(4,956)	(68)	-	-	-	-
Transfers from stage 3	134	1	277	9	(411)	(10)	-	-
Net remeasurement of ECL arising from transfer of stage		(57)		114		63		120
Net movement arising from transfer of stage (note ii)	(19,188)	4	18,978	23	210	93	-	120
New assets originated or purchased (note iii)	31,085	15	2,842	50	14	6	33,941	71
Net impact of further lending and repayments (note iv)	(8,018)	(13)	(834)	(27)	(26)	(4)	(8,878)	(44)
Changes in risk parameters in relation to credit quality (note v)	-	2	-	7	-	22	-	31
Other items impacting income statement (including recoveries)	-	-	-	-	-	(10)	-	(10)
Redemptions (note vi)	(19,951)	(6)	(1,855)	(23)	(255)	(13)	(22,061)	(42)
Income statement charge for the year								126
Decrease due to write-offs	-	-	-	-	(132)	(117)	(132)	(117)
Other provision movements	-	-	-	-	-	10	-	10
At 4 April 2023	172,058	50	37,457	410	1,502	305	211,017	765
Net carrying amount		172,008		37,047		1,197		210,252

Notes:
i. Gross 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 on transition to IFRS 9 of £5 million (2023: £5 million).
ii. The remeasurement of provisions arising from a change in stage is reported within the stage to which the assets are transferred.
iii. If a new asset is originated in the 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.
iv. 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.
v. 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.
vi. For any asset that is derecognised in the year, the value disclosed is the provision at the start of the year.

14. Loans and advances to customers (continued)

Reconciliation of net movements in balances and impairment provisions

	Non-credit impaired				Credit impaired			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Stage 1		Stage 2		Stage 3			
	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
Society	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 5 April 2023	145,642	37	20,156	269	954	265	166,752	571
Stage transfers:								
Transfers from stage 1 to stage 2	(6,549)	(5)	6,549	5	-	-	-	-
Transfers to stage 3	(105)	(1)	(390)	(33)	495	34	-	-
Transfers from stage 2 to stage 1	10,454	84	(10,454)	(84)	-	-	-	-
Transfers from stage 3	69	2	139	7	(208)	(9)	-	-
Net remeasurement of ECL arising from transfer of stage		(67)		62		63		58
Net movement arising from transfer of stage (note i)	3,869	13	(4,156)	(43)	287	88	-	58
New assets originated or purchased (note ii)	23,389	10	787	33	11	7	24,187	50
Net impact of further lending and repayments (note iii)	(7,489)	(14)	(545)	(24)	(6)	1	(8,040)	(37)
Changes in risk parameters related to credit quality (note iv)	-	(4)	-	9	-	25	-	30
Other items impacting income statement (including recoveries)	-	-	-	-	-	(5)	-	(5)
Redemptions (note v)	(10,696)	(4)	(1,814)	(10)	(120)	(5)	(12,630)	(19)
Income statement charge for the year								77
Decrease due to write-offs	-	-	-	-	(112)	(100)	(112)	(100)
Other provision movements	-	-	-	-	-	5	-	5
At 4 April 2024	154,715	38	14,428	234	1,014	281	170,157	553
Net carrying amount		154,677		14,194		733		169,604

14. Loans and advances to customers (continued)

Reconciliation of net movements in balances and impairment provisions

	Non-credit impaired				Credit impaired			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Stage 1		Stage 2		Stage 3			
	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
Society	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2022	154,485	34	8,716	317	1,124	283	164,325	634
Stage transfers:								
Transfers from stage 1 to stage 2	(14,725)	(2)	14,725	2	-	-	-	-
Transfers to stage 3	(182)	(1)	(250)	(35)	432	36	-	-
Transfers from stage 2 to stage 1	2,741	64	(2,741)	(64)	-	-	-	-
Transfers from stage 3	114	1	227	5	(341)	(6)	-	-
Net remeasurement of ECL arising from transfer of stage		(52)		77		55		80
Net movement arising from transfer of stage (note i)	(12,052)	10	11,961	(15)	91	85	-	80
New assets originated or purchased (note ii)	27,249	10	1,213	34	13	6	28,475	50
Net impact of further lending and repayments (note iii)	(7,690)	(13)	(694)	(25)	(18)	(4)	(8,402)	(42)
Changes in risk parameters related to credit quality (note iv)	-	1	-	(25)	-	13	-	(11)
Other items impacting income statement (including recoveries)	-	-	-	-	-	(6)	-	(6)
Redemptions (note v)	(16,350)	(5)	(1,040)	(17)	(134)	(5)	(17,524)	(27)
Income statement charge for the year								44
Decrease due to write-offs	-	-	-	-	(122)	(113)	(122)	(113)
Other provision movements	-	-	-	-	-	6	-	6
At 4 April 2023	145,642	37	20,156	269	954	265	166,752	571
Net carrying amount		145,605		19,887		689		166,181

Notes:
i. The remeasurement of provisions arising from a change in stage is reported within the stage to which the assets are transferred.
ii. 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.
iii. 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.
iv. 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.
v. For any asset that is derecognised in the year, the value disclosed is the provision at the start of that year.

14. Loans and advances to customers (continued)

Maturity analysis

The following table shows the residual maturity of loans and advances to customers, based on their contractual maturity:

Residual maturity of loans and advances to customers				
	Group		**Society**	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Repayable:				
On demand	**1,911**	1,835	**1,911**	1,835
In not more than three months	**2,232**	2,337	**2,020**	2,106
In more than three months but not more than one year	**5,826**	6,277	**5,663**	6,101
In more than one year but not more than five years	**30,175**	31,496	**27,986**	29,395
In more than five years	**173,727**	169,172	**132,619**	127,400
	213,871	211,117	**170,199**	166,837
Impairment provision on loans and advances	**(781)**	(765)	**(553)**	(571)
Fair value adjustment for micro hedged risk	**350**	430	**350**	430
Total	**213,440**	210,782	**169,996**	166,696

The maturity analysis is produced on the basis that where a loan is repayable by instalments, each such instalment is treated as a separate repayment. The analysis is based on contractual maturity rather than actual redemption levels experienced, which are likely to be materially different.

14. Loans and advances to customers (continued)

Asset backed funding

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

Mortgages pledged to asset backed funding programmes

	2024					2023				
		Notes in issue					Notes in issue			
			Held by the Group					Held by the Group		
	Mortgages pledged (note i)	**Held by third parties (note ii)**	**Drawn (note iii)**	**Undrawn (note iv)**	**Total notes in issue**	Mortgages pledged (note i)	Held by third parties (note ii)	Drawn (note iii)	Undrawn (note iv)	Total notes in issue
Group	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
Covered bond programme	**23,581**	**14,955**	**-**	**-**	**14,955**	20,253	13,496	-	-	13,496
Securitisation programme	**7,321**	**1,984**	**-**	**3,651**	**5,635**	8,705	2,535	-	2,632	5,167
Whole mortgage loan pools	**12,000**	**-**	**9,254**	**-**	**9,254**	23,045	-	17,166	-	17,166
Total	**42,902**	**16,939**	**9,254**	**3,651**	**29,844**	52,003	16,031	17,166	2,632	35,829

Notes:

i. Mortgages pledged include £6.3 billion (2023: £6.6 billion) in the covered bond and securitisation programmes that are in excess of the amount contractually required to support notes in issue.

ii. Notes in issue which are held by third parties are included within debt securities in issue. Further information on debt securities is included in note 18.

iii. Notes in issue, held by the Group and drawn, are whole mortgage loan pools securing amounts drawn with the BoE under the TFSME.

iv. Notes in issue, held by the Group and undrawn, are debt securities issued by the programmes to the Society.

Mortgages pledged under the Nationwide Covered Bond programme provide security for issues of covered bonds made by the Society.

The securitisation programme notes are issued by Silverstone Master Issuer plc and are not included in the accounts of the Society. Silverstone Master Issuer plc is fully consolidated into the accounts of the Group. The issuance proceeds are used to purchase, for the benefit of note holders, a share of the beneficial interest in the mortgages pledged by the Society. The remaining beneficial interest in the pledged mortgages of £1.4 billion (2023: £3.4 billion) stays with the Society and includes its required minimum seller share in accordance with the rules of the programme. The Group is under no obligation to support losses incurred by the programme or holders of the notes and does not intend to provide such further support. The entitlement of note holders is restricted to payment of principal and interest to the extent that the resources of the programme are sufficient to support such payment and the holders of the notes have agreed not to seek recourse in any other form.

14. Loans and advances to customers (continued)

The whole mortgage loan pools are pledged at the BoE Single Collateral Pool. Notes are not issued when pledging the mortgage loan pools at the BoE. Instead, the whole loan pool is pledged to the BoE and drawings are made directly against the eligible collateral, subject to a haircut. At 4 April 2024, £12.0 billion (2023: £23.0 billion) of pledged collateral supported £9.3 billion (2023: £17.2 billion) of TFSME drawdowns.

In accordance with accounting standards, notes in issue and held by the Group are not recognised in the Group's or Society's balance sheets. Mortgages pledged are not derecognised from the Group or Society balance sheets as the Group has retained substantially all the risks and rewards of ownership. The Group and Society continue to be exposed to the liquidity risk, interest rate risk and credit risk of the mortgages. No gain or loss has been recognised on pledging the mortgages to the programmes.

The following table sets out the carrying value and fair value of the transferred assets and liabilities for the Silverstone Master Trust:

	Carrying value			Fair value		
	Transferred assets £m	Associated liabilities £m	Total £m	Transferred assets £m	Associated liabilities £m	Total £m
At 4 April 2024	**7,321**	**(5,635)**	**1,686**	**7,110**	**(5,634)**	**1,476**
At 4 April 2023	8,705	(5,167)	3,538	8,323	(5,178)	3,145

The Society holds cash deposited by the Nationwide Covered Bond programme of £0.6 billion (2023: £0.5 billion) and by the Silverstone programme of £0.4 billion (2023: £0.6 billion).

15. Derivative financial instruments

All of the Group's derivative financial instruments are used to manage economic risk, although not all of the derivatives are subject to hedge accounting. Note 7 sets out the link between economic risk management and the hedge accounting applied by the Group. The table below provides an analysis of the notional amount and fair value of derivatives by both hedge accounting type and instrument type. The amount of ineffectiveness recognised for each hedge type is shown in note 7. Contract/notional amount is the amount on which payment flows are derived and does not represent amounts at risk.

Derivatives by instrument and hedge type

	2024						2023					
	Group			Society			Group			Society		
	Contract/ notional amount (note i)	Fair value Assets	Fair value Liabilities	Contract/ notional amount	Fair value Assets	Fair value Liabilities	Contract/ notional amount (note i)	Fair value Assets	Fair value Liabilities	Contract/ notional amount	Fair value Assets	Fair value Liabilities
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Micro fair value hedges:												
Interest rate swaps	48,764	22	364	55,876	527	361	48,684	25	511	53,271	691	406
Cross currency interest rate swaps	43,111	1,722	771	50,144	1,849	1,007	41,125	1,762	626	45,442	1,785	982
Bond forwards	143	-	-	143	-	-	1,645	70	17	1,645	70	17
Inflation swaps	7,687	205	46	7,687	204	46	8,272	176	30	8,272	176	30
	99,705	1,949	1,181	113,850	2,580	1,414	99,726	2,033	1,184	108,630	2,722	1,435
Macro fair value hedges:												
Interest rate swaps	233,132	1,985	60	233,132	1,985	60	221,801	2,333	107	221,801	2,333	107
	233,132	1,985	60	233,132	1,985	60	221,801	2,333	107	221,801	2,333	107
Cash flow hedges:												
Cross currency interest rate swaps	32,443	20	26	31,087	20	26	31,027	34	23	29,111	34	19
Inflation swaps	-	-	-	-	-	-	120	51	-	120	51	-
	32,443	20	26	31,087	20	26	31,147	85	23	29,231	85	19
Not subject to hedge accounting: (note ii)												
Interest rate swaps	111,771	2,096	119	112,520	2,079	111	111,128	2,259	156	111,878	2,259	162
Cross currency interest rate swaps	2,010	19	42	2,163	20	6	2,318	5	14	2,471	(53)	(45)
Foreign exchange swaps	2,469	31	2	2,469	31	2	1,593	13	6	1,593	13	6
Inflation swaps	7,425	190	19	7,425	190	19	5,633	195	30	5,633	195	30
Other derivatives	111	-	2	111	-	2	247	-	4	247	-	4
	123,786	2,336	184	124,688	2,320	140	120,919	2,472	210	121,822	2,414	157
Total	489,066	6,290	1,451	502,757	6,905	1,640	473,593	6,923	1,524	481,484	7,554	1,718

Notes:

i. Where the same derivative contract has been used in more than one hedge type, for example where one risk component has been included in a fair value hedge and another risk component has been included in a cash flow hedge, the full notional amount has been included in both categories.

ii. Valuation adjustments are applied at a portfolio level and not allocated to individual hedge accounting relationships and have therefore been included in the 'Not subject to hedge accounting section', which can result in negative amounts presented.

15. Derivative financial instruments (continued)

The contractual maturity of derivatives used as hedging instruments in micro fair value and cash flow hedges is provided in the table below. Macro fair value hedges are frequently rebalanced to include new business. As a result, these hedges have not been included in the analysis below.

Contractual maturity of hedging instruments (contract/notional amount)

2024	Group				Society			
	Less than one year	Between one and five years	More than five years	Total	Less than one year	Between one and five years	More than five years	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Micro fair value hedges								
Interest rate swaps	3,405	29,092	16,267	48,764	2,942	33,209	19,725	55,876
Cross currency interest rate swaps	3,688	25,494	13,929	43,111	3,319	29,601	17,224	50,144
Bond forwards	143	-	-	143	143	-	-	143
Inflation swaps	-	4,498	3,189	7,687	-	4,498	3,189	7,687
	7,236	59,084	33,385	99,705	6,404	67,308	40,138	113,850
Cash flow hedges								
Cross currency interest rate swaps	3,359	20,389	8,695	32,443	2,883	19,950	8,254	31,087
	3,359	20,389	8,695	32,443	2,883	19,950	8,254	31,087

Contractual maturity of hedging instruments (contract/notional amount)

2023	Group				Society			
	Less than one year	Between one and five years	More than five years	Total	Less than one year	Between one and five years	More than five years	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Micro fair value hedges								
Interest rate swaps	3,401	23,538	21,745	48,684	2,825	25,614	24,832	53,271
Cross currency interest rate swaps	3,009	20,543	17,573	41,125	2,449	22,708	20,285	45,442
Bond forwards	1,645	-	-	1,645	1,645	-	-	1,645
Inflation swaps	-	2,423	5,849	8,272	-	2,423	5,849	8,272
	8,055	46,504	45,167	99,726	6,919	50,745	50,966	108,630
Cash flow hedges								
Cross currency interest rate swaps	2,841	16,792	11,394	31,027	2,281	16,315	10,515	29,111
Inflation swaps	120	-	-	120	120	-	-	120
	2,961	16,792	11,394	31,147	2,401	16,315	10,515	29,231

15. Derivative financial instruments (continued)

The weighted average rates of hedging instruments which achieve fixed rates are summarised in the table below. Fair value and cash flow hedging instruments which do not achieve a fixed rate have not been included in this analysis.

Average rates achieved 2024	**Group**				**Society**			
	Less than one year	**Between one and five years**	**More than five years**	**Total**	**Less than one year**	**Between one and five years**	**More than five years**	**Total**
Cross currency interest rate swaps								
Average EUR/GBP rate	**1.18**	**1.16**	**1.19**	**1.17**	**1.19**	**1.16**	**1.20**	**1.18**
Average USD/GBP rate	**1.36**	**1.30**	**1.27**	**1.29**	**1.36**	**1.30**	**1.27**	**1.29**
Average JPY/GBP rate	**145.59**	**148.25**	**132.22**	**147.68**	**145.59**	**148.25**	**132.22**	**147.68**
Average NOK/GBP rate	**10.06**	**11.21**	**12.66**	**11.53**	**10.06**	**11.21**	**12.90**	**11.81**
Average HKD/GBP rate		**1.74**	**1.67**	**1.69**		**1.74**	**1.67**	**1.69**
Average CHF/GBP rate		**11.85**	**9.13**	**11.56**		**11.85**	**9.13**	**11.56**
Average CAD/GBP rate		**1.15**	**1.18**	**1.16**		**1.16**	**1.19**	**1.17**

Average rates achieved 2023	Group				Society			
	Less than one year	Between one and five years	More than five years	Total	Less than one year	Between one and five years	More than five years	Total
Cross currency interest rate swaps								
Average EUR/GBP rate	1.17	1.16	1.18	1.17	1.17	1.17	1.19	1.18
Average USD/GBP rate	1.35	1.33	1.28	1.31	1.35	1.33	1.28	1.31
Average JPY/GBP rate	136.87	145.27	146.31	145.13	136.87	145.27	146.31	145.13
Average NOK/GBP rate	-	11.07	11.24	11.13	-	11.07	11.24	11.13
Average HKD/GBP rate	-	11.85	9.13	11.56	-	11.85	9.13	11.56
Average CHF/GBP rate	-	1.16	1.17	1.17	-	1.16	1.18	1.17
Average CAD/GBP rate	-	1.80	1.70	1.78	-	1.80	1.70	1.78
Inflation swaps								
Average fixed interest rate (GBP %)	3.79	-	-	3.79	3.79	-	-	3.79
Average inflation rate (RPI index)	256.30	-	-	256.30	256.30	-	-	256.30

16. Deposits from banks and similar institutions

Deposits from banks and similar institutions are repayable from the balance sheet date in the ordinary course of business as follows:

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Accrued interest	**28**	7	**28**	7
Repayable:				
On demand	**5,183**	5,806	**5,183**	5,804
In not more than three months	**1,925**	2,082	**1,925**	2,082
In more than three months but not more than one year	**3,982**	1	**3,982**	1
In more than one year but not more than five years	**5,270**	17,160	**5,270**	17,160
Total	**16,388**	25,056	**16,388**	25,054

For the Group and Society, deposits from banks and similar institutions include £9.3 billion (2023: £17.2 billion) drawn down against the Bank of England's TFSME.

17. Other deposits

Other deposits are repayable from the balance sheet date in the ordinary course of business as follows:

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Accrued interest	**17**	10	**17**	10
Repayable:				
On demand	**1,076**	1,135	**1,298**	1,561
In not more than three months	**1,785**	2,221	**1,785**	2,221
In more than three months but not more than one year	**1,573**	1,700	**1,573**	1,700
In more than one year but not more than five years (note i)	**79**	125	**79**	125
Total	**4,530**	5,191	**4,752**	5,617

Note:
i. Includes £15 million (2023: £14 million) of other financial liabilities relating to contractual indemnity obligations.

Other deposits primarily comprise wholesale and commercial deposits. The Society's other deposits as at 4 April 2024 include £222 million (2023: £425 million) of deposits from subsidiary undertakings.

18. Debt securities in issue

	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Certificates of deposit and commercial paper	**1,506**	1,011	**1,506**	1,011
Medium term notes	**11,557**	11,141	**11,557**	11,141
Covered bonds	**15,577**	14,373	**15,577**	14,373
Asset backed securities	**1,984**	2,534	**-**	-
	30,624	29,059	**28,640**	26,525
Fair value adjustment for micro hedged risk	**(1,025)**	(1,433)	**(385)**	(532)
Total	**29,599**	27,626	**28,255**	25,993
Debt securities in issue are repayable from the balance sheet date in the ordinary course of business as follows:				
Accrued interest	**310**	227	**287**	205
Residual maturity repayable:				
In not more than one year	**3,632**	6,538	**3,406**	5,390
In more than one year	**26,682**	22,294	**24,947**	20,930
	30,624	29,059	**28,640**	26,525
Fair value adjustment for micro hedged risk	**(1,025)**	(1,433)	**(385)**	(532)
Total	**29,599**	27,626	**28,255**	25,993

The total for debt securities in issue in the Group includes £16,939 million (2023: £16,031 million), and in the Society includes £15,577 million (2023: £14,373 million), secured on certain loans and advances to customers. Further information is given in note 14.

19. Subordinated liabilities

				Group and Society	
				2024	2023
	Issuance date	**Next call date**	**Maturity date**	**£m**	£m
Senior non-preferred					
1.5% fixed-to-floating rate notes (Euro 1 billion)	8 March 2018	8 March 2025	8 March 2026	**859**	877
4.302% fixed-to-floating rate notes (US Dollar 0.75 billion)	8 March 2018	8 March 2028	8 March 2029	**594**	602
4.363% fixed-to-floating rate notes (US Dollar 1 billion) (note i)	1 August 2018			**-**	805
3.4675% fixed rate notes (Norwegian Kroner 1 billion)	5 October 2018		5 October 2026	**75**	79
0.805% fixed-to-floating rate notes (Japanese Yen 1 billion) (note i)	24 October 2018			**-**	6
0.9925% fixed rate reset notes (Japanese Yen 4 billion)	30 October 2018	30 October 2025	30 October 2026	**21**	24
3.875% fixed rate notes (Norwegian Kroner 0.3 billion)	13 November 2018		13 November 2028	**23**	24
3.9% fixed rate notes (Norwegian Kroner 1 billion)	13 November 2018		13 November 2028	**75**	79
1.2775% fixed rate reset notes (Japanese Yen 3 billion)	14 November 2018	14 November 2028	14 November 2029	**16**	18
3.96% fixed-to-floating rate notes (US Dollar 1 billion)	18 July 2019	18 July 2029	18 July 2030	**796**	806
0.85% fixed-to-floating rate notes (Japanese Yen 5 billion)	16 August 2019	16 August 2029	16 August 2030	**26**	30
2.972% fixed-to-floating rate notes (US Dollar 0.75 billion)	16 February 2022	16 February 2027	16 February 2028	**594**	602
Sofr + 1.29% floating rate notes (US Dollar 0.3 billion)	16 February 2022	16 February 2027	16 February 2028	**239**	242
6.178% fixed rate reset notes (GBP 0.65 billion)	7 December 2022	7 December 2026	7 December 2027	**663**	663
1.4% floating rate notes (GBP 0,025 billion)	4 July 2023	4 July 2025	4 July 2026	**25**	-
1.65 % fixed rate notes (JPY 3 billion)	12 July 2023		12 July 2028	**16**	-
1.060% fixed rate notes (JPY 2 billion)	12 July 2023		12 July 2028	**10**	-
1.064% fixed rate notes (JPY 2 billion)	14 July 2023		14 July 2028	**10**	-
1.2% fixed rate reset notes (JPY 2 billion)	19 July 2023	19 July 2028	19 July 2029	**10**	-
6.948% fixed rate reset notes (GBP 0.05 billion)	1 August 2023	1 August 2025	1 August 2026	**52**	-
6.240% fixed rate notes (GBP 0.05 billion)	10 August 2023		10 August 2033	**50**	-
0.9% fixed rate notes (JPY 2 billion)	16 August 2023		16 August 2026	**10**	-
0.988% fixed rate reset notes (JPY 2 billion)	18 August 2023	18 August 2025	18 August 2026	**10**	-
2.98% fixed rate notes (CHF 0.175 billion)	8 September 2023	8 September 2026	8 September 2027	**155**	-
6.122% fixed rate reset notes (GBP 0.02 billion)	29 September 2023	29 September 2035	29 September 2036	**21**	-
6.557% fixed-to-floating rate notes (USD 1.25 billion)	18 October 2023	18 October 2026	18 October 2027	**1,016**	-
Tier 2 eligible					
4% subordinated notes (US Dollar 1.25 billion)	14 September 2016		14 September 2026	**881**	893
2% subordinated notes (Euro 1 billion)	25 July 2017	25 July 2024	25 July 2029	**870**	888
4.125% subordinated notes (US Dollar 1.25 billion)	18 October 2017	18 October 2027	18 October 2032	**408**	414
				7,525	7,052
Fair value hedge accounting adjustments				**(287)**	(281)
Unamortised premiums and issue costs				**(13)**	(16)
Total				**7,225**	6,755

Note:

i. The Society exercised its option to call these notes during the year ended 4 April 2024.

Senior non-preferred notes are a class of subordinated liability which rank equally with each other and behind the claims against the Society of all depositors, creditors and investing members other than holders of Tier 2 eligible subordinated notes, permanent interest-bearing shares (PIBS), Additional Tier 1 (AT1) instruments and core capital deferred shares (CCDS). Senior non-preferred notes contribute to meeting the Society's minimum requirement for own funds and eligible liabilities (MREL) and loss absorbing requirements.

19. Subordinated liabilities (continued)

The Tier 2 eligible subordinated notes rank equally with each other and ahead of claims against the Society of holders of PIBS, AT1 instruments and CCDS.

The interest rate and foreign exchange risks arising from the issuance of fixed rate and foreign currency subordinated liabilities have been mitigated through the use of derivatives.

20. Subscribed capital

			Group and Society	
			2024	2023
	Note	**Next call date**	**£m**	£m
6.25% permanent interest-bearing shares	i	22 October 2024	**45**	45
5.769% permanent interest-bearing shares	i	6 February 2026	**85**	84
7.859% permanent interest-bearing shares	i	13 March 2030	**39**	39
Floating rate (Sonia + 4.2%) permanent interest-bearing shares		30 September 2030	**5**	5
			174	173
Fair value hedge accounting adjustments			**-**	1
Unamortised premiums and issue costs			**(1)**	(1)
Total			**173**	173

Note:
i. Repayable, at the option of the Society, in full 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.

All PIBS are denominated in sterling and only repayable with the prior consent of the PRA. PIBS do not form part of capital resources.

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

The interest rate risk arising from the issuance of fixed rate PIBS has been mitigated through the use of interest rate swaps.

21. Fair value hierarchy of financial assets and liabilities held at fair value

As the majority of the Group's assets and liabilities are held within the Society, the disclosures in notes 21 to 24 are on a consolidated basis. The following tables show the Group's financial assets and liabilities that are held at fair value by fair value hierarchy, balance sheet classification and product type:

	2024				2023			
	Fair values based on				Fair values based on			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Financial assets								
Government, government guaranteed and supranational investment securities	**22,173**	**-**	**-**	**22,173**	22,968	-	-	22,968
Other debt investment securities	**2,980**	**1,312**	**3**	**4,295**	2,843	1,707	2	4,552
Investments in equity shares	**-**	**-**	**60**	**60**	-	3	52	55
Total investment securities (note i)	**25,153**	**1,312**	**63**	**26,528**	25,811	1,710	54	27,575
Interest rate swaps	**-**	**4,103**	**-**	**4,103**	-	4,617	-	4,617
Cross currency interest rate swaps	**-**	**1,761**	**-**	**1,761**	-	1,801	-	1,801
Foreign exchange swaps	**-**	**31**	**-**	**31**	-	13	-	13
Inflation swaps	**-**	**200**	**195**	**395**	-	265	157	422
Bond forwards and futures	**-**	**-**	**-**	**-**	-	70	-	70
Total derivative financial instruments	**-**	**6,095**	**195**	**6,290**	-	6,766	157	6,923
Loans and advances to customers	**-**	**-**	**42**	**42**	-	-	100	100
Total financial assets	**25,153**	**7,407**	**300**	**32,860**	25,811	8,476	311	34,598
Financial liabilities								
Interest rate swaps	**-**	**(543)**	**-**	**(543)**	-	(774)	-	(774)
Cross currency interest rate swaps	**-**	**(839)**	**-**	**(839)**	-	(663)	-	(663)
Foreign exchange swaps	**-**	**(2)**	**-**	**(2)**	-	(6)	-	(6)
Inflation swaps	**-**	**(62)**	**(3)**	**(65)**	-	(52)	(8)	(60)
Bond forwards and futures	**-**	**-**	**-**	**-**	-	(18)	-	(18)
Swaptions	**-**	**-**	**(2)**	**(2)**	-	-	(3)	(3)
Total derivative financial instruments	**-**	**(1,446)**	**(5)**	**(1,451)**	-	(1,513)	(11)	(1,524)
Total financial liabilities	**-**	**(1,446)**	**(5)**	**(1,451)**	-	(1,513)	(11)	(1,524)

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

The Group's 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. More detail on the Level 3 portfolio is provided in note 22.

21. Fair value hierarchy of financial assets and liabilities held at fair value (continued)

Transfers between fair value hierarchies

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 recognised 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 current or prior year.

22. Fair value of financial assets and liabilities held at fair value – Level 3 portfolio

The main constituents of the Level 3 portfolio are as follows:

Loans and advances to customers

Certain loans and advances to customers are classified as FVTPL. Level 3 assets in this category include a closed portfolio of residential mortgages.

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 and swaptions)

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 are 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. Where the impact of seasonality is significant to the valuation of the swaps, these are classified as Level 3 in the hierarchy.

22. Fair value of financial assets and liabilities held at fair value – Level 3 portfolio (continued)

The tables below set out movements in the Level 3 portfolio, including transfers in and out of Level 3:

Movements in Level 3 portfolio

	2024				2023			
	Investment securities	**Derivative financial assets**	**Derivative financial liabilities**	**Loans and advances to customers**	Investment securities	Derivative financial assets	Derivative financial liabilities	Loans and advances to customers
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
At 5 April	54	157	(11)	100	63	260	(176)	116
Gains/(losses) recognised in the income statement, within:								
Net interest income	**-**	**97**	**2**	**4**	-	(113)	(16)	4
Gains from derivatives and hedge accounting (note i)	**-**	**58**	**7**	**-**	-	509	75	-
Other operating income	**(4)**	**24**	**-**	**(2)**	(3)	-	(9)	(11)
Gains/(losses) recognised in other comprehensive income, within:								
Fair value through other comprehensive income reserve	**5**	**-**	**-**	**-**	(3)	-	-	-
Additions	**8**	**-**	**-**	**-**	1	-	-	-
Disposals	**-**	**(24)**	**-**	**-**	(4)	-	9	-
Settlements/repayments	**-**	**(117)**	**(3)**	**(60)**	-	(16)	4	(9)
Transfers out of Level 3 portfolio (note ii)	**-**	**-**	**-**	**-**	-	(483)	102	-
At 4 April	**63**	**195**	**(5)**	**42**	54	157	(11)	100
Unrealised (losses)/gains recognised in the income statement attributable to assets and liabilities held at the end of the period	**(4)**	**81**	**7**	**(2)**	(4)	212	7	(11)

Notes:
i. Includes foreign exchange revaluation gains/(losses).
ii. The proportional impact of seasonality on the value of GBP-denominated inflation swaps reduced during the year ended 4 April 2023, resulting in these instruments no longer being categorised within Level 3 of the fair value hierarchy.

22. Fair value of financial assets and liabilities held at fair value – Level 3 portfolio (continued)

Level 3 portfolio sensitivity analysis of valuations using unobservable inputs

The fair value of financial instruments is, in certain circumstances, measured using valuation techniques based on market prices that are not observable in an active market or significant unobservable market inputs. Reasonable alternative assumptions can be applied for sensitivity analysis, taking account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historic data. The following table shows the sensitivity of the Level 3 fair values to reasonable alternative assumptions (as set out in the table of significant unobservable inputs below) and the resultant impact of such changes in fair value on the income statement or members' interests and equity.

Sensitivity of Level 3 fair values

	2024					2023				
		Income statement		Other comprehensive income			Income statement		Other comprehensive income	
	Fair value	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes	Fair value	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Investment securities	63	2	(2)	14	(14)	54	4	(3)	12	(11)
Net derivative financial instruments	190	29	(29)	-	-	146	32	(32)	-	-
Loans and advances to customers	42	2	(2)	-	-	100	3	(2)	-	-
Total	295	33	(33)	14	(14)	300	39	(37)	12	(11)

Alternative assumptions are considered for each product and varied according to the quality of the data and variability of the underlying market. The following table discloses the significant unobservable inputs underlying the above alternative assumptions for assets and liabilities recognised at fair value and classified as Level 3, along with the range of values for those significant unobservable inputs. Where sensitivities are described, the inverse relationship will also generally apply.

Significant unobservable inputs

	2024							2023						
	Total assets	Total liabilities	Valuation technique	Significant unobservable inputs	Range (note i)		Units	Total assets	Total liabilities	Valuation technique	Significant unobservable inputs	Range (note i)		Units
	£m	£m						£m	£m					
Investment securities	63	-	Internal assessment	Various (note ii)	-	-	£	54	-	Internal assessment	Various (note ii)	-	-	£
Derivative financial instruments	195	(5)	Discounted cash flows	Seasonality	0.02	0.99	%	157	(11)	Discounted cash flows	Seasonality	0.02	0.82	%
Loans and advances to customers	42	-	Discounted cash flows	Discount rate	5.23	7.23	%	100	-	Discounted cash flows	Discount rate	3.31	9.75	%

Notes:

i. The range represents the values of the highest and lowest levels used in the calculation of favourable and unfavourable changes as presented in the table of sensitivities above.

ii. Given the wide range of investments and variety of inputs to modelled values, which may include inputs such as observed market prices, discount rates or probability weightings of expected outcomes, the Group does not disclose ranges as they are not meaningful without reference to individual underlying investments, which would be impracticable. Some of the significant unobservable inputs used in the fair value measurement of investment securities may be interdependent.

22. Fair value of financial assets and liabilities held at fair value – Level 3 portfolio (continued)

Discount rate

The discount rate is used to determine the present value of future cash flows. The level of the discount rate takes into account the time value of money, but also the risk associated with the investment at the time the investment was made. Typically, the greater the risk, the higher the discount rate. A higher discount rate leads to a lower valuation and vice versa.

Seasonality

An inflation swap curve is built using inflation swap quotes to project future levels of the inflation indices in each of the markets in which the Group is active. These curves are used to calculate future cash flows. While inflation swap instruments give a good indication of annual growth in inflation, monthly index fixings throughout the year tend to behave differently and so the inflation swap curve is adjusted for this seasonality accordingly. The higher the seasonality, the greater the adjustment to the inflation swap curve.

23. Fair value of financial assets and liabilities measured at amortised cost

The following table summarises the carrying value and fair value of financial assets and liabilities measured at amortised cost on the Group's balance sheet:

Fair value of financial assets and liabilities (note i)	2024					2023				
	Carrying value	Fair values based on			Total fair value	Carrying value	Fair values based on			Total fair value
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets										
Loans and advances to banks and similar institutions	**2,478**	**-**	**2,478**	**-**	**2,478**	2,860	-	2,860	-	2,860
Investment securities	**4**	**-**	**4**	**-**	**4**	40	-	40	-	40
Loans and advances to customers:										
Residential mortgages	**204,106**	**-**	**-**	**198,123**	**198,123**	201,335	-	-	192,504	192,504
Consumer banking	**3,827**	**-**	**-**	**3,737**	**3,737**	3,939	-	-	3,821	3,821
Commercial lending	**5,465**	**-**	**-**	**4,981**	**4,981**	5,408	-	-	4,863	4,863
Total	**215,880**	**-**	**2,482**	**206,841**	**209,323**	213,582	-	2,900	201,188	204,088
Financial liabilities										
Shares	**193,366**	**-**	**193,333**	**-**	**193,333**	187,143	-	186,917	-	186,917
Deposits from banks and similar institutions	**16,388**	**-**	**16,388**	**-**	**16,388**	25,056	-	25,056	-	25,056
Other deposits	**4,530**	**-**	**4,516**	**15**	**4,531**	5,191	-	5,176	14	5,190
Debt securities in issue	**29,599**	**12,889**	**17,048**	**-**	**29,937**	27,626	11,491	16,374	-	27,865
Subordinated liabilities	**7,225**	**-**	**7,365**	**-**	**7,365**	6,755	-	6,731	-	6,731
Subscribed capital	**173**	**-**	**173**	**-**	**173**	173	-	171	-	171
Total	**251,281**	**12,889**	**238,823**	**15**	**251,727**	251,944	11,491	240,425	14	251,930

Note:

i. 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.

23. Fair value of financial assets and liabilities measured at amortised cost (continued)

The fair values of loans and advances to customers are further analysed, between those credit impaired and those non-credit impaired, as follows:

Fair value of loans and advances to customers

	2024						2023					
	Non-credit impaired (stages 1 and 2)		**Credit impaired (stage 3 and POCI) (note i)**		**Total**		Non-credit impaired (stages 1 and 2)		Credit impaired (stage 3 and POCI) (note i)		Total	
	Carrying value £m	**Fair value £m**	**Carrying value £m**	**Fair value £m**	**Carrying value £m**	**Fair value £m**	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Residential mortgages	**202,862**	**196,916**	**1,244**	**1,207**	**204,106**	**198,123**	200,212	191,430	1,123	1,074	201,335	192,504
Consumer banking	**3,797**	**3,707**	**30**	**30**	**3,827**	**3,737**	3,892	3,774	47	47	3,939	3,821
Commercial lending	**5,419**	**4,936**	**46**	**45**	**5,465**	**4,981**	5,381	4,836	27	27	5,408	4,863
Total	**212,078**	**205,559**	**1,320**	**1,282**	**213,398**	**206,841**	209,485	200,040	1,197	1,148	210,682	201,188

Note:
i. POCI loans are those which were credit impaired when purchased or originated.

Loans and advances to banks and similar institutions

The fair value of loans and advances to banks and similar institutions is estimated by discounting expected cash flows at a market discount rate.

Investment securities

The fair value of investment securities is sourced from consensus pricing or other observable market prices.

Loans and advances to customers

The fair value of loans and advances to customers is estimated by discounting expected cash flows at rates that reflect current rates for similar lending. Consistent modelling 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 modelled 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 (SVR) which, for example, in the case of the Group's residential base mortgage rate (BMR) mortgage book, generates a fair value lower than the amortised 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 amounts due to customers

The estimated fair value of shares, deposits and amounts due to customers with no stated maturity, including non-interest-bearing deposits, is the amount repayable on demand. For items without quoted market prices the fair value represents the discounted amount of estimated future cash flows based on expectations of future interest rates, customer withdrawals and interest capitalisation. For variable interest rate items, estimated future cash flows are discounted using current market interest rates for new debt with similar remaining maturity. For fixed rate items, 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 for which 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.

24. Offsetting financial assets and financial liabilities

The Group has financial assets and liabilities for which there is a legally enforceable right to set off the recognised amounts, and there is an intention to settle on a net basis or realise the asset and liability simultaneously. In accordance with IAS 32 'Financial Instruments: Presentation,' where the right to set off is not unconditional in all circumstances this does not result in an offset of balance sheet assets and liabilities.

The following table shows:

- Amounts which have been offset, where there is an enforceable master netting arrangement or similar agreement in place, an unconditional right to offset exists and there is an intention to settle net ('amounts offset'); and
- Amounts which have not been offset, where there is an enforceable master netting arrangement or similar agreement in place, but the offset criteria are otherwise not satisfied ('master netting arrangements') and/or where financial collateral has been paid or received ('financial collateral').

Offsetting financial assets and financial liabilities

	2024						2023					
	Gross amounts recognised	**Amounts offset (note i)**	**Net amounts reported on the balance sheet**	**Master netting arrangements**	**Financial collateral (note ii)**	**Net amounts**	Gross amounts recognised	Amounts offset (note i)	Net amounts reported on the balance sheet	Master netting arrangements	Financial collateral (note ii)	Net amounts
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Financial assets												
Derivative financial assets	**17,580**	**(11,290)**	**6,290**	**(1,265)**	**(5,009)**	**16**	19,978	(13,055)	6,923	(1,286)	(5,634)	3
Reverse repurchase agreements	**628**	**(617)**	**11**	**-**	**(11)**	**-**	1,027	(1,027)	-	-	-	-
Total financial assets	**18,208**	**(11,907)**	**6,301**	**(1,265)**	**(5,020)**	**16**	21,005	(14,082)	6,923	(1,286)	(5,634)	3
Financial liabilities												
Derivative financial liabilities	**12,326**	**(10,875)**	**1,451**	**(1,265)**	**(38)**	**148**	13,442	(11,918)	1,524	(1,286)	(63)	175
Repurchase agreements	**2,560**	**(617)**	**1,943**	**-**	**(1,942)**	**1**	3,102	(1,027)	2,075	-	(2,074)	1
Total financial liabilities	**14,886**	**(11,492)**	**3,394**	**(1,265)**	**(1,980)**	**149**	16,544	(12,945)	3,599	(1,286)	(2,137)	176

Notes:

i. Amounts offset for derivative financial assets of £11,290 million (2023: £13,055 million) include cash collateral netted of £1,055 million (2023: £1,753 million). Amounts offset for derivative financial liabilities of £10,875 million (2023: £11,918 million) include cash collateral netted of £640 million (2023: £616 million).

ii. The balances presented for financial collateral on repurchase agreements and reverse repurchase agreements are less than the financial collateral balances reported in note 13, as the amounts disclosed above are limited to the net amounts reported on the balance sheet after amounts offset as shown in the table.

Master netting arrangements consist of agreements such as an International Swaps and Derivatives Association (ISDA) Master Agreement, global master repurchase agreements and global master securities lending agreements, whereby outstanding transactions with the same counterparty can be offset and settled net, either unconditionally or following a default or other predetermined event.

Financial collateral on derivative financial instruments consists of cash paid or received, typically daily or weekly, to mitigate the credit risk on the fair value of derivative contracts. Financial collateral on repurchase agreements typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

The net amounts after offsetting presented above show the exposure to counterparty credit risk for derivative contracts after netting benefits and collateral, and are not intended to represent the Group's actual exposure to credit risk. This is due to a variety of credit mitigation strategies which are employed in addition to netting and collateral arrangements.

25. Intangible assets

Group **2024**	**Computer software**		**Total computer software**	**Goodwill**	**Total**
	Externally acquired	**Internally developed**			
	£m	**£m**	**£m**	**£m**	**£m**
Cost					
At 5 April 2023	356	2,426	2,782	12	2,794
Additions	**15**	**281**	**296**	**-**	**296**
Disposals	**(29)**	**(115)**	**(144)**	**-**	**(144)**
At 4 April 2024	**342**	**2,592**	**2,934**	**12**	**2,946**
Accumulated amortisation and impairment					
At 5 April 2023	278	1,654	1,932	-	1,932
Amortisation charge	**38**	**263**	**301**	**-**	**301**
Impairment in the year	**3**	**6**	**9**	**-**	**9**
Disposals	**(29)**	**(115)**	**(144)**	**-**	**(144)**
At 4 April 2024	**290**	**1,808**	**2,098**	**-**	**2,098**
Net book value					
At 4 April 2024	**52**	**784**	**836**	**12**	**848**

Group 2023	Computer software		Total computer software	Goodwill	Total
	Externally acquired	Internally developed			
	£m	£m	£m	£m	£m
Cost					
At 5 April 2022	369	2,311	2,680	12	2,692
Additions	18	267	285	-	285
Disposals	(31)	(152)	(183)	-	(183)
At 4 April 2023	356	2,426	2,782	12	2,794
Accumulated amortisation and impairment					
At 5 April 2022	265	1,514	1,779	-	1,779
Amortisation charge	44	264	308	-	308
Impairment in the year	-	28	28	-	28
Disposals	(31)	(152)	(183)	-	(183)
At 4 April 2023	278	1,654	1,932	-	1,932
Net book value					
At 4 April 2023	78	772	850	12	862

25. Intangible assets (continued)

Computer software capitalised during the year primarily relates to the Group's investment in digital services, data capabilities and modernisation of the Group's technology estate. The total cost at 4 April 2024 includes £80 million (2023: £185 million) of assets in the course of construction which, to the extent that they are not yet ready for use by the business, have no amortisation charged against them. For all other computer software capitalised the estimated useful life of individual assets is predominantly five years.

An impairment loss of £9 million (2023: loss of £28 million) was recognised in the year, primarily as a result of software becoming obsolete earlier than envisaged due to ongoing investment to ensure the Group's technology estate is fit for the future.

The Society's intangible assets are as shown above for the Group, except that they exclude £12 million (2023: £12 million) of goodwill relating to the acquisition of The Mortgage Works (UK) plc which is only recognised at Group level. Capital expenditure contracted for but not accrued at 4 April 2024 was £17 million (2023: £10 million).

26. Property, plant and equipment

Group 2024	Branches and non-specialised buildings	Specialised administration buildings	Investment properties	Plant and machinery	Equipment, fixtures, fittings and vehicles	Right-of-use branches and non-specialised buildings	Total
	£m	£m	£m	£m	£m	£m	£m
Cost or valuation							
At 5 April 2023	142	166	2	326	891	288	1,815
Additions	-	-	-	9	77	10	96
Revaluation	(2)	-	-	-	-	-	(2)
Disposals	(3)	-	-	(1)	(125)	(43)	(172)
At 4 April 2024	**137**	**166**	**2**	**334**	**843**	**255**	**1,737**
Accumulated depreciation and impairment							
At 5 April 2023	-	89	-	267	580	135	1,071
Depreciation charge	-	3	-	18	106	23	150
Impairment charge/(reversal)	-	-	-	-	4	(3)	1
Disposals	-	-	-	(1)	(124)	(16)	(141)
At 4 April 2024	**-**	**92**	**-**	**284**	**566**	**139**	**1,081**
Net book value							
At 4 April 2024	**137**	**74**	**2**	**50**	**277**	**116**	**656**

26. Property, plant and equipment (continued)

Group 2023	Branches and non-specialised buildings	Specialised administration buildings	Investment properties	Plant and machinery	Equipment, fixtures, fittings and vehicles	Right-of-use branches and non-specialised buildings	Total
	£m	£m	£m	£m	£m	£m	£m
Cost or valuation							
At 5 April 2022	156	166	18	308	963	266	1,877
Additions	-	-	-	19	43	11	73
Transfers (note i)	-	-	(13)	-	-	13	-
Revaluation	1	-	(3)	-	-	-	(2)
Disposals	(15)	-	-	(1)	(115)	(2)	(133)
At 4 April 2023	142	166	2	326	891	288	1,815
Accumulated depreciation and impairment							
At 5 April 2022	-	85	-	244	572	96	997
Depreciation charge	-	3	-	20	110	25	158
Impairment charge	-	1	-	4	9	15	29
Disposals	-	-	-	(1)	(111)	(1)	(113)
At 4 April 2023	-	89	-	267	580	135	1,071
Net book value							
At 4 April 2023	142	77	2	59	311	153	744

Note:
i. During 2023, there was a transfer of investment property to right-of-use branches and non-specialised administration buildings, following the decision to reoccupy the property.

Property, plant and equipment includes £8 million (2023: £14 million) of assets in the course of construction. Capital expenditure contracted for but not accrued at 4 April 2024 was £10 million (2023: £4 million). As at 4 April 2024, branches and non-specialised buildings includes £3 million (2023: £3 million) of properties which are classified as held for sale.

Branches and non-specialised buildings are valued annually at the balance sheet date by independent surveyors. The current use of all branches and non-specialised buildings represents the highest and best use, and there have been no changes to the valuation technique during the year.

IFRS 13 requires that all assets held at fair value are classified according to a hierarchy that reflects the significance of observable market inputs in calculating those fair values. Branches and non-specialised buildings valuations are classified within Level 2 of the fair value hierarchy.

Branches and non-specialised buildings revalued annually would have a carrying value under the historic cost model of £55 million (2023: £58 million).

27. Provisions for liabilities and charges

Group	Customer redress £m	Legal and regulatory £m	Other provisions £m	Total £m
At 5 April 2023	40	1	41	82
Charge for the year	28	99	32	159
Release for the year	-	-	(7)	(7)
Net income statement charge (note i)	28	99	25	152
Provisions utilised	(44)	(3)	(38)	(85)
At 4 April 2024	24	97	28	149

Note:
i. The net income statement charges relating to customer redress and legal and regulatory provisions are included in provisions for liabilities and charges. The net income statement charge relating to other provisions is included in administrative expenses.

The Society's provisions for liabilities and charges are materially the same as shown above for the Group.

Customer redress

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

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

At 4 April 2024, the Group holds 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.

Whilst there is uncertainty as to the timing of the utilisation of customer redress provisions, the Group expects the majority to have been utilised within the next year.

Legal and regulatory provisions

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

Provisions of £99 million have been recognised for such matters during the year. The matter to which this provision relates 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 recognised as at the balance sheet date on the basis that these are not yet considered to be virtually certain of receipt.

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

Whilst there is uncertainty as to the timing of the utilisation of provisions, the Group expects the majority to have been utilised within the next two years.

27. Provisions for liabilities and charges (continued)

Other provisions

Other provisions include amounts for property-related provisions, severance costs and expected credit losses on irrevocable personal loan and mortgage lending commitments. A charge of £25 million was recognised for these items in the year ended 4 April 2024.

Whilst there is uncertainty as to the timing of the utilisation of provisions, the Group expects the majority to have been utilised within the next two years.

28. Leasing

The Group leases various offices, branches and other premises under leasing arrangements. The following tables show the amounts recognised in the income statement and on the balance sheet arising from these leases:

Leasing amounts recognised in the income statement			
		Group and Society	
	Income statement classification	2024 £m	2023 £m
Interest expense	Interest expense and similar charges	(3)	(6)
Depreciation and impairment of right-of-use assets	Administrative expenses	(20)	(40)
Lease expense in respect of short term and low value leases	Administrative expenses	(9)	(9)
Amounts receivable under leases where the Group is a lessor	Other operating income	2	2

Leasing amounts recognised at the balance sheet date			
		Group and Society	
	Balance sheet classification	2024 £m	2023 £m
Right-of-use branches and non-specialised admin buildings	Property, plant and equipment	116	153
Lease liabilities	Other liabilities	(172)	(225)

Total leasing cash outflows in the year were £42 million (2023: £43 million). No lease commitments (2023: £nil) were entered into that had not yet commenced at the balance sheet date.

28. Leasing (continued)

Future undiscounted minimum payments under lease liabilities were as follows:

Leasing commitments	Group and Society 2024 £m	Group and Society 2023 £m
Amounts falling due:		
Within one year	**33**	33
Between one and two years	**31**	31
Between two and three years	**28**	29
Between three and four years	**26**	27
Between four and five years	**23**	24
After five years	**99**	119
Total	**240**	263

At the balance sheet date £13 million (2023: £7 million) of future minimum lease payments were receivable under leases where the Group is a lessor, of which £3 million (2023: £2 million) was receivable under non-cancellable subleases.

29. Contingent liabilities

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

In those instances where it is concluded that it is not yet probable that a quantifiable payment will be made, for example because the facts are unclear or further time is required to fully assess the merits of the case or to reasonably quantify the expected payment, no provision is made. Provision has also not been made for certain contingent liabilities relating to existing provisions for legal matters disclosed in note 27, where the existence of a possible obligation will only be confirmed by the occurrence or non-occurrence of certain future events which are outside of the control of the Group.

The Group does not disclose amounts in relation to contingent liabilities associated with such claims where the likelihood of any payment is remote or where, in the case of matters subject to active legal proceedings, such disclosure could be seriously prejudicial to the conduct of the claims.

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

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

30. Retirement benefit obligations

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. Outside of the UK, there is a defined contribution pension scheme for a small number of employees in the Isle of Man.

The Group also has funding obligations to several defined benefit pension schemes, which are administered by boards of trustees. Pension trustees are required by law to act in the interests of all relevant beneficiaries and are responsible for the investment policy of fund assets, as well as the day-to-day administration. The Group's largest pension scheme is the Nationwide Pension Fund (the Fund). This is a 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. The Fund was closed to future accrual on 31 March 2021.

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

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

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

Defined benefit pension schemes

Retirement benefit obligations on the balance sheet	Group	
	2024	2023
	£m	£m
Fair value of fund assets	**4,679**	5,281
Present value of funded obligations	**(4,069)**	(4,331)
Present value of unfunded obligations	**(3)**	(4)
Surplus at 4 April	**607**	**946**

Most members of the Fund can draw their pension when they reach the Fund's retirement age of 65. The methodologies for calculating the level of pension benefits accrued before 1 April 2011 varied; however, most were based on 1/54th of final salary for each year of service. Pension benefits accrued after 1 April 2011 until 31 March 2021 were usually based on 1/60th of average earnings, revalued to the age of retirement, for each year of service (also called CARE). From 1 April 2021, members moved from active to deferred status, with future indexation of deferred pensions before retirement measured by reference to the Consumer Price Index (CPI). On the death of a Fund member, benefits may be payable in the form of a spouse/dependant's pension, lump sum (paid within five years of a Fund member beginning to take their pension), or refund of Fund member contributions.

30. Retirement benefit obligations (continued)

Approximately 56% (2023: 57%) of the Fund's pension obligations relate to deferred Fund members (current and former employees not yet drawing their pension) and 44% (2023: 43%) to current pensioners and dependants. The weighted average duration of the Fund's overall pension obligation is approximately 16 years (2023: 16 years), reflecting an average duration of 19 years for deferred members and 11 years for current pensioners.

The Group's retirement benefit obligations include a deficit of less than £1 million (2023: £1 million) recognised in a subsidiary company, Nationwide (Isle of Man) Limited. This obligation relates to a defined benefit scheme providing benefits based on both final salary and CARE, which was closed to new entrants in 2009. The Group's retirement benefit obligations also include £3 million (2023: £4 million) in respect of unfunded legacy defined benefit arrangements.

The amounts recognised in the income statement are as follows:

Retirement benefit obligations recognised in the income statement		
	Group	
	2024	2023
	£m	£m
Defined contribution cost	**(164)**	(149)
Defined benefit schemes - administrative expenses	**(4)**	(4)
Included in employee costs (note 8)	**(168)**	(153)
Interest on net defined benefit asset (note 3)	**44**	26
Total	**(124)**	(127)

Changes in the present value of the net defined benefit asset (including unfunded obligations) are as follows:

Movements in net defined benefit asset		
	Group	
	2024	2023
	£m	£m
At 5 April	946	1,008
Interest on net defined benefit asset	**44**	26
Return on assets less than discount rate (note i)	**(684)**	(2,144)
Contributions by employer	**1**	1
Administrative expenses	**(4)**	(4)
Actuarial gains on defined benefit obligations (note i)	**304**	2,059
At 4 April	**607**	946

Note:
i. The net impact before tax on the surplus of return on assets and actuarial gains is a decrease of £380 million (2023: £85 million) in other comprehensive income.

The £684 million (2023: £2,144 million) loss relating to the return on assets being less than the discount rate is driven by decreases in value of the Fund's liability matching assets due to increases in interest rates in the period.

30. Retirement benefit obligations (continued)

As the Fund is closed to future accrual, there have been no current service costs, past service costs or employer contributions made in respect of future benefit accrual during the current or prior year. Additionally, there have been no employer deficit contributions required into the Fund and there are no such contributions scheduled in the year ending 4 April 2025 or future years under the current Schedule of Contributions. Employer deficit contributions of £1 million (2023: £1 million) were made in respect of the Group's defined benefit scheme in its Nationwide (Isle of Man) Limited subsidiary.

The £304 million (2023: £2,059 million) actuarial gain on defined benefit obligations is due to:

- A £215 million (2023: £2,175 million) gain from changes in financial assumptions, driven by a 0.30% increase in the discount rate (which decreases the value of liabilities), in addition to a 0.05% decrease in assumed Retail Price Index (RPI) inflation (which also decreases the value of the liabilities).
- A £75 million (2023: £22 million) gain arising from the impacts of updates to demographic assumptions and applying the latest industry views for future longevity improvements.
- An experience gain of £14 million (2023: £138 million loss) primarily reflecting the difference between estimates of long-term inflation compared to actual inflation.

Changes in the present value of defined benefit obligations (including unfunded obligations) are as follows:

Movements in defined benefit obligations	Group	
	2024	2023
	£m	£m
At 5 April	(4,335)	(6,403)
Interest expense on retirement obligation	**(198)**	(161)
Experience gain/(loss) on plan assumptions	**14**	(138)
Changes in demographic assumptions	**75**	22
Changes in financial assumptions	**215**	2,175
Benefits paid	**157**	170
At 4 April	**(4,072)**	(4,335)

30. Retirement benefit obligations (continued)

Changes in the fair value of plan assets for the pension schemes are as follows:

Movements in plan assets	Group	
	2024	2023
	£m	£m
At 5 April	5,281	7,411
Interest income on assets	**242**	187
Return on assets less than discount rate	**(684)**	(2,144)
Administrative expenses	**(4)**	(4)
Contributions by employer	**1**	1
Benefits paid	**(157)**	(170)
At 4 April	**4,679**	5,281

The major categories of assets held for the pension schemes, stated at fair value, are as follows:

Categories of plan assets	Group	
	2024	2023
	£m	£m
Listed equities (quoted)	**12**	17
Government bonds (quoted)	**3,298**	3,413
Corporate bonds and other credit investments (quoted)	**7**	94
Infrastructure (unquoted)	**258**	222
Property (unquoted)	**573**	712
Private equity investments (unquoted)	**818**	775
Private debt investments (unquoted)	**637**	603
Cash and derivatives	**84**	87
Liability relating to repurchase agreement	**(1,150)**	(786)
Insurance policies	**107**	113
Other assets and liabilities	**35**	31
Total	**4,679**	5,281

The defined benefit pension schemes do not invest in the Group's own financial instruments or property. Certain investments in private equity, private debt, infrastructure and property are not quoted in active markets or valued based on observable inputs. Valuations for these assets are based on the most recent valuation provided by the asset manager and adjusted for any cash movements to the balance sheet date.

30. Retirement benefit obligations (continued)

The Fund's liabilities are well hedged by matching assets, primarily government bonds and corporate bonds. In addition, the Fund invests in alternative matching assets such as property ground rents and property leases (included in property above) that are expected to generate inflation-linked income over the long term. 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 £67 million of freehold properties held as part of the Fund's assets.

The Fund also holds return-seeking assets which are expected to generate a return over and above the Fund's liabilities in the long term but may create risk and volatility in the short to medium term.

During the year the Trustee has continued to manage interest rate and inflation risk in the Fund through the use of certain investments and derivative instruments to reduce volatility from changes to long-term interest rates and inflation expectations. The Fund's investments also continue to be supported by the utilisation of repurchase agreements (loans collateralised against the Fund's government bonds), which at 4 April 2024 amounted to £1,150 million (2023: £786 million). In January 2022 the Trustee completed a pensioner buy-in for the smaller Cheshire & Derbyshire section of the Fund, removing the investment and longevity risk to the Fund in relation to members in this section. At 4 April 2024, the value of the insurance asset for the Cheshire & Derbyshire section buy-in was £107 million (2023: £113 million).

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 swap is included in the Fund's assets at a fair value of £nil at 4 April 2024, with future changes to its fair value expected to broadly offset changes in the scheme's liabilities relating to updates to life expectancy for those pensioners covered.

The Fund's investments are monitored by both the Trustee and the Society to ensure they remain appropriate given the Fund's long-term objectives.

The principal actuarial assumptions used are as follows:

Financial assumptions	2024 %	2023 %
Discount rate	**4.95**	4.65
Future pension increases (maximum 5%)	**3.00**	3.05
Retail Price Index (RPI) inflation	**3.10**	3.15
Consumer price index (CPI) inflation	**2.50**	2.50

Life expectancy assumptions	2024 years	2023 years
Age 60 at 4 April 2024:		
Males	**27.0**	27.1
Females	**28.5**	28.7
Age 60 at 4 April 2044:		
Males	**28.0**	28.1
Females	**29.8**	30.0

The assumptions for mortality rates are based on standard mortality tables which allow for future improvements in life expectancy and are adjusted to represent the Fund's membership. The assumptions made are illustrated in the table above, showing how long the Group would expect the average Fund member to live for after the age of 60, based on reaching that age at 4 April 2024 or in 20 years' time at 4 April 2044.

30. Retirement benefit obligations (continued)

Critical accounting estimates and judgements

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

Change in key assumptions at 4 April 2024	Increase in defined benefit obligation
	£m
1.0% decrease in discount rate	**687**
0.1% increase in inflation assumption	**33**
1 year increase in life expectancy at age 60 in respect of all members	**89**

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

31. Core capital deferred shares

Group and Society	Number of shares	CCDS	Share premium	Treasury share reserve	Total
		£m	£m	£m	£m
At 4 April 2023 (note i)	9,779,892	11	1,323	(101)	1,233
CCDS repurchased and retained	**(657,547)**	**-**	**-**	**(76)**	**(76)**
At 4 April 2024 (note i)	**9,122,345**	**11**	**1,323**	**(177)**	**1,157**

Note:

i. The total number of shares outstanding at 4 April 2024 is 10,555,500 (2023: 10,555,500) which includes 1,433,155 (2023: 775,608) shares repurchased and retained by the Society.

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

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

In the financial year ended 4 April 2024, the Society repurchased 657,547 (6.2% of the issued shares) of £1 CCDS at £114.42 per share. The repurchased CCDS were not cancelled, instead being retained by the Society. The gross cost of the repurchase of £76 million has been presented within the treasury share reserve in the table above.

There is a cap on the distributions that can be paid to holders of CCDS in any financial year. The cap is currently set at £20.34 per share and is adjusted annually in line with CPI. A final distribution of £50 million (£5.125 per share) for the financial year ended 4 April 2023 was paid on 20 June 2023 and an interim distribution of £47 million (£5.125 per share) in respect of the period to 30 September 2023 was paid on 20 December 2023. These distributions have been recognised in the statement of movements in members' interests and equity.

Since the balance sheet date, the directors have declared a distribution of £5.125 per share in respect of the period to 4 April 2024, amounting in aggregate to £47 million. This has not been reflected in these financial statements as it will be recognised in the year ending 4 April 2025, by reference to the date at which it was declared.

32. Other equity instruments

				Group and Society	
				2024	2023
	Issuance date	**Next reset date**	**Reset rate**	**£m**	£m
5.875% Additional Tier 1	17 September 2019	20 June 2025	Benchmark gilts + 5.39%	**600**	600
5.75% Additional Tier 1	10 June 2020	20 December 2027	Benchmark gilts + 5.625%	**750**	750
				1,350	1,350
Issuance costs				**(14)**	(14)
Total				**1,336**	1,336

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

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

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

Interest payments totalling £78 million were made in the year ended 4 April 2024 (2023: £78 million), representing the maximum non-cumulative fixed coupon amounts. These payments have been recognised in the statement of movements in member's interest and equity. A coupon payment of £39 million is expected to be paid on 20 June 2024 and will be recognised in the statement of movements in members' interests and equity in the year ending 4 April 2025.

33. Investments in Group undertakings

Society investments in Group undertakings						
	2024			2023		
	Shares	**Loans**	**Total**	Shares	Loans	Total
	£m	**£m**	**£m**	£m	£m	£m
At 5 April	366	40,690	41,056	371	39,955	40,326
Additions	**15**	**1**	**16**	1	783	784
Impairment (charge)/release	**(5)**	**3**	**(2)**	(6)	(7)	(13)
Disposals, redemptions and repayments	**-**	**(847)**	**(847)**	-	(41)	(41)
At 4 April	**376**	**39,847**	**40,223**	366	40,690	41,056

The Society received no dividends from Group undertakings during the year ended 4 April 2024 (2023: £652 million).

Impairments for the year ended 4 April 2024 of £2 million (2023: £13 million) relating to the Society's investments in loans and equity of subsidiaries have been recognised within other operating income, reflecting a reduction in the expected recoverable amount of these assets.

33. Investments in Group undertakings (continued)

Subsidiary undertakings

The interests of the Society in its subsidiary undertakings as at 4 April 2024 are set out below:

Subsidiary name	Notes
Regulated subsidiaries	
Derbyshire Home Loans Limited	i
E-Mex Home Funding Limited	i
The Mortgage Works (UK) plc	i
UCB Home Loans Corporation Limited	i
Other subsidiaries	
Dunfermline BS Nominees Limited	ii
Home Propositions Limited	ii
Nationwide (Isle of Man) Limited	
Nationwide Housing Trust Limited	ii
Nationwide Syndications Limited	ii
NBS Ventures Limited	ii
NBS Ventures Management Limited	ii
Piper Javelin No 1 Limited	
Piper Javelin Holding Company Limited	ii

Subsidiary name	Notes
Dormant subsidiaries	
Confederation Mortgage Services Limited	
Exeter Trust Limited	
FN1	
Jubilee Mortgages Limited	iii
Monument (Sutton) Limited	iv
Nationwide Home Loans Limited	
NI1 Limited (formerly Nationwide International Limited)	
NLF1 Limited	
NOK1 Limited	
Nationwide Trust Limited	
NBS CoSec Limited	
The Derbyshire (Premises) Limited	

Notes:

i. Audited accounts are prepared for regulated entities.

ii. For these companies, the Group has adopted the audit exemption for the year ended 4 April 2024 under Section 479A of the Companies Act 2006. The Society guarantees all outstanding liabilities of the exempted subsidiary undertakings.

iii. Company dissolved 9 April 2024.

iv. Company dissolved 16 April 2024.

The Society directly or indirectly holds 100% of the ordinary share capital for each subsidiary undertaking. All of the subsidiary undertakings are limited liability companies, with the exception of FN1 which is an unlimited company.

The registered office for all subsidiary undertakings, other than those listed in the table below, is Nationwide House, Pipers Way, Swindon, SN38 1NW.

Subsidiary name	Registered office
Dunfermline BS Nominees Limited	Caledonia House, Carnegie Avenue, Dunfermline, KY11 8PJ
Nationwide (Isle of Man) Limited	Atlantic House, Circular Road, Douglas, Isle of Man, IM1 1AG

There are no significant restrictions on any of the Society's subsidiaries in paying dividends or repaying loans, subject to their financial and operating performance and availability of distributable reserves.

The Group has no material shares in associates. The Group's interests in equity shares are included in investment securities as set out in note 13.

Subsidiaries by virtue of control

Details of consolidated and unconsolidated structured entities are set out in note 34.

34. 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 Group considers factors such as the purpose and design of the entity, the nature of its relationship with the entity, the size of its holding and its exposure to variability of returns.

Consolidated structured entities

The following structured entities are consolidated in the Group's results:

Structured entity name	Nature of business	Registered office
Nationwide Covered Bonds LLP	Mortgage acquisition and guarantor of covered bonds	Nationwide House, Pipers Way, Swindon, SN38 1NW
Silverstone Master Issuer plc	Funding vehicle	Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF
Silverstone Funding (No.1) Limited	Funding vehicle	

Further details on the activities of the above structured entities are included in note 14.

Unconsolidated structured entities

The Group has interests in structured entities which it does not sponsor or control. These largely consist of holdings of mortgage-backed securities and covered bonds issued by entities that are sponsored by other unrelated financial institutions. The entities are financed primarily by investments from investors, such as the purchase of issued notes.

The Group's direct interests in unconsolidated structured entities comprise primarily investments in asset backed securities which are reported within investment securities on the balance sheet. The total carrying value of these interests at 4 April 2024 is £4,296 million (2023: £4,590 million). Further details on the credit risk that the Group is exposed to in respect of these assets can be found in the Credit risk - Treasury assets section of the Risk report.

Management has concluded that the Group has no control or significant influence over these entities and that the carrying value of the interests held in these entities represents the maximum exposure to loss. During the year the Group has not provided any non-contractual financial or other support to these entities and has no current intention of providing any such support.

35. Related party transactions

Subsidiary, parent and ultimate controlling party

The Group is controlled by Nationwide Building Society, the ultimate parent, which is registered in England and Wales. Details of subsidiary undertakings are shown in note 33.

Key management personnel compensation

Members of the Executive Committee (including executive directors), together with the non-executive directors of the Society, are considered to be the key management personnel as defined by IAS 24 'Related Party Disclosures'. Total compensation for key management personnel for the year was as follows:

Key management personnel compensation		
	2024	2023
	£'000	£'000
Short term employee benefits	**10,158**	8,885
Other long-term benefits	**2,079**	2,028
Contractual/other settlements	**-**	399
Share based payments	**1,872**	971
Total	**14,109**	12,283

Other long-term benefits include amounts relating to long-term bonus schemes, some of which will be paid in future periods. Further information on these can be found in note 8. Share-based payments include amounts that are dependent on the performance of CCDS. Contractual/other settlements include compensation for loss of office.

Further information is included in the Report of the directors on remuneration.

35. Related party transactions (continued)

Transactions with related parties

A number of transactions are entered into with related parties in the normal course of business. These include loans, deposits and the payment and recharge of administrative expenses. The outstanding balances for these related party transactions at the year end, and the associated income and expenses for the year, are as follows:

Transactions with related parties				
	Society subsidiaries		**Key management personnel**	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Loans payable to the Society				
Loans outstanding at 5 April	40,690	39,955	1.8	2.3
Loans issued during the year	**1**	783	**0.3**	0.9
Impairment release/(charge) during the year	**3**	(7)	**-**	-
Loan repayments during the year	**(847)**	(41)	**(0.4)**	(1.4)
Loans outstanding at 4 April	**39,847**	40,690	**1.7**	1.8
Deposits payable by the Society				
Deposits outstanding at 5 April	425	593	1.7	1.7
Deposits placed during the year	**2**	-	**14.5**	8.2
Deposit repayments during the year	**(205)**	(168)	**(12.6)**	(8.2)
Deposits outstanding at 4 April	**222**	425	**3.6**	1.7
Net interest income				
Interest receivable	**1,000**	768	**-**	-
Interest expense	**112**	81	**-**	-
Other income and expenses				
Dividends paid to the Society	**-**	652	**-**	-
Fees and expenses paid to the Society	**75**	88	**-**	-
Other balance sheet items				
Accrued income and prepaid expenses due to the Society	**171**	335	**-**	-
Other liabilities payable by the Society	**1,838**	2,158	**-**	-
Right-of-use asset leased from subsidiary	**-**	1	**-**	-
Liability for right-of-use asset leased from subsidiary	**-**	1	**-**	-

In addition, the Society enters into derivative financial instruments with the consolidated structured entities used in its asset backed funding programmes, which are described in note 14. As at 4 April 2024, the Society held intercompany derivative assets of £615 million and intercompany derivative liabilities of £313 million (2023: £647 million and £337 million, respectively) in respect of these instruments.

35. Related party transactions (continued)

Transactions with key management personnel

Transactions with key management personnel are on the same terms and conditions applicable to other employees within the Group.

A register is maintained by the Society containing details of loans, transactions and arrangements made between the Society or its subsidiary undertakings and directors of the Society or persons connected with directors of the Society. The register will be available for inspection by members at the Annual General Meeting on 17 July 2024 and during normal office hours at the Society's principal office (Nationwide House, Pipers Way, Swindon, SN38 1NW) during the period of 15 days prior to the meeting.

Transactions with Group companies

Transactions with Group companies arise in the normal course of business. Interest on outstanding loans and deposits accrues at a transfer pricing rate agreed between the Society and its subsidiary undertakings. The Society does not charge the net defined benefit cost to the subsidiary undertakings that participate in the Nationwide Pension Fund.

36. Notes to the cash flow statements

Non-cash items included in profit before tax	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Net increase/(decrease) in impairment provisions	**16**	19	**(18)**	(63)
Net increase/(decrease) in provisions for liabilities and charges	**67**	(71)	**63**	(71)
Amortisation and (gains)/losses on investment securities	**110**	77	**110**	78
Write down of inventory	**6**	5	**-**	-
Depreciation, amortisation and impairment	**461**	523	**461**	522
Impairment of investment in Group undertakings	**-**	-	**2**	13
Profit on sale of property, plant and equipment	**(4)**	(2)	**(4)**	(2)
Loss on the revaluation of property, plant and equipment	**2**	5	**2**	5
Gain on disposal of investment advice business	**(42)**	-	**(42)**	-
Net credit in respect of retirement benefit obligations	**(40)**	(22)	**(40)**	(22)
Interest on subordinated liabilities	**495**	294	**495**	294
Interest on subscribed capital	**11**	7	**11**	7
(Gains)/losses from derivatives and hedge accounting	**(117)**	4	**(133)**	12
Total	**965**	839	**907**	773

36. Notes to the cash flow statements (continued)

Changes in operating assets and liabilities	Group		Society	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Loans and advances to banks and similar institutions	**731**	(99)	**731**	(99)
Net derivative financial instruments	**(1,510)**	1,014	**(1,757)**	1,509
Loans and advances to customers	**(2,754)**	(2,854)	**(3,362)**	(2,410)
Other operating assets	**(38)**	(107)	**1,206**	(1,399)
Shares	**6,223**	9,176	**6,223**	9,176
Deposits from banks and similar institutions, customers and others	**(9,160)**	(11,982)	**(9,531)**	(12,044)
Debt securities in issue	**2,136**	1,804	**2,685**	2,231
Contributions to defined benefit pension scheme	**(1)**	(1)	**-**	-
Other operating liabilities	**117**	84	**(206)**	(236)
Total	**(4,256)**	(2,965)	**(4,011)**	(3,272)
Cash and cash equivalents				
Cash	**23,817**	25,635	**23,817**	25,635
Loans and advances to banks and similar institutions repayable in 3 months or less	**674**	320	**664**	314
Total	**24,491**	25,955	**24,481**	25,949

The Group is required to maintain balances with the Bank of England and certain other central banks, which at 4 April 2024 amounted to £1,449 million (2023: £1,944 million). These balances are included within loans and advances to banks and similar institutions on the balance sheet and are not included in the cash and cash equivalents in the cash flow statement as they are not liquid in nature. The Group also excludes from cash and cash equivalents cash collateral and other deposit balances relating to derivative activities totalling £355 million (2023: £595 million).

Movements in liabilities arising from financing activities are set out below:

Movements in liabilities arising from financing activities	2024				2023			
	Subordinated liabilities	**Subscribed capital**	**Lease liabilities**	**Total**	Subordinated liabilities	Subscribed capital	Lease liabilities	Total
Group and Society	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
At 5 April	6,755	173	225	7,153	8,250	187	243	8,680
Issuances/additions	**1,385**	**-**	**11**	**1,396**	646	-	11	657
Redemptions/repayments	**(789)**	**-**	**(68)**	**(857)**	(2,335)	-	(34)	(2,369)
Foreign exchange	**(157)**	**-**	**-**	**(157)**	396	-	-	396
Fair value and other movements	**31**	**-**	**4**	**35**	(202)	(14)	5	(211)
At 4 April	**7,225**	**173**	**172**	**7,570**	6,755	173	225	7,153

The Society's liabilities arising from financing activities are materially the same as shown for Group.

Derivative financial instruments used to hedge financing liabilities include interest rate and cross-currency swaps. Interest (paid)/received and proceeds on redemption of these hedging instruments are included within financing cash flows and for the year ended 4 April 2024 amounted to £(228) million and £18 million (2023: £20 million and £138 million) respectively. Other changes in the value of these derivatives in the year ended 4 April 2024 included decreases of £256 million (2023: increases of £152 million) due to foreign exchange, fair value and other movements.

37. Capital management

The Group is subject to the regulatory capital requirements applied by its regulator, the Prudential Regulation Authority (PRA). Regulatory capital comprises the Group's general reserve, fair value through other comprehensive income reserve, revaluation reserve, core capital deferred shares, other equity instruments and subordinated debt, subject to various adjustments and transitional arrangements required by the capital rules.

During the year the Group complied with the capital requirements applied by the PRA. Further unaudited details about the Group's capital position can be found in the Capital risk section of the Risk report.

38. Registered office

Nationwide is a building society, incorporated and domiciled in the United Kingdom. The address of its registered office is:

Nationwide Building Society
Nationwide House
Pipers Way
Swindon
United Kingdom
SN38 1NW

39. Events after the balance sheet date

On 21 March 2024, the Society announced a binding offer to acquire the outstanding shares of Virgin Money UK plc for £2.9 billion. On 22 May 2024, the offer was approved in a vote by Virgin Money UK plc shareholders.

Completion of the acquisition is contingent upon a number of factors, including receipt of requisite regulatory approvals. As the acquisition has not yet completed, there is no impact to the Group's consolidated financial statements for the year ended 4 April 2024.

On 22 May 2024, the Board approved a Nationwide Fairer Share Payment to be made to certain eligible members in June 2024, amounting to approximately £385 million in total. This has not been reflected in these financial statements as it will be recognised in the year ending 4 April 2025, by reference to the date at which it was announced.

Other information

Annual business statement for the year ended 4 April 2024

1. Statutory percentages

Statutory percentages	2024 %	Statutory limit %
Lending limit	**8.61**	25.00
Funding limit	**22.57**	50.00

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986 as amended by the Building Societies Act 1997 and the Modification of the Lending Limit and Funding Limit Calculations Order 2004.

The lending limit measures the proportion of business assets not in the form of loans fully secured on residential property and is calculated as (X-Y)/X where:

X = business assets, being the total assets of the Group plus impairment provisions on loans and advances to customers, less liquid assets, property, plant and equipment, intangible fixed assets and investment properties included in the Group balance sheet.

Y = the principal of, and interest accrued on, loans owed to the Group which are fully secured on residential property.

The funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals and is calculated as (X-Y)/X where:

X = shares and borrowings, being the aggregate of:

i) the principal value of, and interest accrued on, shares in the Society,
ii) the principal value of, and interest accrued on, sums deposited with the Society or any subsidiary undertaking of the Society, and
iii) the principal value of, and interest accrued under, bills of exchange, instruments or agreements creating or acknowledging indebtedness and accepted, made, issued or entered into by the Society or any such undertaking, less any amounts qualifying as own funds.

Y = the principal value of, and interest accrued on, shares in the Society held by individuals otherwise than as bare trustees (or, in Scotland, simple trustees) for bodies corporate or for persons who include bodies corporate.

The statutory limits are as laid down under Buildings Society Act 1986 as amended by the Building Societies Act 1997 and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its members.

2. Other percentages

Other percentages	2024 %	2023 %
As a percentage of shares and borrowings:		
Gross capital	**10.3**	9.7
Free capital	**10.0**	9.4
Liquid assets	**21.6**	22.9
Profit for the financial year as a percentage of mean total assets	**0.48**	0.61
Management expenses as a percentage of mean total assets	**0.89**	0.85

The above percentages have been prepared from the Society's consolidated financial statements and in particular:

- 'Shares and borrowings' represent the total of shares, deposits from banks and similar institutions, other deposits and debt securities in issue.
- 'Gross capital' represents the aggregate of general reserve, revaluation reserve, fair value through other comprehensive income reserve, cash flow hedge reserve, other hedging reserve, CCDS, Additional Tier 1 capital, subscribed capital and subordinated liabilities.
- 'Free capital' represents the aggregate of gross capital and provisions for collective impairment losses on loans and advances to customers less property, plant and equipment and intangible assets.
- 'Liquid assets' represent the total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and investments in debt securities.
- 'Mean total assets' represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
- 'Management expenses' represent administrative expenses including depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

3. Information relating to directors at 4 April 2024

Name and date of birth	Occupation	Date of appointment	Other directorships
K A H Parry OBE 29 January 1962	Society Chairman Non-executive director	23 May 2016	Daily Mail and General Trust plc K A H Parry Limited Royal London Mutual Insurance Society Limited (Chairman)
D A Crosbie 30 March 1970	Executive director	2 June 2022	SSE plc UK Finance Limited
T Graham 20 July 1965	Senior Independent Director Non-executive director	28 September 2022	Close Brothers Group plc DiscoverIE Group plc LINK Scheme Ltd and LINK Scheme Holdings Ltd
A Hitchcock 16 January 1965	Non-executive director	2 December 2018	PureProfile Limited
A M Keir 16 October 1958	Non-executive director	1 March 2022	Majid Al Futtaim Holdings Majid Al Futtaim Capital LLC Sumitomo Mitsui Banking Corporation Bank International plc (Chair)
D Klein 10 August 1968	Non-executive director	1 March 2021	The Guardian Media Group Multichoice Group Showmax Africa Holdings Limited Gwanda Properties Limited Gwanda Global Limited Xyon Health Inc
S Orton 5 March 1970	Non-executive director	1 June 2023	
T Rajah MBE 24 August 1982	Non-executive director	1 September 2020	London & Partners Limited Live Better With Ltd.
C S Rhodes 17 March 1963	Executive director	20 April 2009	Derbyshire Home Loans Limited E-Mex Home Funding Limited FN1 Jubilee Mortgages Limited Nationwide Housing Trust Limited Nationwide Syndications Limited NBS Ventures Management Limited The Mortgage Works (UK) plc (Chair) UCB Home Loans Corporation Limited Silverstone Securitisation Holdings Limited Arkose Funding Limited

3. Information relating to directors at 4 April 2024 (continued)

Name and date of birth	Occupation	Date of appointment	Other directorships
G Riley 6 December 1967	Non-executive director	1 April 2022	Tangerine Bank Roynat Capital Incorporation (Chair) St Michael's Hospital Foundation
P G Rivett 27 June 1955	Non-executive director	1 September 2019	Standard Chartered plc Standard Chartered Bank

Directors' service address

Documents may be served on any of the directors c/o Addleshaw Goddard LLP, One St Peter's Square, Manchester M2 3DE.

Directors' service contracts

Executive directors' terms and conditions of employment are detailed in their individual contracts or service agreements which include a notice period of 12 months from the Society to the individual and a notice period of 12 months and 6 months from the individual to the Society for D A Crosbie and C S Rhodes respectively. The notice period offered to any new executive director would be 12 months from the Society to the individual and 12 months from the individual to the Society.

Directors' share options

A proportion of executive directors' variable pay is linked to the value of the Society's core capital deferred shares (CCDS), details of which have been provided in the Report of the directors on remuneration. For 2023/24, the executive directors participated in the Annual Performance Pay (APP) plan and the Long-Term Performance Pay (LTPP) plan. A maximum of 20% of the combined value of the APP and LTPP awards is payable in June 2024, with an equivalent proportion retained until June 2025. A minimum of 60% of the combined value is deferred, payable between 3 and 7 years following the date of award. 50% of the upfront portion and 60% of the deferred portion is linked to the value of the Society's CCDS. These CCDS-linked elements are payable in cash subject to a 12-month retention period. No directors held securities in Nationwide Building Society during the year.

Country-by-country report (audited)

The Group is required to comply with the Capital Requirements (country-by-country reporting) Regulations 2013 which implement article 89 of the Capital Requirements Directive IV. These regulations require disclosure of certain statutory information on a consolidated basis, by country, where an institution has a subsidiary or branch.

The country-by-country reporting disclosures for the year ended 4 April 2024 are shown below.

All activities of the Group are conducted in the United Kingdom. Details of the Society's subsidiaries and consolidated structured entities can be found in notes 33 and 34 to the accounts.

Country	Nature of activities	Number of employees (average full time equivalent)	Turnover (note i) £m	Profit before tax £m	Corporation tax paid £m
United Kingdom (note ii)	Provision of financial services	16,982	4,781	1,776	479

Notes:
i. Turnover represents 'total income' on the Group's income statement.
ii. The Group has a subsidiary incorporated in the Isle of Man which had an average of five full time equivalent employees during the year and which provides IT services to the Group. The entity is reported under the United Kingdom where it is managed, controlled and subject to corporation tax.

Underlying profit

Profit before tax shown on a statutory and underlying basis is set out on page 68. The purpose of the underlying profit measure is to reflect management's view of the Group's underlying performance and to assist with like-for-like comparisons of performance across periods. Underlying profit is not designed to measure sustainable levels of profitability as that potentially requires exclusion of non-recurring items even though they are closely related to (or even a direct consequence of) the Group's core business activities.

Forward-looking statements

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

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

This document does not constitute or form part of an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering to be made in the United States will be made by means of a prospectus that may be obtained from Nationwide and will contain detailed information about Nationwide and its management, as well as its financial statements.

Glossary

The glossary for Annual Report and Accounts 2024 is available at:
https://www.nationwide.co.uk/about-us/governance-reports-and-results/results-and-accounts/

nationwide

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