Strategic report

Extract from the Annual Report and Accounts 2024, pages 3 to 74

Strategic report

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

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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

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**.

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

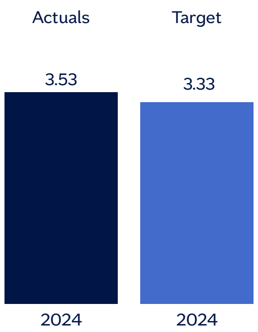
What does it measure?

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

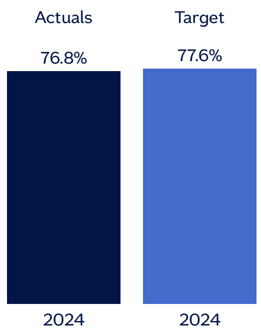
What does it measure?

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**

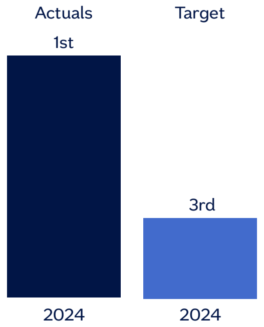
What does it measure?

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

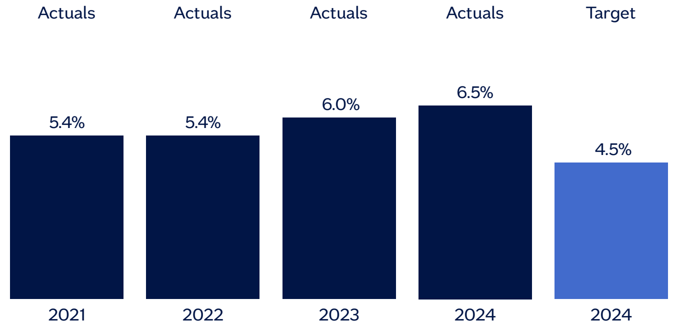
What does it measure?

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).

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

Our mutual good commitments

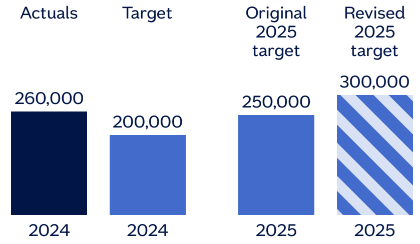
We will help more people into safe and secure homes, both our customers who have relationships with us and more broadly.	We will offer customers a choice in how they bank with us, and support their financial resilience.	We will make a positive difference for our customers, communities and society as 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

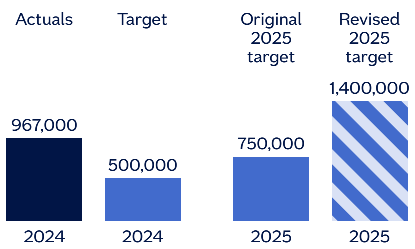
Deeper, broader, more lifelong relationships that provide the best value in banking.
We will help more people into safe and secure homes, both our customers who have relationships with us and more broadly.

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. We aim to continue to source 100% renewable electricity for our own operations, in line with our 2030 scope 2 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 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.

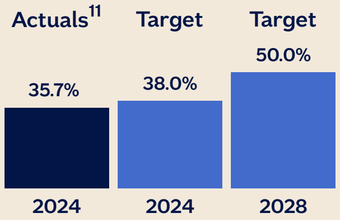
Continuous improvement

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.

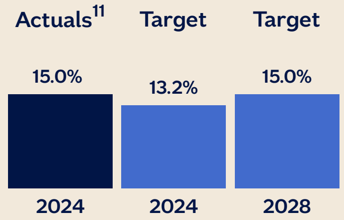
Gender[9]

Leadership population[10]

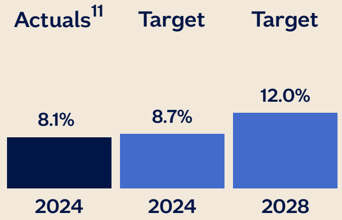


Ethnicity[12,13]

All employees

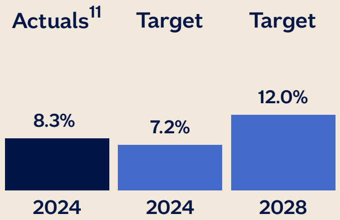


Leadership population[10]

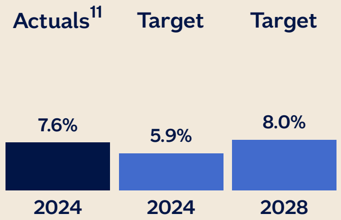


Disability[13,14]

All employees

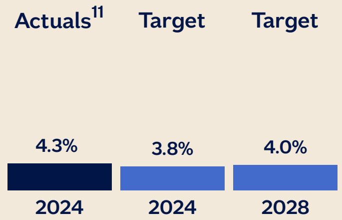


Leadership population[10]

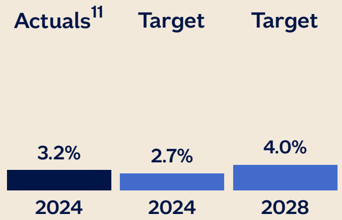


Sexual Orientation[13,15]

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_2e/y)	1,792	2,361	3,002
Scope 2 – Electricity (tCO_2e/y)	14,042	12,774	14,972
Total gross Scope 1 and 2 emissions (tCO_2e/y)	15,834	15,135	17,974
Absolute carbon outturn – less PPA carbon reduction and green tariff electricity (tCO_2e/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_2e/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_2e/y)	6,077,000	6,021,000	6,187,000
LTV weighted carbon emissions using interpolated EPC data (tCO_2e/y)	2,807,000	2,766,000	2,795,000
LTV weighted carbon intensity using interpolated EPC data ($kgCO_2e/m^2/y$)	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_2e/y)	439,000	466,000	747,000
LTV weighted carbon emissions using interpolated data (tCO_2e/y)	218,000	222,000	346,000
LTV weighted carbon intensity using interpolated data ($kgCO_2e/m^2/y$)	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_2e/y)	110,000	138,000	259,000
LTV weighted carbon emissions using proxy EPC data (tCO_2e/y)	32,000	45,000	96,000
LTV weighted carbon intensity using proxy EPC data ($kgCO_2e/m^2/y$)	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	2023
	£m	£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.

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