nationwide

Nationwide Building Society Preliminary Results Announcement

for the year ended 4 April 2024

Contents

Underlying profit

Profit before tax shown on a statutory and underlying basis is set out on page 9. The purpose of the underlying profit measure is to reflect management's view of the Group's underlying performance and to assist with like-for-like comparisons of performance across periods. Underlying profit is not designed to measure sustainable levels of profitability as that potentially requires exclusion of non-recurring items even though they are closely related to (or even a direct consequence of) the Group's core business activities.

Forward-looking statements

Certain statements in this document are forward-looking with respect to plans, goals and expectations relating to the future financial position, business performance and results of Nationwide. Although Nationwide believes that the expectations reflected in these forward-looking statements are reasonable, Nationwide can give no assurance that these expectations will prove to be an accurate reflection of actual results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of Nationwide including, amongst other things, UK domestic and global economic and business conditions, market-related risks such as fluctuation in interest rates and exchange rates, inflation/deflation, the impact of competition, changes in customer preferences, risks concerning borrower credit quality, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations involving the Society and/or within relevant industries, risks relating to sustainability and climate change, the policies and actions of regulatory authorities and the impact of tax or other legislation and other regulations in the jurisdictions in which Nationwide operates. The economic outlook remains unusually uncertain and, as a result, Nationwide's actual future financial condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements. Due to such risks and uncertainties, Nationwide cautions readers not to place undue reliance on such forward-looking statements.

Nationwide undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

This document does not constitute or form part of an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering to be made in the United States will be made by means of a prospectus that may be obtained from Nationwide and will contain detailed information about Nationwide and its management, as well as its financial statements.

Review of the Year

Nationwide's new strategy delivers highest ever member value

Kevin Parry, Chairman, Nationwide Building Society, said:

"The Society's continued financial strength enabled us to deliver our highest ever member value of £2,194m. It has also allowed the Board to declare a second Nationwide Fairer Share Payment for eligible members, demonstrating the difference of a modern mutual.

"The acquisition of Virgin Money will bring the benefits of mutual ownership to more people in the UK and will enable us to provide further value to customers and members through its products and services."

Debbie Crosbie, Chief Executive, Nationwide Building Society, said:

"We have made excellent progress in delivering our new strategy.

"We delivered our highest ever member value and our strong financial performance means we can extend the ways that members benefit from our success. In 2024, for a limited period, all our members can access the preferential interest rate on our Member Exclusive Bond[1]. Eligible members who have chosen us for their everyday banking will also receive a Nationwide Fairer Share Payment[2], and we are offering a member-only £200 incentive to encourage more members to switch their main current account to us[3].

"We provide our members and customers with great value products, choice in the way they bank with us, and simply brilliant service. We have been first for customer satisfaction among our peer group for 12 years running[4] and have continued to grow our deposit and mortgage balances.

"In March 2024, we confirmed our offer to buy Virgin Money. I believe this deal offers an exciting opportunity to create a more diverse business that delivers even more value to our members and will strengthen Nationwide financially. We continue to make good progress on our plans and expect to complete the acquisition in Q4 2024, subject to regulatory approval."

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

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

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[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] © 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 6 on page 4.

Review of the Year (continued)

Business and trading highlights

- Extended our Branch Promise – everywhere we have a branch, we promise to still be there until at least the start of 2028[5]. We have the largest single-brand branch network in the UK.
- Launched new mobile banking app and extended our telephone opening hours.
- Remained first for customer satisfaction among our peer group for 12 years running, with a lead of 5.5%pts[6] (2023: lead of 3.8%pts).
- Continued to grow our total number of current accounts and achieved more net gains in current account switches than any other brand[7].
- Member deposit balances increased by £6.3bn (2023: £9.1bn), reflecting growth in savings balances. This was supported by competitive fixed rate products, including our Nationwide Fairer Share Bond, and increased levels of accrued and capitalised interest due to higher average savings rates. Deposit market share reduced slightly to 9.5% (2023: 9.6%).
- Mortgage balances increased to £204.5bn (2023: £201.7bn). Market share of balances increased to 12.3% (2023: 12.2%).
- Supported 64,000 (2023: 72,000) first time buyers into a home of their own.
- Continued to commit 1% of pre-tax profits to good causes each year, which for 2024 equated to £15.5m[8] (2023: £9.6m).

Financial highlights

- Nationwide delivered a total of £2,194m in value to its members. This included member financial benefit, which increased to £1,850m (2023: £1,055m), and the distribution of our inaugural Nationwide Fairer Share Payment to over 3.4m eligible members in June 2023, totalling £344m. Member financial benefit was supported by the strength of our savings and mortgage propositions; we passed a greater proportion of interest rate rises on to deposit holders than the market average.
- Underlying profit remained robust, at £2,003m (2023: £2,233m), with statutory profit of £1,776m[9] (2023: £2,229m). Total underlying income was stable at £4,664m (2023: £4,673m), as the increased income from the impact of rising interest rates was largely offset by a highly competitive mortgage market. Net interest margin remained stable at 1.56% (2023: 1.57%).
- Credit impairment charges reduced to £112m (2023: £126m). Mortgage arrears levels remain low but have increased gradually during the year; high interest rates remain a key risk.
- Total costs increased to £2,422m (2023: £2,323m).
- Our balance sheet remains strong, with Tier 1 capital resources increasing by £1.1bn, leading to a leverage ratio of 6.5% (above our target of at least 4.5%) and a CET1 ratio of 27.1% (2023: 6.0% and 26.5% respectively)

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[5] 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.
[6] 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.
[7] Pay.UK quarterly Current Account Switch Service data, 9 months to December 2023, based on the latest available data.
[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.
[9] The Nationwide Fairer Share Payment of £344m, distributed in June 2023, accounted for the majority of the difference between underlying and statutory profit. For more information, see the Financial Review on page 9.

Chief Executive's review

Strategy update

- **More rewarding relationships**

  We will create deeper, lifelong relationships with our customers, that provide the best value in banking. We delivered our highest ever level of member financial benefit of £1,850 million, from better pricing than the market average. We delivered valuable savings products, such as our member-exclusive Fairer Share Bond, which was offered exclusively to our members, and distributed £344 million through our Nationwide Fairer Share Payment in June 2023. We also offered a current account switching incentive between September and December 2023 and a Flex Regular Saver that had an interest rate of 8%. Customers signed up to our SavingsWatch service were informed of our latest, and best, savings rates and products.

  We have 3.53 million engaged customers[10] – those with the deepest relationships with us, who have their main personal current account, and either savings or a mortgage with us. This was above our 3.33 million target.

- **Simply brilliant service**

  We will provide value beyond rates, with distinctive, personalised service our customers can trust, at every touchpoint. We extended our Branch Promise until at least the start of 2028 and have the largest single-brand branch network in the UK. We came joint first in both Great Britain and Northern Ireland in an independent survey of likelihood to recommend branches, amongst personal current account customers[11]. In 2024, we launched our new mobile banking app and will continue to innovate and deliver regular releases with new features we know our customers want. We extended our telephone line operating hours to include later evenings and Sundays, increasing convenience for our customers. This complemented our 24/7 online chat.

  We measure our customers' satisfaction with our service through our customer experience score[12]. This enables us to act on their feedback and improve our services further. We scored highly for the support provided by colleagues in our branches, and satisfaction across our telephony channels increased. Our overall customer experience score of 76.8% was slightly below our target of 77.6% as a result of the short-term impact of customers moving to our new mobile banking app.

- **Beacon for mutual good**

  We want to have a meaningful impact on our customers, colleagues, communities and society, by driving fairer banking practices and positive change. Over the year, we revealed our new branding, which was supported by our high-profile marketing campaign that centred around the positive difference we make as a modern mutual. We committed £15.5 million[13] (2023: £9.6 million) to charitable activities, including £5.1 million (2023: £4.3 million) of Community Grants to support 105 (2023: 96) charitable housing projects across the UK. We also launched our 0% interest Green Additional Borrowing product, as we aim to support the UK in achieving its ambition to be net zero by 2050.

  We measure our reputation for having a meaningful impact across society through an independent brand survey. We came first among our peer group when non-customers ranked the brands they had 'heard good things about'[14], above our target of at least third place.

- **Continuous improvement**

  We will be focused, fit and fast, and simplify our processes and ways of working to deliver for the benefit of our customers, while retaining resilient controls that protect our customers and their money. We launched our new banking app, and completed the first phase of modernising our payments systems, which included moving our Faster Payments system to a secure, cloud-based 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. We delivered changes in line with the Government's Mortgage Charter, and enabled customers to benefit from these changes via our online Mortgage Manager.

  Our leverage ratio demonstrates our financial strength, which supports us in progressing the delivery of our strategy. Our leverage ratio of 6.5% was above both regulatory requirements and our own minimum target of at least 4.5%.

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[10] 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.
[11] 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 on behalf of the Competition and Markets Authority. Learn more at Ipsos.uk/personal-banking-service-quality.
[12] Our customer experience score measure is based on a 12-month average score over the 12 months ending 31 March 2024, and is derived 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).
[13] The £15.5 million includes £13.6 million of charitable donations and £1.9 million relating to supporting activity and staff costs.
[14] 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.

Chief Executive's review (continued)

Outlook

Virgin Money

- We expect the acquisition of Virgin Money to complete during Q4 2024, subject to the satisfaction of the conditions of the court-approved Scheme of Arrangement document and the requirements of the Takeover Code.

- After completion, and following the customary regulatory profit verification approval processes, we expect the combined group to have a strong pro-forma capital position, with a continued peer-leading Common Equity Tier 1 ratio of approximately 20%[15] and a leverage ratio of approximately 5%, both comfortably above regulatory minimums. The tangible net asset value of Virgin Money of £4.4 billion[16] is £1.5 billion in excess of the acquisition price of £2.9 billion and, although the final figures will depend on the fair value of net assets acquired at completion, a significant gain is expected to be recognised as a result of the acquisition.

- The capital ratios noted above have been calculated by Nationwide using unaudited estimates of the position as at 30 September 2024. These figures are illustrative only and subject to change, including due to external factors.

Economic

- Although economic activity has remained weak, there are encouraging signs that cost of living pressures are easing. However, conditions for households are likely to remain challenging in the near term, as the effect of previous interest rate increases feed through and labour market conditions soften. Nationwide is well positioned to continue to use its financial strength to support its customers.

- With inflation returning towards the 2% target, Bank rate is likely to be at its peak, although there are significant risks in both directions driven by the ongoing uncertainty surrounding demand prospects and the supply capacity of the economy.

- There are signs that the housing market is stabilising, with annual house price growth returning to positive territory at the start of 2024. Activity is likely to remain subdued in the near term as affordability pressures persist, although these should ease over time, providing income growth remains solid and mortgage rates moderate somewhat over time.

- Household deposit growth is gradually recovering, with the easing of the cost of living pressures enabling households to save more. The higher rate environment continues to provide an incentive to save.

- Despite the uncertain economic outlook, the credit quality of our lending portfolios is strong and our capital resources are robust. As more households adjust their expenditure priorities in the higher interest rate environment, we will continue to support those borrowers who face payment difficulties.

Debbie Crosbie
Chief Executive

[15] Peer group consists of Nationwide, Barclays, HSBC UK, Lloyds Banking Group, NatWest Group and Santander UK.
[16] Virgin Money's tangible net asset value is based on the shares in issue and the tangible net asset value per share of 337p as at 31 December 2023 (as reported in Virgin Money's Q1 Trading Update 2024).

Performance summary

Financial performance	2024 £m	2023 £m
Total underlying income	**4,664**	4,673
Administrative expenses	**2,422**	2,323
Underlying profit before tax (note i)	**2,003**	2,233
Statutory profit before tax	**1,776**	2,229

Mortgage lending	2024 £bn	2024 %	2023 £bn	2023 %
Group residential – gross/*market share*	**26.3**	***11.5***	33.6	*10.8*
Group residential – net	**2.6**		3.3	
Average loan to value of new residential lending (by value)		**70**		69

Deposit balances	2024 £bn	2024 %	2023 £bn	2023 %
Member deposits balance movement/*market share* (note ii)	**6.3**	***7.5***	9.1	*14.6*

Key ratios	2024 %	2023 %
Underlying cost income ratio (note iii)	**51.9**	49.7
Statutory cost income ratio	**50.7**	49.8
Net interest margin	**1.56**	1.57

Other key performance indicators	2024	2024 Target
Engaged customers[17] (m)	**3.53**	**3.33**
Customer experience score[18] (%)	**76.8%**	**77.6%**
Heard good things about Nationwide[19] (ranking)	**1st**	**3rd**

Balance sheet	2024 £bn	2024 %	2023 £bn	2023 %
Total assets	**271.9**		271.9	
Loans and advances to customers	**213.4**		210.8	
Mortgage balances/*market share* (note iv)	**204.5**	***12.3***	201.7	*12.2*
Member deposits/*market share* (note ii)	**193.4**	***9.5***	187.1	*9.6*

Asset quality	2024 %	2023 %
Residential mortgages		
Proportion of residential mortgage accounts 3 months+ in arrears	**0.41**	0.32
Impairment charge as a % of average gross balance (note v)	**0.02**	0.05
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
Impairment charge as a % of average gross balance (note v)	**1.17**	0.68

Key ratios	2024 %	2023 %
Capital		
Common Equity Tier 1 ratio	**27.1**	26.5
Leverage ratio (note vi)	**6.5**	6.0
Other balance sheet ratios		
Liquidity Coverage Ratio (note vii)	**191**	180
Wholesale funding ratio (note viii)	**22.5**	25.0

Notes:

i. Underlying profit represents management's view of underlying performance. Any amounts for the following items are excluded from statutory profit to arrive at underlying profit:
- Member reward payments, which are presented on a separate line within the consolidated income statement.
- Gains or losses from derivatives and hedge accounting, which are presented separately within total income in the consolidated income statement.
- FSCS costs and refunds arising from institutional failures, which are included within provisions for liabilities and charges.

More information on the items excluded from statutory profit to arrive at underlying profit can be found on page 9.

ii. Member deposits include current account credit balances.

iii. 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.

iv. Mortgage balances are presented gross of credit provisions.

v. In the calculation of 'Impairment charge as a % of average gross balance', average gross balance is calculated as the average of balances at each month end date.

vi. Our Leverage ratio, a key performance indicator, was above our own minimum target of at least 4.5% for 2024.

vii. The Liquidity Coverage Ratio represents a simple average of the ratios for the last 12 month ends.

viii. The wholesale funding ratio includes all balance sheet sources of funding (including securitisations).

[17] 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.

[18] Our customer experience score measure is based on a 12-month average score over the 12 months ending 31 March 2024, and is derived 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).

[19] Based on a study conducted by an international market research company commissioned by Nationwide Building Society. Based on non-customer responses as at 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.

Financial review

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 2 to the consolidated 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 8 to the consolidated 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 12 to the consolidated 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 6 to the consolidated 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 9 to the consolidated 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 consolidated statement of comprehensive income on page 74.

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.

Risk report

Contents

Introduction

Effective risk management helps to ensure that we keep Nationwide's customers' money safe and secure and is therefore critical to delivering our purpose: *Banking - but fairer, more rewarding, and for the good of society.* Nationwide adopts a prudent approach to risk management, taking only those risks which support our strategy and managing those risks rigorously through a consistent methodology.

All business activities involve some degree of risk. Nationwide's risk management processes ensure the risks that arise from its activities are managed by:

- identifying risks through a robust assessment of principal risks and uncertainties facing Nationwide, including those that would threaten its business model, future performance, solvency or liquidity, or increase the potential for customer harm;
- effective decision making, ensuring the right risks are taken, in a way that is considered and supports the strategy, maintaining a reputation for high standards of business conduct;
- ensuring the risks taken are understood and controlled; and
- maintaining an appropriate balance between delivering customer value and remaining a prudent and responsible lender.

Risks to Nationwide

The risks which Nationwide faces can be divided across two broad categories:

- 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.
- Principal risks encompass all of the different types of risk to which Nationwide is exposed. Further information on these risks can be found on page 19.

Emerging risks

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

Emerging risks (continued)

Risk	How we mitigate this risk	Related principal risks
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.

Principal risks and uncertainties

The principal risks set out in the table below are the key risks relevant to the Society's business model and achievement of its strategic objectives. Where under the control of Nationwide, these risks have a defined risk appetite consisting of statements supported by metrics, including rationale, limits, and triggers. The principal risks are further sub-divided into more detailed categories of risk, for which management risk appetite is set in the context of the Board's risk appetite.

Principal Risk	Definition	Risk Committee
Credit risk	The risk of loss as a result of a customer or counterparty failing to meet their financial obligations.	Credit Committee
Liquidity and funding risk	Liquidity risk is the risk that Nationwide is unable to meet its liabilities as they fall due and maintain member and other stakeholder confidence. Funding risk is the risk that Nationwide is unable to maintain diverse funding sources in wholesale and retail markets and manage retail funding risk that can arise from excessive concentrations of higher risk deposits.	Assets and Liabilities Committee
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.	
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.	
Pension risk	The risk that the value of the pension schemes' assets will be insufficient to meet the estimated liabilities, creating a pension deficit.	
Business risk	The risk that volumes decline, margins shrink, or losses increase relative to the cost or capital base, affecting the sustainability of the business and the ability to deliver the strategy due to external factors (macroeconomic, geopolitical, industry, regulatory or other external events) or internal factors (including the development and execution of the strategy).	Executive Risk Committee
Operational and conduct risk	The risk of impacts resulting from inadequate or failed internal processes, conduct and compliance management, people and systems, or from external events.	Conduct and Operational Risk Committee Economic Crime Risk Committee
Model risk	The risk of adverse consequences from model errors or the inappropriate use of modelled outputs. Model outputs may be affected by the quality of data inputs, choice and suitability of methodology and the integrity of implementation. The adverse consequences include financial loss, poor business or strategic decision making, or damage to Nationwide's reputation.	Model Risk Oversight Committee

Information on key developments and updated quantitative disclosures for credit risk, liquidity and funding risk, and capital risk are included within this Risk report. Updated net interest income sensitivity analysis is included in the market risk section of this Risk report.

Credit risk – Overview

Credit risk is the risk of loss as a result of a customer or counterparty failing to meet their financial obligations. Credit risk encompasses:

- borrower/counterparty risk – the risk of loss arising from a borrower or counterparty failing to pay, or becoming increasingly likely not to pay the interest or principal on a loan, or on a financial product, or for a service, on time;
- security/collateral risk – the risk of loss arising from deteriorating security/collateral quality;
- concentration risk – the risk of loss arising from insufficient diversification of region, sector, counterparties or other significant factor; and
- refinance risk – the risk of loss arising when a repayment of a loan or other financial product occurs later than originally anticipated.

Nationwide manages credit risk for the following portfolios:

Portfolio	Definition
Residential mortgages	Loans secured on residential property
Consumer banking	Unsecured lending comprising current account overdrafts, personal loans and credit cards
Commercial lending	Loans to registered social landlords, Private Finance Initiative projects, and commercial real estate lending
Treasury	Treasury liquidity, derivatives and discretionary investment portfolios

Forbearance

Forbearance occurs when concessions are made to the contractual terms of a loan when the customer is facing or about to face difficulties in meeting their financial commitments. A concession is where the customer receives assistance, which could be a modification to the previous terms and conditions of a facility or a total or partial refinancing of debt, either mid-term or at maturity. Requests for concessions are principally attributable to:

- temporary cash flow problems;
- breaches of financial covenants; or
- an inability to repay at contractual maturity.

Consistent with the European Banking Authority reporting definitions, loans are reported as forborne until they meet the regulatory forbearance exit criteria. The concession events used to classify balances subject to forbearance for residential mortgages, consumer banking and commercial lending are described in the relevant sections of this report.

Impairment provisions

Impairment provisions on financial assets are calculated on an expected credit loss (ECL) basis for assets held at amortised cost and at fair value through other comprehensive income (FVOCI). ECL impairment provisions are based on an assessment of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), discounted to give a net present value. Provision calculations for retail portfolios are typically performed on a collective rather than individual loan basis. For collective assessments, whilst each loan will have an associated ECL calculation, the calculation will be based on cohort level data for assets with shared credit risk characteristics (e.g. origination date, origination loan to value, term).

Impairment provisions are calculated using a three-stage approach depending on changes in credit risk since original recognition of the assets:

- an asset which is not credit impaired on initial recognition and has not subsequently experienced a significant increase in credit risk is categorised as being within stage 1, with a provision equal to a 12-month ECL (losses arising on default events expected to occur within 12 months);
- where a loan's credit risk increases significantly, it is moved to stage 2. The provision recognised is equal to the lifetime ECL (losses on default events expected to occur at any point during the life of the asset);
- if a loan meets the definition of credit impaired, it is moved to stage 3 with a provision equal to its lifetime ECL.

Credit risk – Overview (continued)

For loans and advances held at amortised cost, the stage distribution and the provision coverage ratios are shown in this report for each individual portfolio. The provision coverage ratio is calculated by dividing the provisions by the gross balances for each main lending portfolio. Loans remain on the balance sheet, net of associated provisions, until they are repaid or deemed no longer recoverable, when such loans are written off.

Governance and oversight of impairment provisions

The models used in the calculation of impairment provisions are governed in accordance with the Society's Model Risk Framework. PD, EAD and LGD models are subject to regular monitoring and back testing and are reviewed annually. Where necessary, adjustments are approved for risks not captured in model outputs, for example where insufficient historic data exists. The economic scenarios used in the calculation of impairment provisions and associated probability weightings are proposed by our Chief Economist. Details of these economic assumptions and material adjustments are included in note 8 to the consolidated financial statements.

Governance and oversight of economic assumptions, weightings applied to economic scenarios and all key judgements relating to impairment provisions are through a formal monthly meeting including the Chief Financial Officer and Chief Credit Officer. Impairment provisions are regularly reported to the Audit Committee, which reviews and challenges the key judgements and estimates made by management.

Developments in the year

During the period the UK has seen interest rates remain elevated with a view to steadily reducing the rate of inflation towards the Bank of England's 2% target. The cost of borrowing has declined following an increase earlier in the financial year, which has slightly eased affordability pressures and prompted a partial recovery in the housing market; however, uncertainty remains due to the unclear future path of interest rates.

Residential mortgage arrears have increased from historically low levels, driven by elevated interest rates, but remain well below the industry average. Consumer banking arrears have similarly increased from a low base during the year but remain at historically low levels.

Nationwide has supported the Mortgage Charter initiatives introduced by the Government to mitigate the increase in mortgage costs for customers and provide help and support to those who are in financial difficulty. The first concessions under the charter expired in early 2024 and, to date, the number of customers requiring further support has been low.

Provisions have increased to £781 million (2023: £765 million) and include a modelled adjustment for economic uncertainty totalling £145 million (2023: £177 million). This modelled adjustment captures the affordability risks caused by recent inflation and increased mortgage interest rates, combined with adjustments to model inputs relating to improvements in borrower credit quality which are expected to reverse.

The Group has progressed the quantitative assessment of the credit risks resulting from climate change during the year; the Group's view is that the impact of climate change on modelled impairment provisions is not currently material. For further information, please see note 8 to the consolidated financial statements.

Outlook

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

Nationwide remains vigilant to the uncertainties within the geopolitical and economic landscape, assessing its impact on borrowers and the credit risks affecting our lending portfolios to ensure appropriate actions are taken to support our customers.

Credit risk – Overview (continued)

Maximum exposure to credit risk

Nationwide's maximum exposure to credit risk at 4 April 2024 was £283 billion (2023: £279 billion).

Credit risk largely arises from loans and advances to customers, which account for 80% (2023: 79%) of Nationwide's total credit risk exposure. Within this, the exposure relates primarily to residential mortgages, which account for 95% (2023: 95%) of total loans and advances to customers and comprise high-quality assets with historically low occurrences of arrears and repossessions.

In addition to loans and advances to customers, Nationwide is exposed to credit risk on all other financial assets. For all financial assets recognised on the balance sheet, the maximum exposure to credit risk represents the balance sheet carrying value after allowance for impairment, plus off-balance sheet commitments. For off-balance sheet commitments, the maximum exposure is the maximum amount that Nationwide would have to pay if the commitments were to be called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, the maximum exposure is the full amount of the committed facilities.

Maximum exposure to credit risk 2024	Gross balances	Impairment provisions	Carrying value	Commitments (note i)	Maximum credit risk exposure	% of total credit risk exposure
	£m	£m	£m	£m	£m	%
Amortised cost loans and advances to customers:						
Residential mortgages	204,427	(321)	204,106	11,526	215,632	76
Consumer banking	4,263	(436)	3,827	18	3,845	2
Commercial lending	5,139	(24)	5,115	1,795	6,910	2
Fair value adjustment for micro hedged risk (note ii)	350	-	350	-	350	-
	214,179	(781)	213,398	13,339	226,737	80
FVTPL loans and advances to customers:						
Residential mortgages (note iii)	40	-	40	-	40	-
Commercial lending	2	-	2	-	2	-
	42	-	42	-	42	-
Other items:						
Cash	23,817	-	23,817	-	23,817	9
Loans and advances to banks and similar institutions	2,478	-	2,478	-	2,478	1
Investment securities – FVOCI	26,522	-	26,522	-	26,522	9
Investment securities – Amortised cost	4	-	4	-	4	-
Investment securities – FVTPL	6	-	6	5	11	-
Derivative financial instruments	6,290	-	6,290	-	6,290	2
Fair value adjustment for portfolio hedged risk (note ii)	(3,330)	-	(3,330)	-	(3,330)	(1)
	55,787	-	55,787	5	55,792	20
Total	270,008	(781)	269,227	13,344	282,571	100

Credit risk – Overview (continued)

Maximum exposure to credit risk 2023	Gross balances	Impairment provisions	Carrying value	Commitments (note i)	Maximum credit risk exposure	% of total credit risk exposure
	£m	£m	£m	£m	£m	%
Amortised cost loans and advances to customers:						
Residential mortgages	201,615	(280)	201,335	8,952	210,287	75
Consumer banking	4,408	(469)	3,939	28	3,967	2
Commercial lending	4,994	(16)	4,978	1,353	6,331	2
Fair value adjustment for micro hedged risk (note ii)	430	-	430	-	430	-
	211,447	(765)	210,682	10,333	221,015	79
FVTPL loans and advances to customers:						
Residential mortgages (note iii)	47	-	47	-	47	-
Commercial lending	53	-	53	-	53	-
	100	-	100	-	100	-
Other items:						
Cash	25,635	-	25,635	-	25,635	9
Loans and advances to banks and similar institutions	2,860	-	2,860	-	2,860	1
Investment securities – FVOCI	27,562	-	27,562	-	27,562	10
Investment securities – Amortised cost	40	-	40	-	40	-
Investment securities – FVTPL	13	-	13	-	13	-
Derivative financial instruments	6,923	-	6,923	-	6,923	3
Fair value adjustment for portfolio hedged risk (note ii)	(5,011)	-	(5,011)	-	(5,011)	(2)
	58,022	-	58,022	-	58,022	21
Total	269,569	(765)	268,804	10,333	279,137	100

Notes:

i. In addition to the amounts shown above, Nationwide has revocable commitments of £10,394 million (2023: £10,444 million) in respect of credit card and overdraft facilities. These commitments represent agreements to lend in the future, subject to certain considerations. Such commitments are cancellable by Nationwide, subject to notice requirements, and given their nature are not expected to be drawn down to the full level of exposure.

ii. The fair value adjustment for portfolio hedged risk and the fair value adjustment for micro hedged risk (which relates to the commercial lending portfolio) represent hedge accounting adjustments.

iii. FVTPL residential mortgages include equity release and shared equity loans.

Commitments

Irrevocable undrawn commitments to lend are within the scope of provision requirements. The commitments in the table above consist of overpayment reserves and separately identifiable irrevocable commitments for the pipeline of residential mortgages, personal loans, commercial loans and investment securities. These commitments are not recognised on the balance sheet; the associated provision of £0.3 million (2023: £0.2 million) is included within provisions for liabilities and charges.

Revocable commitments relating to overdrafts and credit cards are included in the calculation of impairment provisions, with the allowance for future drawdowns included in the estimate of the exposure at default.

Credit risk – Residential mortgages

Summary

Nationwide's residential mortgages comprise owner-occupied, buy to let and legacy loans. Owner-occupied residential mortgages are mainly Nationwide-branded advances made through intermediary channels and the branch network. Since 2008, all new buy to let mortgages have been originated under The Mortgage Works (UK) plc (TMW) brand. Legacy mortgages are smaller owner-occupied portfolios in run-off.

Residential mortgage arrears have seen gradual increases, with the proportion of cases more than 3 months in arrears increasing to 0.41% (2023: 0.32%), as inflation and rising interest rates have placed greater pressure on household finances.

Mortgage lending has been robust during the year, with residential mortgage balances increasing to £204.5 billion (2023: £201.7 billion), maintaining our market share of mortgage balances.

Residential mortgage gross balances				
	2024		2023	
	£m	**%**	£m	%
Owner-occupied	**160,941**	**79**	157,511	78
Buy to let and legacy:				
Buy to let (note i)	**42,321**	**21**	42,704	21
Legacy (note ii)	**1,165**	**-**	1,400	1
	43,486	**21**	44,104	22
Amortised cost loans and advances to customers	**204,427**	**100**	201,615	100
FVTPL loans and advances to customers	**40**		47	
Total residential mortgages	**204,467**		201,662	

Notes:
i. Buy to let mortgages include £41,577 million (2023: £41,805 million) originated under the TMW brand, with other brands now closed to new originations.
ii. Legacy includes self-certified, near prime and sub-prime owner-occupied lending, all of which were discontinued in 2009.

Credit risk – Residential mortgages (continued)

Impairment charge and write-offs for the year		
	2024	2023
	£m	£m
Owner-occupied	**7**	11
Buy to let and legacy	**37**	83
Total impairment charge	**44**	94
	%	%
Impairment charge as a % of average gross balance	**0.02**	0.05
	£m	£m
Gross write-offs	**8**	5

Balance sheet provisions have increased to £321 million (2023: £280 million). This includes a modelled adjustment totalling £72 million (2023: £77 million) to reflect an increase to the PD to account for ongoing economic uncertainty, including the risks related to higher interest rates. Further information is included in note 8 to the consolidated financial statements. The impairment charge of £44 million (2023: £94 million) is lower than the prior year due to a larger increase in balance sheet provisions during 2023, driven by affordability risks recognised in relation to rising inflation and higher interest rates.

The following table shows residential mortgage lending balances carried at amortised cost, the stage allocation of the loans, impairment provisions and the resulting provision coverage ratios.

Residential mortgages staging analysis								
2024	**Stage 1**	**Stage 2 total**	**Stage 2 Up to date**	**Stage 2 1 – 30 DPD (note i)**	**Stage 2 >30 DPD (note i)**	**Stage 3**	**POCI (note ii)**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Gross balances								
Owner-occupied	147,573	12,676	11,597	785	294	692	-	160,941
Buy to let and legacy	19,922	22,910	22,371	362	177	541	113	43,486
Total	167,495	35,586	33,968	1,147	471	1,233	113	204,427
Provisions								
Owner-occupied	7	46	31	7	8	37	-	90
Buy to let and legacy	15	151	126	15	10	65	-	231
Total	22	197	157	22	18	102	-	321
Provisions as a % of total balance	%	%	%	%	%	%	%	%
Owner-occupied	0.00	0.36	0.27	0.89	2.72	5.37	-	0.06
Buy to let and legacy	0.07	0.66	0.56	4.28	5.55	12.03	-	0.53
Total	0.01	0.55	0.46	1.96	3.78	8.29	-	0.16

Credit risk – Residential mortgages (continued)

Residential mortgages staging analysis								
2023	Stage 1	Stage 2 total	Stage 2 Up to date	Stage 2 1 – 30 DPD (note i)	Stage 2 >30 DPD (note i)	Stage 3	POCI (note ii)	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Gross balances								
Owner-occupied	138,670	18,200	17,134	811	255	641	-	157,511
Buy to let and legacy	26,211	17,345	16,875	294	176	425	123	44,104
Total	164,881	35,545	34,009	1,105	431	1,066	123	201,615
Provisions								
Owner-occupied	10	48	39	5	4	26	-	84
Buy to let and legacy	13	143	127	8	8	41	(1)	196
Total	23	191	166	13	12	67	(1)	280
Provisions as a % of total balance	%	%	%	%	%	%	%	%
Owner-occupied	0.01	0.26	0.23	0.60	1.51	4.04	-	0.05
Buy to let and legacy	0.05	0.83	0.75	2.85	4.70	9.76	-	0.44
Total	0.01	0.54	0.49	1.20	2.81	6.30	-	0.14

Notes:

i. Days past due (DPD) is a measure of arrears status.

ii. POCI loans are those which were credit impaired on purchase or acquisition. The POCI loans shown in the table above were recognised on the balance sheet when the Derbyshire Building Society was acquired in December 2008. These balances, which are mainly interest-only, were 90 days or more in arrears when they were acquired and so have been classified as credit impaired on acquisition. The gross balance for POCI is shown net of the lifetime ECL on transition to IFRS 9 of £5 million (2023: £5 million).

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

Stage 2 balances total £35.6 billion (2023: £35.5 billion), which includes £12.8 billion (2023: £16.6 billion) of balances where the PD has been uplifted to recognise the increased risk of default in a period of economic uncertainty. Owner-occupied stage 2 balances have reduced as a result of updates to the PD uplift for economic uncertainty adjustment. Buy to let and legacy stage 2 balances have increased during the year as the portfolio is more sensitive to changes in interest rates.

Credit performance continues to be strong. Stage 3 loans in the residential mortgage portfolio equate to 0.6% (2023: 0.5%) of the total residential mortgage exposure. Of the total £1,233 million (2023: £1,066 million) stage 3 loans, £800 million (2023: £562 million) is in respect of loans which are more than 90 days past due, with the remainder being impaired due to other indicators of unlikeliness to pay such as forbearance. For loans subject to forbearance, accounts are transferred from stage 3 to stages 1 or 2 only after being up to date and meeting contractual obligations for a period of 12 months; £164 million (2023: £179 million) of the stage 3 balances in forbearance are in this probation period.

Credit risk – Residential mortgages (continued)

The table below summarises the movements in, and stage allocations of, the Group's residential mortgages held at amortised cost, including the impact of ECL impairment provisions. The movements within the table compare the position at 4 April 2024 to that at the start of the reporting period.

Reconciliation of net movements in residential mortgage balances and impairment provisions (note i)								
	Non-credit impaired				Credit impaired (note ii)			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Stage 1		Stage 2		Stage 3 and POCI			
	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2023	164,881	23	35,545	191	1,189	66	201,615	280
Stage transfers:								
Transfers from stage 1 to stage 2	(15,657)	1	15,657	(1)	-	-	-	-
Transfers to stage 3	(143)	-	(500)	(10)	643	10	-	-
Transfers from stage 2 to stage 1	12,782	31	(12,782)	(31)	-	-	-	-
Transfers from stage 3	69	-	160	5	(229)	(5)	-	-
Net remeasurement of ECL arising from transfer of stage	-	(29)	-	54	-	33	-	58
Net movement arising from transfer of stage	(2,949)	3	2,535	17	414	38	-	58
New assets originated or purchased (note iii)	23,728	3	1,196	11	3	1	24,927	15
Net impact of further lending and repayments	(7,134)	(1)	(625)	(2)	(2)	2	(7,761)	(1)
Changes in risk parameters in relation to credit quality	-	(4)	-	(6)	-	14	-	4
Other items impacting income statement (including recoveries)	-	-	-	-	-	(5)	-	(5)
Redemptions	(11,031)	(2)	(3,065)	(14)	(233)	(11)	(14,329)	(27)
Income statement charge for the year								44
Decrease due to write-offs	-	-	-	-	(25)	(8)	(25)	(8)
Other provision movements	-	-	-	-	-	5	-	5
At 4 April 2024	167,495	22	35,586	197	1,346	102	204,427	321
Net carrying amount		167,473		35,389		1,244		204,106

Notes:

i. The basis of preparation for this table has been updated. Previously, the table was presented on a gross basis, with the reported values representing an aggregation of monthly movements over the period. To present more directly the change in credit quality compared to the previous reporting period, the table is now prepared on a net basis.

ii. Gross balances of credit impaired loans include £113 million (2023: £123 million) of POCI loans, which are presented net of lifetime ECL on transition to IFRS 9 of £5 million (2023: £5 million).

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

Further information on movements in total gross loans and advances to customers and impairment provisions, including the methodology applied in preparing the table, is included in note 10 to the consolidated financial statements.

Credit risk – Residential mortgages (continued)

Reason for residential mortgages being reported in stage 2 (note i)									
2024	**Owner-occupied**			**Buy to let and legacy**			**Total**		
	Gross balances	**Provisions**	**Provisions as a % of balance**	**Gross balances**	**Provisions**	**Provisions as a % of balance**	**Gross balances**	**Provisions**	**Provisions as a % of balance**
	£m	**£m**	**%**	**£m**	**£m**	**%**	**£m**	**£m**	**%**
Quantitative criteria:									
Payment status (greater than 30 DPD)	**294**	**8**	**2.72**	**177**	**10**	**5.55**	**471**	**18**	**3.78**
Increase in PD since origination (less than 30 DPD)	**12,192**	**38**	**0.31**	**21,298**	**124**	**0.58**	**33,490**	**162**	**0.48**
Qualitative criteria:									
Forbearance (less than 30 DPD)	**148**	**-**	**0.01**	**2**	**-**	**0.45**	**150**	**-**	**0.02**
Interest only – significant risk of inability to refinance at maturity (less than 30 DPD)	**-**	**-**	**-**	**1,430**	**17**	**1.22**	**1,430**	**17**	**1.22**
Other qualitative criteria	**42**	**-**	**0.02**	**3**	**-**	**0.23**	**45**	**-**	**0.04**
Total stage 2 gross balances	**12,676**	**46**	**0.36**	**22,910**	**151**	**0.66**	**35,586**	**197**	**0.55**

Reason for residential mortgages being reported in stage 2 (note i)									
2023	Owner-occupied			Buy to let and legacy			Total		
	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance
	£m	£m	%	£m	£m	%	£m	£m	%
Quantitative criteria:									
Payment status (greater than 30 DPD)	255	4	1.51	176	8	4.70	431	12	2.81
Increase in PD since origination (less than 30 DPD)	17,769	44	0.25	15,952	105	0.66	33,721	149	0.44
Qualitative criteria:									
Forbearance (less than 30 DPD)	137	-	0.17	5	-	0.21	142	-	0.02
Interest only – significant risk of inability to refinance at maturity (less than 30 DPD)	-	-	-	1,203	30	2.46	1,203	30	2.46
Other qualitative criteria	39	-	0.02	9	-	1.12	48	-	0.23
Total stage 2 gross balances	18,200	48	0.26	17,345	143	0.83	35,545	191	0.54

Note:
i. Where loans satisfy more than one of the criteria for determining a significant increase in credit risk, the corresponding gross balance has been assigned in the order in which the categories are presented above.

Credit risk – Residential mortgages (continued)

Loans which are reported within stage 2 are those which have experienced a significant increase in credit risk since origination, determined through both quantitative and qualitative indicators, as shown in the table below.

Criteria	Detail
Quantitative	The primary quantitative indicators are the outputs of internal credit risk assessments. For residential mortgage exposures, PDs are derived using models, which use external information such as that from credit reference agencies, as well as internal information such as known instances of arrears or other financial difficulty. Current and historical data relating to an exposure are combined with forward-looking macroeconomic information to determine the likelihood of default. 12-month and lifetime PDs are calculated for each loan. The 12-month and lifetime PDs are compared to pre-determined benchmarks at each reporting date to ascertain whether a relative or absolute increase in credit risk has occurred. The indicators for a significant increase in credit risk are: • Absolute measures: - The 12-month PD exceeds the 12-month PD threshold that is indicative, at the assessment date, of an account being in arrears. - The residual lifetime PD exceeds the residual lifetime PD threshold, set at inception, which represents the maximum credit risk that would have been accepted at that point. • Relative measure: - The residual lifetime PD has increased by at least 75 basis points and has at least doubled.
Qualitative	Qualitative indicators include the increased risk associated with interest only loans which may not be able to refinance at maturity. Also included are forbearance events where full repayment of principal and interest is still anticipated, on a discounted basis.
Backstop	In addition to the primary criteria for stage allocation described above, accounts that are more than 30 days past due are also transferred to stage 2.

At 4 April 2024, stage 2 balances were £35.6 billion (2023: £35.5 billion). Of these, only 1% (2023: 1%) are in arrears by 30 days or more, with the majority of balances in stage 2 due to an increase in PD since origination. This category includes £12.8 billion (2023: £16.6 billion) of loans where the PD has been uplifted to recognise the increased risk of default in a period of economic uncertainty. The impact of this uplift in PD has resulted in these loans breaching existing quantitative PD thresholds.

Stage 2 loans include all loans greater than 30 days past due (DPD), including those where the original reason for being classified as stage 2 was other than arrears greater than 30 DPD. The total value of loans in stage 2 due solely to payment status is less than 0.1% (2023: <0.1%) of total stage 2 balances.

Credit risk – Residential mortgages (continued)

Credit quality

The residential mortgage portfolio comprises many small loans which are broadly homogenous, have low volatility of credit risk outcomes and are geographically diversified. The table below shows the loan balances and provisions for residential mortgages held at amortised cost, by PD range. The PD distributions shown are based on 12-month IFRS 9 PDs at the reporting date.

Loan balance and provisions by PD									
2024	**Gross balances (note i)**				**Provisions**				
	Stage 1	**Stage 2**	**Stage 3 and POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3 and POCI**	**Total**	**Provision coverage**
12-month IFRS 9 PD Range	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**
0.00 to < 0.15%	**128,032**	**3,099**	**32**	**131,163**	**4**	**3**	**-**	**7**	**0.01**
0.15 to < 0.25%	**14,654**	**1,888**	**7**	**16,549**	**2**	**4**	**-**	**6**	**0.04**
0.25 to < 0.50%	**13,712**	**5,865**	**10**	**19,587**	**6**	**11**	**-**	**17**	**0.08**
0.50 to < 0.75%	**5,148**	**3,779**	**8**	**8,935**	**2**	**9**	**-**	**11**	**0.12**
0.75 to < 2.50%	**5,525**	**10,733**	**41**	**16,299**	**4**	**38**	**-**	**42**	**0.26**
2.50 to < 10.00%	**389**	**6,491**	**53**	**6,933**	**3**	**49**	**-**	**52**	**0.75**
10.00 to < 100%	**35**	**3,731**	**191**	**3,957**	**1**	**83**	**10**	**94**	**2.37**
100% (default)	**-**	**-**	**1,004**	**1,004**	**-**	**-**	**92**	**92**	**9.15**
Total	**167,495**	**35,586**	**1,346**	**204,427**	**22**	**197**	**102**	**321**	**0.16**

Loan balance and provisions by PD									
2023	Gross balances (note i)				Provisions				
	Stage 1	Stage 2	Stage 3 and POCI	Total	Stage 1	Stage 2	Stage 3 and POCI	Total	Provision coverage
12-month IFRS 9 PD Range	£m	£m	£m	£m	£m	£m	£m	£m	%
0.00 to < 0.15%	126,387	5,620	48	132,055	4	19	-	23	0.02
0.15 to < 0.25%	20,845	5,133	17	25,995	9	19	-	28	0.11
0.25 to < 0.50%	12,556	6,566	29	19,151	5	26	-	31	0.16
0.50 to < 0.75%	3,020	3,981	19	7,020	1	16	-	17	0.24
0.75 to < 2.50%	1,937	8,180	62	10,179	2	39	-	41	0.40
2.50 to < 10.00%	120	3,663	77	3,860	1	31	1	33	0.86
10.00 to < 100%	16	2,402	141	2,559	1	41	4	46	1.76
100% (default)	-	-	796	796	-	-	61	61	7.61
Total	164,881	35,545	1,189	201,615	23	191	66	280	0.14

Note:
i. Includes POCI loans of £113 million (2023: £123 million).

At 4 April 2024, 94% (2023: 96%) of the portfolio had a 12-month IFRS 9 PD of less than 2.5%, reflecting the high quality of the residential mortgage portfolio.

Credit risk – Residential mortgages (continued)

Distribution of new business by borrower type (by value)

Distribution of new business by borrower type (by value) (note i)		
	2024	2023
	%	%
Owner-occupied:		
First time buyers	**31**	29
Home movers	**28**	29
Remortgages	**28**	24
Other	**1**	1
Total owner-occupied	**88**	83
Buy to let:		
Buy to let new purchases	**5**	7
Buy to let remortgages	**7**	10
Total buy to let	**12**	17
Total new business	**100**	100

Note:
i. All new business measures exclude further advances and product switches.

The proportion of new owner-occupied lending increased to 88% (2023: 83%), with the proportion of buy to let lending reducing to 12% (2023: 17%). This is due to the volume of both house purchases and remortgages reducing in the buy to let market due to increased interest rates, which have adversely affected landlord sentiment.

Credit risk – Residential mortgages (continued)

LTV and credit risk concentration

Loan to value (LTV) is calculated by weighting the borrower level LTV by the individual loan balance to arrive at an average LTV. This approach is considered to reflect most appropriately the exposure at risk.

LTV distribution of new business (by value) (note i)	2024	2023
	%	%
0% to 60%	28	28
60% to 75%	29	35
75% to 80%	9	9
80% to 85%	13	13
85% to 90%	16	12
90% to 95%	5	3
Over 95%	-	-
Total	100	100

Average LTV of new business (by value) (note i)	2024	2023
	%	%
Owner-occupied	71	70
Buy to let	62	66
Group	70	69

Average LTV of loan stock (by value) (note ii)	2024	2023
	%	%
Owner-occupied	55	54
Buy to let and legacy	56	56
Group	55	55

Notes:
i. The LTV of new business excludes further advances and product switches.
ii. The average LTV of loan stock includes both amortised cost and FVTPL balances. There have been no new FVTPL advances during the year.

The Nationwide House Price Index has shown a 1.6% year on year increase in house prices, resulting in limited movements in the average LTV of loan stock. Owner-occupied new lending average LTV has increased modestly to 71% (2023: 70%) due to support for the first time buyer segment. Buy to let new lending average LTV has reduced to 62% (2023: 66%) due to increased interest rates reducing available loan amounts.

Credit risk – Residential mortgages (continued)

Residential mortgage balances by LTV and region

Geographical concentration by stage

The following table shows residential mortgages, excluding FVTPL balances, by LTV and region across stages 1 and 2 (non credit impaired) and stage 3 and POCI (credit impaired). The LTV is calculated using the latest indexed valuation based on the Nationwide House Price Index.

Residential mortgage gross balances by LTV and region 2024	Greater London	Central England	Northern England	South East England	South West England	Scotland	Wales	Northern Ireland	Total	Provision Coverage
	£m	£m	£m	£m	£m	£m	£m	£m	£m	%
Stage 1 and 2 loans										
Fully collateralised										
LTV ratio:										
Up to 50%	24,865	14,422	11,819	9,016	7,515	4,186	2,543	1,100	75,466	0.05
50% to 60%	11,941	7,343	6,440	4,474	3,750	2,240	1,326	446	37,960	0.10
60% to 70%	13,155	7,641	6,753	5,025	3,985	2,469	1,226	457	40,711	0.12
70% to 80%	10,501	5,050	4,409	3,330	2,466	1,615	832	324	28,527	0.16
80% to 90%	4,424	2,915	2,835	1,867	1,350	1,048	592	219	15,250	0.15
90% to 100%	1,152	1,164	502	990	744	238	207	70	5,067	0.21
	66,038	38,535	32,758	24,702	19,810	11,796	6,726	2,616	202,981	0.10
Not fully collateralised										
Over 100% LTV	5	14	8	14	21	23	1	14	100	14.81
Collateral value	4	13	7	14	20	19	1	13	91	
Negative equity	1	1	1	-	1	4	-	1	9	
Total stage 1 and 2 loans	66,043	38,549	32,766	24,716	19,831	11,819	6,727	2,630	203,081	0.11
Stage 3 and POCI loans										
Fully collateralised										
LTV ratio:										
Up to 50%	256	102	80	64	49	21	20	10	602	3.52
50% to 60%	88	59	54	35	29	13	12	3	293	5.86
60% to 70%	59	39	54	24	19	14	10	5	224	8.56
70% to 80%	43	19	34	12	8	10	3	6	135	10.73
80% to 90%	11	6	17	4	2	4	1	4	49	27.03
90% to 100%	3	3	4	1	3	1	-	4	19	22.15
	460	228	243	140	110	63	46	32	1,322	6.78
Not fully collateralised										
Over 100% LTV	3	3	7	1	1	3	-	6	24	51.79
Collateral value	3	2	6	1	1	2	-	5	20	
Negative equity	-	1	1	-	-	1	-	1	4	
Total stage 3 and POCI loans	463	231	250	141	111	66	46	38	1,346	7.58
Total residential mortgages	66,506	38,780	33,016	24,857	19,942	11,885	6,773	2,668	204,427	0.16
Total geographical concentrations	33%	19%	16%	12%	10%	6%	3%	1%	100%	

Credit risk – Residential mortgages (continued)

Residential mortgage gross balances by LTV and region										
2023	Greater London	Central England	Northern England	South East England	South West England	Scotland	Wales	Northern Ireland	Total	Provision Coverage
	£m	£m	£m	£m	£m	£m	£m	£m	£m	%
Stage 1 and 2 loans										
Fully collateralised										
LTV ratio:										
Up to 50%	25,295	14,722	11,214	9,433	7,969	3,944	2,512	1,074	76,163	0.03
50% to 60%	11,743	7,396	6,162	4,572	3,882	2,127	1,338	421	37,641	0.08
60% to 70%	12,937	7,878	6,956	5,108	4,142	2,478	1,299	504	41,302	0.13
70% to 80%	11,411	4,977	4,601	3,406	2,239	1,875	791	345	29,645	0.21
80% to 90%	3,704	2,072	2,132	1,368	952	766	418	206	11,618	0.18
90% to 100%	866	718	817	551	351	330	175	86	3,894	0.26
	65,956	37,763	31,882	24,438	19,535	11,520	6,533	2,636	200,263	0.10
Not fully collateralised										
Over 100% LTV	7	23	21	20	21	36	5	30	163	6.90
Collateral value	6	22	20	20	20	32	5	28	153	
Negative equity	1	1	1	-	1	4	-	2	10	
Total stage 1 and 2 loans	65,963	37,786	31,903	24,458	19,556	11,556	6,538	2,666	200,426	0.11
Stage 3 and POCI loans										
Fully collateralised										
LTV ratio:										
Up to 50%	225	99	77	59	50	24	18	11	563	1.95
50% to 60%	82	51	48	29	25	12	11	3	261	3.30
60% to 70%	48	36	46	18	15	12	7	5	187	5.47
70% to 80%	29	18	29	12	4	11	3	4	110	11.53
80% to 90%	9	3	12	2	1	5	1	3	36	22.39
90% to 100%	3	1	5	-	1	1	-	3	14	31.00
	396	208	217	120	96	65	40	29	1,171	4.67
Not fully collateralised										
Over 100% LTV	1	1	5	1	-	2	-	8	18	71.68
Collateral value	1	1	3	1	-	2	-	7	15	
Negative equity	-	-	2	-	-	-	-	1	3	
Total stage 3 and POCI loans	397	209	222	121	96	67	40	37	1,189	5.53
Total residential mortgages	66,360	37,995	32,125	24,579	19,652	11,623	6,578	2,703	201,615	0.14
Total geographical concentrations	33%	19%	16%	12%	10%	6%	3%	1%	100%	

Credit risk – Residential mortgages (continued)

Over the year, the geographical distribution of residential mortgages across the UK has remained stable. The highest concentration for both the owner-occupied and buy to let and legacy portfolios is in Greater London, with proportions broadly stable at 29% and 45% (2023: 29% and 46%) respectively.

In addition to balances held at amortised cost shown in the table above, £40 million (2023: £47 million) of residential mortgages are held at FVTPL. These have an average LTV of 34% (2023: 35%). The largest geographical concentration within the FVTPL balances is also in Greater London, at 63% (2023: 61%) of total FVTPL balances.

Arrears and possessions

Residential mortgage lending continues to have a low risk profile as demonstrated by the low level of arrears compared to the industry average.

Number of cases more than 3 months in arrears as % of total book (note i)		
	2024	2023
	%	%
Owner-occupied	**0.36**	0.29
Buy to let and legacy	**0.60**	0.44
Total	**0.41**	0.32
UK Finance (UKF) industry average	**0.94**	0.72

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

Number of properties in possession as % of total book				
	2024		2023	
	Number of properties	**%**	Number of properties	%
Owner-occupied	**137**	**0.01**	117	0.01
Buy to let and legacy	**232**	**0.07**	129	0.04
Total	**369**	**0.02**	246	0.02
UKF industry average		**0.03**		0.02

The proportion of cases more than 3 months in arrears across all residential lending has increased during the year to 0.41% (2023: 0.32%) as a result of the rising cost of living, including higher mortgage payments, but remains low relative to the industry average. The performance of the open buy to let book originated under the TMW brand remains strong, with 0.23% (2023: 0.15%) of cases more than 3 months in arrears.

The number of properties in possession has increased to 369 (2023: 246), reflective of increased arrears volumes over 2023. The possession of a borrower's property is only undertaken where all reasonable attempts to resolve the situation have been unsuccessful.

Credit risk – Residential mortgages (continued)

Residential mortgages by payment status

The following table shows the payment status of all residential mortgages.

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

The balance of cases past due by more than 3 months has increased to £850 million (2023: £600 million) reflecting economic conditions, including rising interest rates. Increases remain well below the levels expected in our provisioning calculations.

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

Credit risk – Residential mortgages (continued)

Interest only mortgages

At 4 April 2024, interest only balances of £6,240 million (2023: £6,812 million) account for 4% (2023: 4%) of the owner-occupied residential mortgage portfolio. Nationwide re-entered the owner-occupied market for interest only lending under a newly established credit policy in April 2020; however, 78% of current interest only mortgage balances relate to historical accounts which were originally advanced as interest only mortgages or where a subsequent change in terms to an interest only basis was agreed. Maturities on interest only mortgages are managed closely, with regular engagement with borrowers to ensure the loan is redeemed or to agree a strategy for repayment.

Of the buy to let and legacy portfolio, £39,619 million (2023: £40,126 million) relates to interest only balances, representing 91% (2023: 91%) of balances. Buy to let remains open to new interest only lending under standard terms.

There is a risk that a proportion of interest only mortgages will not be redeemed at their contractual maturity date, because a borrower does not have a means of capital repayment or has been unable to refinance the loan. Interest only loans which are judged to have a significantly increased risk of inability to refinance at maturity are transferred to stage 2. The ability of a borrower to refinance is calculated using current lending criteria which consider LTV and affordability assessments. The impact of recognising this risk is to increase provisions by £35 million (2023: £45 million).

Interest only mortgages (gross balance) – term to maturity (note i)							
	Term expired (still open)	**Due within one year**	**Due after one year and before two years**	**Due after two years and before five years**	**Due after more than five years**	**Total**	**% of book**
2024	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**
Owner-occupied	**69**	**187**	**223**	**981**	**4,780**	**6,240**	**3.9**
Buy to let and legacy	**174**	**191**	**356**	**1,679**	**37,219**	**39,619**	**91.1**
Total	**243**	**378**	**579**	**2,660**	**41,999**	**45,859**	**22.4**
2023	£m	£m	£m	£m	£m	£m	%
Owner-occupied	69	209	261	1,023	5,250	6,812	4.3
Buy to let and legacy	190	195	269	1,729	37,743	40,126	91.0
Total	259	404	530	2,752	42,993	46,938	23.3

Note:
i. Balances subject to forbearance with agreed term extensions are presented based on the latest agreed contractual term.

Past term interest only loans are not considered to be past due where contractual interest payments continue to be met, pending renegotiation of the facility. These loans are, however, treated as credit impaired and categorised as stage 3 balances from three months after the maturity date.

Credit risk – Residential mortgages (continued)

Forbearance

Nationwide is committed to supporting borrowers facing financial difficulty by working with them to find a solution through proactive arrears management and forbearance. The Group applies the European Banking Authority (EBA) definition of forbearance.

The following concession events are included within the forbearance reporting for residential mortgages:

Past term interest only concessions

Nationwide works with borrowers who are unable to repay the capital at term expiry of their interest only mortgage. Where a borrower is unable to renegotiate the facility within six months of maturity, but no legal enforcement is pursued, the account is considered forborne. Should another concession event such as a term extension occur within the six month period, this is also classed as forbearance.

Interest only concessions

Where a temporary interest only concession is granted the loans do not accrue arrears for the period of the concession and these loans are categorised as impaired.

Capitalisation

When a borrower emerges from financial difficulty, provided they have made at least six full monthly instalments, they are offered the option to capitalise arrears. This results in the account being repaired and the loans are categorised as not impaired provided contractual repayments are maintained.

Capitalisation following notification of death of a borrower

On notification of death, a 12-month capitalisation concession is offered to allow time for the estate to redeem the account. The loan does not accrue arrears for the period of the concession although interest will continue to be added. Accounts subject to this concession will be classed as forborne if the full contractual payment is not received.

Term extensions (within term)

Customers in financial difficulty may be allowed to extend the term of their mortgage. On a capital repayment mortgage this will reduce their monthly commitment; interest only borrowers will benefit by having a longer period to repay the capital at maturity.

Permanent interest only conversions

In the past, some borrowers in financial difficulty were granted a permanent interest only conversion, normally reducing their monthly commitment. This facility was withdrawn in March 2012; it remains available for buy to let lending in line with Nationwide's new business credit policy.

Credit risk – Residential mortgages (continued)

The table below provides details of residential mortgages held at amortised cost subject to forbearance, including balances which are within stage 1 for provision purposes but which continue to meet the EBA definition of forbearance. Accounts that are currently subject to a concession are all assessed as either stage 2, or stage 3 (credit impaired) where full repayment of principal and interest is no longer anticipated.

Gross balances subject to forbearance (note i)						
	2024			2023		
	Owner-occupied	**Buy to let and legacy**	**Total**	Owner-occupied	Buy to let and legacy	Total
	£m	**£m**	**£m**	£m	£m	£m
Past term interest only (note ii)	**97**	**140**	**237**	101	149	250
Interest only concessions	**360**	**20**	**380**	503	25	528
Capitalisation	**76**	**17**	**93**	85	22	107
Capitalisation following notification of death of borrower	**79**	**118**	**197**	75	105	180
Term extensions (within term)	**48**	**13**	**61**	41	18	59
Permanent interest only conversions	**1**	**31**	**32**	1	29	30
Total forbearance (note iii)	**661**	**339**	**1,000**	806	348	1,154
Of which stage 2	**206**	**66**	**272**	289	74	363
Of which stage 3	**320**	**263**	**583**	383	253	636
	%	**%**	**%**	%	%	%
Total forbearance as a % of total gross balances	**0.4**	**0.8**	**0.5**	0.5	0.8	0.6
	£m	**£m**	**£m**	£m	£m	£m
Impairment provisions on forborne loans	**15**	**29**	**44**	11	20	31

Notes:

i. Where more than one concession event has occurred, balances are reported under the latest event.

ii. Includes interest only mortgages where a customer is unable to renegotiate the facility within six months of maturity and no legal enforcement is pursued. Should a concession event such as a term extension occur within the six-month period, this will also be classed as forbearance.

iii. For loans subject to concession events, accounts are transferred back to stage 1 or 2 only after being up to date and meeting contractual obligations for a period of 12 months.

As part of our ongoing commitment to support our borrowers facing financial difficulty, Nationwide has signed up to HM Government's Mortgage Charter. This offers borrowers who are up to date on their mortgage payments the option to switch to interest only payments for a six-month period. As at 31 March 2024, £1,384 million of outstanding balances have a live concession. £45 million of these balances are included in the table above, as they were in a forbearance probation period when the option was taken up. The remainder are not classified as forborne.

As a result of this new option available to borrowers, total balances subject to forbearance have reduced to £1,000 million (2023: £1,154 million), largely due to a reduction in non-Mortgage Charter interest only concessions.

The average LTV for forborne accounts is 47% (2023: 47%). In addition to the amortised cost balances above, £3 million (2023: £4 million) of FVTPL balances are also forborne.

Credit risk – Consumer banking

Summary

The consumer banking portfolio comprises balances on unsecured retail banking products: overdrawn current accounts, personal loans and credit cards. Over the year, total balances have reduced to £4,263 million (2023: £4,408 million), driven by reduced new business and repayments of the existing personal loan book.

Arrears levels have remained low during the year. Excluding charged off accounts, balances more than 3 months in arrears represent 1.36% (2023: 1.21%) of the portfolio. During the year there has also been an increase in early arrears, which the Group will continue to monitor. Arrears levels are expected to increase over the short to medium term due to continued high interest rates and ongoing household affordability pressures.

Consumer banking gross balances	2024		2023	
	£m	%	£m	%
Overdrawn current accounts	**347**	**8**	310	7
Personal loans	**2,353**	**55**	2,574	58
Credit cards	**1,563**	**37**	1,524	35
Total consumer banking	**4,263**	**100**	4,408	100

All consumer banking loans are classified and measured at amortised cost.

Impairment charge/(release) and write-offs for the year	2024	2023
	£m	£m
Overdrawn current accounts	**15**	9
Personal loans	**37**	28
Credit cards	**(1)**	(6)
Total impairment charge	**51**	31
	%	%
Impairment charge as a % of average gross balance	**1.17**	0.68
	£m	£m
Overdrawn current accounts	**14**	15
Personal loans	**45**	47
Credit cards	**30**	35
Total gross write-offs	**89**	97

Balance sheet provisions reduced in the year to £436 million (2023: £469 million), primarily due to write offs of £89 million, offset by impairment charges recognised of £51 million (2023: £31 million). Provisions include a modelled adjustment totalling £73 million (2023: £100 million) to reflect ongoing economic uncertainty, including the risks related to borrower affordability. This adjustment has reduced during the year by £27 million (2023: £46 million) due to a combination of wage growth and a lower rate of inflation.

The impairment charge of £51 million (2023: £31 million) is higher than the prior year, reflecting the smaller release of modelled adjustments in the current year as compared to the prior year. Further information is included in note 8 to the consolidated financial statements.

Credit risk – Consumer banking (continued)

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

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

Stage 2 balances total £1,450 million (2023: £1,745 million), which includes £473 million (2023: £585 million) of balances where the PD has been uplifted to recognise the increased risk of default in a period of economic uncertainty. The reduction in balances impacted by this PD uplift, combined with an update to the credit card PD model, has driven the reduction in stage 2 balances.

Credit performance continues to be strong, with the proportion of total balances in stage 3 decreasing to 5.9% (2023: 6.4%). The reduction in stage 3 balances is primarily due to up-to-date current account customers, who were granted a six-month 0% interest rate concession during 2023 and thus moved to stage 3, returning to stage 1 or 2 after reaching 12 months from when the concession was granted. Consumer banking stage 3 gross balances and provisions include charged off balances. These are accounts which are closed to future transactions and are held on the balance sheet for an extended period (up to 36 months) whilst recovery activities take place. Excluding these charged off balances and related provisions, provisions amount to 6.5% (2023: 6.9%) of gross balances.

Credit risk – Consumer banking (continued)

The table below summarises the movements in, and stage allocations of, the Group's consumer banking balances held at amortised cost, including the impact of ECL impairment provisions. The movements within the table compare the position at 4 April 2024 to that at the start of the reporting period.

Reconciliation of net movements in consumer banking balances and impairment provisions (note i)								
	Non-credit impaired				Credit impaired			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Stage 1		Stage 2		Stage 3			
	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2023	2,383	25	1,745	211	280	233	4,408	469
Stage transfers:								
Transfers from stage 1 to stage 2	(270)	(4)	270	4	-	-	-	-
Transfers to stage 3	(17)	(1)	(64)	(22)	81	23	-	-
Transfers from stage 2 to stage 1	648	69	(648)	(69)	-	-	-	-
Transfers from stage 3	7	1	16	5	(23)	(6)	-	-
Net remeasurement of ECL arising from transfer of stage	-	(53)	-	47	-	42	-	36
Net movement arising from transfer of stage	368	12	(426)	(35)	58	59	-	36
New assets originated or purchased (note ii)	644	8	445	28	9	6	1,098	42
Net impact of further lending and repayments	(469)	(13)	(110)	(23)	(4)	-	(583)	(36)
Changes in risk parameters in relation to credit quality	-	2	-	6	-	14	-	22
Other items impacting income statement (including recoveries)	-	-	-	-	-	(5)	-	(5)
Redemptions	(366)	(3)	(204)	(5)	(1)	-	(571)	(8)
Income statement charge for the year								51
Decrease due to write-offs	-	-	-	-	(89)	(89)	(89)	(89)
Other provision movements	-	-	-	-	-	5	-	5
At 4 April 2024	2,560	31	1,450	182	253	223	4,263	436
Net carrying amount		2,529		1,268		30		3,827

Notes:

i. The basis of preparation for this table has been updated. Previously, the table was presented on a gross basis, with the reported values representing an aggregation of monthly movements over the year. To present more directly the change in credit quality compared to the previous reporting period, the table is now prepared on a net basis.

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

Further information on movements in total gross loans and advances to customers and impairment provisions, including the methodology applied in preparing the table, is included in note 10 to the consolidated financial statements.

Credit risk – Consumer banking (continued)

Reason for consumer banking balances being reported in stage 2 (note i) 2024	Overdrawn current accounts			Personal loans			Credit cards			Total		
	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance
	£m	£m	%	£m	£m	%	£m	£m	%	£m	£m	%
Quantitative criteria:												
Payment status (greater than 30 DPD) (note ii)	**4**	**3**	**68**	**12**	**7**	**63**	**5**	**4**	**86**	**21**	**14**	**69**
Increase in PD since origination (less than 30 DPD)	**108**	**19**	**18**	**935**	**47**	**5**	**347**	**95**	**27**	**1,390**	**161**	**12**
Qualitative criteria:												
Forbearance (less than 30 DPD) (note iii)	**-**	**-**	**14**	**-**	**-**	**9**	**-**	**-**	**14**	**-**	**-**	**13**
Other qualitative criteria (less than 30 DPD)	**8**	**1**	**8**	**3**	**-**	**4**	**28**	**6**	**20**	**39**	**7**	**16**
Total stage 2 gross balances	**120**	**23**	**19**	**950**	**54**	**6**	**380**	**105**	**28**	**1,450**	**182**	**13**

Reason for consumer banking balances being reported in stage 2 (note i) 2023	Overdrawn current accounts			Personal loans			Credit cards			Total		
	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance	Gross balances	Provisions	Provisions as a % of balance
	£m	£m	%	£m	£m	%	£m	£m	%	£m	£m	%
Quantitative criteria:												
Payment status (greater than 30 DPD) (note ii)	2	2	98	11	6	52	4	4	84	17	12	65
Increase in PD since origination (less than 30 DPD)	81	18	22	1,049	48	5	576	130	23	1,706	196	12
Qualitative criteria:												
Forbearance (less than 30 DPD) (note iii)	-	-	17	1	-	10	-	-	19	1	-	13
Other qualitative criteria (less than 30 DPD)	8	1	10	2	-	4	11	2	18	21	3	13
Total stage 2 gross balances	91	21	23	1,063	54	5	591	136	23	1,745	211	12

Notes:
i. Where loans satisfy more than one of the criteria for determining a significant increase in credit risk, the corresponding balance has been assigned in the order in which the categories are presented above.
ii. This category includes all loans greater than 30 DPD, including those whose original reason for being classified as stage 2 was not arrears greater than 30 DPD.
iii. Stage 2 forbearance relates to cases where full repayment of principal and interest is still anticipated.

Balances reported within stage 2 represent loans which have experienced a significant increase in credit risk since origination. The significant increase is determined through both quantitative and qualitative indicators. Of the £1,450 million (2023: £1,745 million) stage 2 balances, only 1% (2023: 1%) are in arrears by 30 days or more, with the majority of balances in stage 2 due to an increase in PD since origination. This category includes £473 million (2023: £585 million) of loans where the PD has been uplifted to recognise the increased risk of default in a period of economic uncertainty. The impact of this uplift in PD has resulted in these loans breaching existing quantitative PD thresholds.

Credit risk – Consumer banking (continued)

The table below outlines the main criteria used to determine whether a significant increase in credit risk since origination has occurred.

Criteria	Detail
Quantitative	The primary quantitative indicators are the outputs of internal credit risk assessments. For consumer banking exposures, PDs are derived using models, which use external information such as that from credit reference agencies, as well as internal information such as known instances of arrears or other financial difficulty. Current and historical data relating to the exposure are combined with forward-looking macroeconomic information to determine the likelihood of default. 12-month and lifetime PDs are calculated for each loan. The 12-month and lifetime PDs are compared to pre-determined benchmarks at each reporting date to ascertain whether a relative or absolute increase in credit risk has occurred. The indicators for a significant increase in credit risk are: • Absolute measures: - The 12-month PD exceeds the 12-month PD threshold that is indicative, at the assessment date, of an account being in arrears. - The residual lifetime PD exceeds the residual lifetime PD threshold, set at inception, which represents the maximum credit risk that would have been accepted at that point. • Relative measure: - The residual lifetime PD has increased by at least 75 basis points and has at least doubled.
Qualitative	Qualitative criteria include both forbearance events and, within the credit card portfolio, recognition of the risk related to borrowers in persistent debt.
Backstop	In addition to the primary criteria for stage allocation described above, accounts that are more than 30 days past due are also transferred to stage 2.

Credit risk – Consumer banking (continued)

Credit quality

Nationwide adopts robust credit management policies and processes designed to recognise and manage the risks arising from the portfolio.

The following table shows gross balances and provisions for consumer banking balances held at amortised cost by PD range. The PD distributions shown are based on 12-month IFRS 9 PDs at the reporting date.

Consumer banking gross balances and provisions by PD

2024	**Gross balances**				**Provisions**				**Provision coverage**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	
12-month IFRS 9 PD range	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**
0.00 to <0.15%	**684**	**24**	**-**	**708**	**2**	**2**	**-**	**4**	**0.52**
0.15 to < 0.25%	**307**	**24**	**-**	**331**	**1**	**1**	**-**	**2**	**0.70**
0.25 to < 0.50%	**408**	**121**	**-**	**529**	**2**	**3**	**-**	**5**	**0.96**
0.50 to < 0.75%	**227**	**126**	**-**	**353**	**2**	**3**	**-**	**5**	**1.31**
0.75 to < 2.50%	**555**	**444**	**-**	**999**	**7**	**20**	**-**	**27**	**2.73**
2.50 to < 10.00%	**354**	**427**	**1**	**782**	**14**	**53**	**-**	**67**	**8.61**
10.00 to < 100%	**25**	**284**	**3**	**312**	**3**	**100**	**1**	**104**	**33.42**
100% (default)	**-**	**-**	**249**	**249**	**-**	**-**	**222**	**222**	**88.80**
Total	**2,560**	**1,450**	**253**	**4,263**	**31**	**182**	**223**	**436**	**10.23**

Consumer banking gross balances and provisions by PD

2023	Gross balances				Provisions				Provision coverage
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
12-month IFRS 9 PD range	£m	£m	£m	£m	£m	£m	£m	£m	%
0.00 to <0.15%	644	7	-	651	2	-	-	2	0.30
0.15 to < 0.25%	338	26	-	364	1	1	-	2	0.48
0.25 to < 0.50%	397	136	-	533	2	2	-	4	0.77
0.50 to < 0.75%	225	157	-	382	1	3	-	4	1.13
0.75 to < 2.50%	482	554	3	1,039	6	21	-	27	2.60
2.50 to < 10.00%	270	552	13	835	10	69	2	81	9.70
10.00 to < 100%	27	313	9	349	3	115	4	122	34.79
100% (default)	-	-	255	255	-	-	227	227	89.38
Total	2,383	1,745	280	4,408	25	211	233	469	10.63

The credit quality of the consumer banking portfolio has remained strong. 87% (2023: 86%) of the portfolio has a 12-month IFRS 9 PD of less than 10%.

Credit risk – Consumer banking (continued)

Consumer banking balances by payment due status

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

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

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

Of total balances excluding charged off accounts, arrears greater than three months are £55 million (2023: £51 million), representing 1.36% (2023: 1.21%) of these balances. Arrears balances of less than three months have increased to £114 million (2023: £98 million). Arrears levels are expected to increase further due to the ongoing affordability pressures for borrowers.

Forbearance

Nationwide is committed to supporting customers facing financial difficulty by working with them to find a solution through proactive arrears management and forbearance. The Group applies the European Banking Authority definition of forbearance.

The following concession events are included within the forbearance reporting for consumer banking:

Payment concession

This concession consists of reductions to the monthly payments or interest rate charged over an agreed period and may be offered to customers with an overdraft or credit card. For credit cards subject to such a concession, arrears do not increase provided the payments are made.

Credit risk – Consumer banking (continued)

Interest suppressed payment arrangement

This temporary interest payment concession results in reduced monthly payments and may be offered to customers with an overdraft, credit card or personal loan. Interest payments are suppressed during the period of the concession and arrears do not increase. Cases subject to this concession are classified as impaired.

Balances re-aged/re-written

As customers repay their debt in line with the terms of their new arrangement, their accounts are re-aged, bringing them into an up to date and performing position. For personal loans the loan will be re-written to extend the term and thus maintain a reduced monthly payment. For credit cards the account is re-aged and the payment status set to 'up to date', at which point the customer is treated in the same way as any other performing account.

The table below provides details of consumer banking balances subject to forbearance, including balances which are within stage 1 for provision purposes but which continue to meet the EBA definition of forbearance. Accounts that are currently subject to a concession are all assessed as either stage 2, or stage 3 (credit impaired) where full repayment of principal and interest is no longer anticipated.

Gross balances subject to forbearance (note i)								
	2024				2023 (note ii)			
	Overdrawn current accounts	**Personal loans**	**Credit cards**	**Total**	Overdrawn current accounts	Personal loans	Credit cards	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Payment concession	**4**	**-**	**11**	**15**	4	-	13	17
Interest suppressed payment concession	**26**	**28**	**8**	**62**	28	33	9	70
Balance re-aged/re-written	**-**	**2**	**2**	**4**	-	2	2	4
Total forbearance (note iii)	**30**	**30**	**21**	**81**	32	35	24	91
Of which stage 2	**16**	**2**	**12**	**30**	3	3	14	20
Of which stage 3	**9**	**27**	**9**	**45**	29	31	9	69
	%	**%**	**%**	**%**	%	%	%	%
Total forbearance as a % of total gross balances	**8.6**	**1.3**	**1.3**	**1.9**	10.3	1.4	1.6	2.1
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Impairment provisions on forborne loans	**12**	**24**	**10**	**46**	12	28	12	52

Notes:
i. Where more than one concession event has occurred, balances are reported under the latest event.
ii. The 2023 values for credit cards have been restated to reflect an update to forbearance definitions during the current year, which has resulted in £12 million of payment concessions being classified as forbearance.
iii. For loans subject to concession events, accounts are transferred back to stage 1 or 2 only after being up to date and meeting contractual obligations for a period of 12 months.

Credit risk – Commercial lending

Summary

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

Commercial gross balances		
	2024	2023
	£m	£m
Registered social landlords (note i)	**4,386**	4,131
Project finance (note ii)	**496**	537
Commercial real estate (CRE)	**257**	326
Commercial balances at amortised cost	**5,139**	4,994
Fair value adjustment for micro hedged risk (note iii)	**350**	430
Commercial balances – FVTPL (note iv)	**2**	53
Total	**5,491**	5,477

Notes:
i. Loans to registered social landlords are secured on residential property.
ii. Loans advanced in relation to project finance are secured on cash flows from government or local authority backed contracts under the Private Finance Initiative.
iii. Micro hedged risk relates to loans hedged on an individual basis.
iv. FVTPL balances have reduced to £2 million (2023: £53 million) following CRE loan redemptions, with the remaining balance relating to loans to registered social landlords.

Impairment charge and write-offs for the year		
	2024	2023
	£m	£m
Total impairment charge	**17**	1
Gross write-offs	**9**	15

Commercial provision charges have increased due to updated case assessments for a small number of individually assessed exposures.

Credit risk – Commercial lending (continued)

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

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

Impaired loans have increased, reflecting a small number of defaults, whilst the credit quality of the wider book remains stable. Overall, 94% (2023: 96%) of balances are in stage 1. Of the £267 million (2023: £167 million) stage 2 loans, which represent 5.2% (2023: 3.3%) of total balances, £1 million (2023: £nil) were in arrears by 30 days or more.

The increase in stage 2 balances reflects idiosyncratic risk events considered capable of remedy with a low risk of loss. Stage 2 exposures are subject to increased monitoring and supported via forbearance measures where appropriate. The increase in stage 3 balances and provisions is due to a distressed project finance exposure where a restructure remains under negotiation.

Credit risk – Commercial lending (continued)

Credit quality

Nationwide applies robust credit management policies and processes to identify and manage the risks arising from the portfolio.

The credit risk of the registered social landlord portfolio is managed through risk appetite and risk limits reflected in approved credit risk frameworks, policies, and controls. Ongoing monitoring of the project finance and CRE portfolios is undertaken to identify signs of risk deterioration.

The remaining CRE portfolio continues to be spread across the retail, office, residential, industrial and leisure sectors. The largest exposure is to the residential sector which represents 47% (2023: 39%) of total balances, with a weighted average LTV of 34% (2023: 35%). Where a loan is secured on assets crossing different sectors, the sector allocation is based upon the value of the underlying assets in each sector. The LTV distribution of balances has remained stable with 91% (2023: 91%) of the portfolio having an LTV of 75% or less, and 58% (2023: 47%) of the portfolio having an LTV of 50% or less. Balances with arrears have reduced to £14 million (2023: £18 million). Of these, £9 million (2023: £10 million) have arrears greater than 3 months and relate to loans that are in recovery or are being actively managed.

Risk grades

The registered social landlord portfolio is risk rated using an internal PD rating model, with the major drivers being financial strength, evaluations of the borrower's oversight and management, and their type and size. The distribution of exposures is weighted towards the stronger risk ratings and against a backdrop of zero defaults in the portfolio, the credit quality remains strong, with an average 12-month PD of 0.04% (2023: 0.04%) across the portfolio.

Risk grades for the project finance portfolio are based upon the IRB supervisory slotting approach for specialised lending exposures, with 84% (2023: 85%) of the exposure rated strong or good.

Risk grades for the CRE portfolio use the same slotting approach as for project finance lending. Exposures are classified into categories depending on the underlying credit risk, with the assessment based upon financial strength, property characteristics, strength of sponsor and any other forms of security. 88% of the CRE balances are rated as strong, good, or satisfactory (2023: 73%).

Credit risk – Commercial lending (continued)

Forbearance

Nationwide is committed to supporting borrowers facing financial difficulty by working with them to find a solution through proactive arrears management and forbearance.

Forbearance is recorded and reported at borrower level and applies to all commercial lending, including impaired exposures and borrowers subject to enforcement and recovery action. The Group applies the European Banking Authority definition of forbearance.

The table below provides details of commercial loans that are currently subject to forbearance by concession event.

Gross balances subject to forbearance (notes i and ii)		
	2024	2023
	£m	£m
Modifications:		
Payment concession	**7**	79
Extension at maturity	**14**	16
Breach of covenant	**163**	21
Total	**184**	116
Total impairment provision on forborne loans	**23**	14

Notes:
i. Balances include micro hedging.
ii. Loans where more than one concession event has occurred are reported under the latest event.

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

There are no FVTPL commercial balances which are forborne (2023: £36 million).

Credit risk – Treasury assets

Summary

The treasury portfolio is held primarily for operational purposes, liquidity management and, in the case of derivatives, for market risk management. As at 4 April 2024, treasury assets represented 21.7% (2023: 23.2%) of total assets. The classification of treasury asset balances is set out below.

Treasury asset balances			
		2024	2023
	Classification	**£m**	£m
Cash	Amortised cost	**23,817**	25,635
Loans and advances to banks and similar institutions (note i)	Amortised cost	**2,478**	2,860
Investment securities (note ii)	FVOCI	**26,522**	27,562
Investment securities (note ii)	FVTPL	**6**	13
Investment securities	Amortised cost	**4**	40
Liquidity and investment portfolio		**52,827**	56,110
Derivative instruments (note iii)	FVTPL	**6,290**	6,923
Treasury assets		**59,117**	63,033

Notes:
i. The majority of this balance is collateral placed with the Bank of England to cover requirements for payments systems.
ii. Investment securities at FVOCI include £57 million (2023: £44 million) and investment securities at FVTPL include £6 million (2023: £13 million) which relate to investments not included within the Group's liquidity portfolio. These investments primarily relate to investments made in Fintech companies which are being held for strategic purposes.
iii. Derivatives are classified as assets where their fair value is positive and liabilities where their fair value is negative. As at 4 April 2024, derivative liabilities were £1,451 million (2023: £1,524 million).

Investment activity remains focused on high-quality liquid assets, including assets eligible for central bank operations. Fixed rate investment securities are fully swapped to floating rate sterling receipts for the duration of the holding. The £4 million (2023: £40 million) of investment securities classified as amortised cost are residential mortgage backed securities (RMBS), which are expected to have paid down fully by December 2024. Derivatives are used to economically hedge financial risks inherent in core lending and funding activities and are not used for trading or speculative purposes. There are no exposures to emerging markets, hedge funds or credit default swaps.

Credit risk within the treasury portfolio arises from the instruments held. In addition, counterparty credit risk arises from the use of derivatives to reduce exposure to market risks; these are only transacted with highly-rated organisations and are collateralised under market standard documentation. There were no impairment losses for the year ended 4 April 2024 (2023: £nil). For financial assets held at amortised cost or at FVOCI, all exposures within the table below are classified as stage 1, reflecting the strong and stable credit quality of treasury assets.

Impairment provisions on treasury assets				
	2024		2023	
	Gross balances	**Provisions**	Gross balances	Provisions
	£m	**£m**	£m	£m
Loans and advances to banks and similar institutions	**2,478**	**-**	2,860	-
Investment securities – FVOCI	**26,522**	**-**	27,562	-
Investment securities – amortised cost	**4**	**-**	40	-

Credit risk – Treasury assets (continued)

Liquidity and investment portfolio

The liquidity and investment portfolio of £52,827 million (2023: £56,110 million) comprises liquid assets and other securities as set out below.

Liquidity and investment portfolio by credit rating (note i)										
2024		**AAA**	**AA**	**A**	**Other**	**UK**	**US & Canada**	**Europe**	**Japan**	**Other**
	£m	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Liquid assets:										
Cash and reserves at central banks	**23,817**	**-**	**100**	**-**	**-**	**100**	**-**	**-**	**-**	**-**
Government bonds (note ii)	**19,080**	**5**	**81**	**14**	**-**	**39**	**35**	**14**	**12**	**-**
Supranational bonds	**3,093**	**44**	**56**	**-**	**-**	**-**	**-**	**-**	**-**	**100**
Covered bonds	**2,980**	**99**	**1**	**-**	**-**	**46**	**29**	**17**	**-**	**8**
Residential mortgage backed securities (RMBS)	**631**	**100**	**-**	**-**	**-**	**63**	**-**	**37**	**-**	**-**
Other asset backed securities	**137**	**100**	**-**	**-**	**-**	**100**	**-**	**-**	**-**	**-**
Liquid assets total	**49,738**	**12**	**83**	**5**	**-**	**67**	**15**	**7**	**4**	**7**
Other securities (note iii):										
RMBS FVOCI	**544**	**100**	**-**	**-**	**-**	**100**	**-**	**-**	**-**	**-**
RMBS amortised cost	**4**	**100**	**-**	**-**	**-**	**100**	**-**	**-**	**-**	**-**
Other investments (note iv)	**63**	**-**	**-**	**-**	**100**	**100**	**-**	**-**	**-**	**-**
Other securities total	**611**	**90**	**-**	**-**	**10**	**100**	**-**	**-**	**-**	**-**
Loans and advances to banks and similar institutions	**2,478**	**-**	**84**	**16**	**-**	**80**	**16**	**4**	**-**	**-**
Total	**52,827**	**13**	**81**	**6**	**-**	**68**	**15**	**7**	**4**	**6**
2023	£m	%	%	%	%	%	%	%	%	%
Liquid assets:										
Cash and reserves at central banks	25,635	-	99	1	-	99	-	1	-	-
Government bonds (note ii)	20,130	31	54	15	-	37	37	14	12	-
Supranational bonds	2,838	46	54	-	-	-	-	-	-	100
Covered bonds	2,843	100	-	-	-	46	30	16	-	8
Residential mortgage backed securities (RMBS)	618	100	-	-	-	69	-	31	-	-
Other asset backed securities	197	100	-	-	-	94	-	6	-	-
Liquid assets total	52,261	22	72	6	-	67	16	7	4	6
Other securities (note iii):										
RMBS FVOCI	885	100	-	-	-	100	-	-	-	-
RMBS amortised cost	40	100	-	-	-	100	-	-	-	-
Other investments (note iv)	64	-	11	-	89	89	-	11	-	-
Other securities total	989	93	1	-	6	99	-	1	-	-
Loans and advances to banks and similar institutions	2,860	-	85	14	1	82	13	5	-	-
Total	56,110	22	71	7	-	68	16	7	4	5

Notes:
i. Ratings used are obtained from Standard & Poor's (S&P), Moody's or Fitch. For loans and advances to banks and similar institutions, internal ratings are used.
ii. Balances classified as government bonds include government guaranteed, agency and government sponsored bonds.
iii. Includes RMBS (UK buy to let and UK non-conforming) not eligible for the Liquidity Coverage Ratio (LCR).
iv. Includes investment securities held at FVTPL of £6 million (2023: £13 million).

Credit risk – Treasury assets (continued)

Country exposures

The following table summarises the exposure (shown at the balance sheet carrying value) to institutions outside of the UK.

Country exposures 2024	Government Bonds (note i)	Residential mortgage backed securities	Covered bonds	Supranational bonds	Loans and advances to banks and similar institutions	Other assets	Total
	£m	£m	£m	£m	£m	£m	£m
Austria	479	-	-	-	-	-	479
Belgium	454	-	-	-	-	-	454
Denmark	59	-	9	-	-	-	68
Finland	441	-	23	-	-	-	464
France	1,033	-	179	-	32	-	1,244
Germany	151	-	52	-	71	-	274
Netherlands	69	236	-	-	-	-	305
Norway	-	-	130	-	-	-	130
Sweden	-	-	107	-	-	-	107
Total Europe	2,686	236	500	-	103	-	3,525
Australia	41	-	176	-	-	-	217
Canada	2,587	-	848	-	1	-	3,436
Japan	2,311	-	-	-	-	-	2,311
Singapore	-	-	70	-	-	-	70
USA	4,075	-	-	-	380	-	4,455
Supranational entities (note ii)	-	-	-	3,093	-	-	3,093
Total	11,700	236	1,594	3,093	484	-	17,107

Credit risk – Treasury assets (continued)

Country exposures (continued)

Country exposures 2023	Government Bonds (note i)	Residential mortgage backed securities	Covered bonds	Supranational bonds	Loans and advances to banks and similar institutions	Other assets	Total
	£m	£m	£m	£m	£m	£m	£m
Austria	418	-	-	-	-	-	418
Belgium	360	-	-	-	-	-	360
Denmark	105	-	9	-	-	-	114
Finland	355	-	23	-	-	-	378
France	939	-	139	-	60	7	1,145
Germany	274	-	57	-	72	12	415
Netherlands	306	191	-	-	-	-	497
Norway	-	-	128	-	-	-	128
Sweden	11	-	107	-	-	-	118
Total Europe	2,768	191	463	-	132	19	3,573
Australia	43	-	153	-	-	-	196
Canada	2,506	-	852	-	6	-	3,364
Japan	2,383	-	-	-	-	-	2,383
Singapore	-	-	76	-	-	-	76
USA	4,959	-	-	-	384	-	5,343
Supranational entities (note ii)	-	-	-	2,838	-	-	2,838
Total	12,659	191	1,544	2,838	522	19	17,773

Notes:
i. Balances classified as government bonds include government guaranteed, agency and government sponsored bonds.
ii. Exposures to Supranational entities are made up of bonds issued by highly-rated multilateral development banks (MDBs) and international organisations (IOs).

Credit risk – Treasury assets (continued)

Derivative financial instruments

Derivatives are used for market risk management, and not for trading or speculative purposes, although the application of accounting rules can create volatility in the income statement in an individual financial year. The fair value of derivative assets at 4 April 2024 was £6.3 billion (2023: £6.9 billion) and the fair value of derivative liabilities was £1.5 billion (2023: £1.5 billion).

Nationwide, as a direct member of a central clearing counterparty (CCP), has the capability to clear standardised derivatives. Where derivatives are not cleared at a CCP they are transacted under the International Swaps and Derivatives Association (ISDA) Master Agreement. A Credit Support Annex (CSA) is always executed in conjunction with the ISDA Master Agreement. Under the terms of a CSA, collateral is passed between parties to mitigate the market-contingent counterparty risk inherent in the outstanding positions. CSAs are two-way agreements where both parties post collateral dependent on the exposure of the derivative. Collateral is paid or received on a regular basis (typically daily) to mitigate the mark-to-market exposures. Market standard CSA collateral agreements allow GBP, EUR and USD cash, and in some cases high-grade sovereign debt securities to be posted; both cash and securities can be held as collateral by the Society.

Nationwide's CSA documentation for derivatives grants legal rights of set-off for transactions with the same counterparty. Accordingly, the credit risk associated with such positions is reduced to the extent that negative mark-to-market values offset positive mark-to-market values in the calculation of credit risk within each netting agreement.

Under the terms of CSA netting agreements, outstanding transactions with the same counterparty can be offset and settled on a net basis following a default, or another predetermined event. Under these arrangements, netting benefits of £1.3 billion (2023: £1.3 billion) were available and £5.0 billion (2023: £5.6 billion) of collateral was held.

This table shows the exposure to counterparty credit risk for derivative contracts after netting benefits and collateral.

Derivative credit exposure						
	2024			2023		
Counterparty credit quality	**AA**	**A**	**Total**	AA	A	Total
	£m	**£m**	**£m**	£m	£m	£m
Derivative assets as per balance sheet	**584**	**5,706**	**6,290**	636	6,287	6,923
Netting benefits	**(156)**	**(1,109)**	**(1,265)**	(182)	(1,104)	(1,286)
Net current credit exposure	**428**	**4,597**	**5,025**	454	5,183	5,637
Collateral (cash)	**(422)**	**(4,587)**	**(5,009)**	(451)	(5,183)	(5,634)
Net derivative credit exposure	**6**	**10**	**16**	3	-	3

Outlook

The treasury portfolio will continue to be held primarily for liquidity management and to hedge market risks taken in the normal course of business. Risk appetite remains low, ensuring new credit exposure taken is high credit quality. No material change to risk appetite is anticipated.

Liquidity and funding risk

Summary

Liquidity risk is the risk that Nationwide is unable to meet its liabilities as they fall due and maintain member and other stakeholder confidence. Funding risk is the risk that Nationwide is unable to maintain diverse funding sources in wholesale and retail markets and manage retail funding risk that can arise from excessive concentrations of higher risk deposits.

Liquidity and funding risks are managed within a comprehensive risk framework which includes policies, strategy, limit setting and monitoring, stress testing and robust governance controls. This framework ensures that Nationwide maintains stable and diverse funding sources and a sufficient holding of high-quality liquid assets such that there is no significant risk that liabilities cannot be met as they fall due.

Nationwide's Liquidity Coverage Ratio (LCR), which ensures that sufficient high-quality liquid assets are held to survive a short-term severe but plausible liquidity stress, averaged 191% over the 12 months ended 4 April 2024 (2023: 180%). Nationwide continues to manage its liquidity against internal risk appetite which is more prudent than regulatory requirements; under the most severe internal 30 calendar day stress test, the average ratio of the liquid asset buffer to stressed net outflows over the 12 months ended 4 April 2024 equated to 167% (2023: 155%).

The position against the longer-term funding metric, the Net Stable Funding Ratio (NSFR), is also monitored. Nationwide's average NSFR for the four quarters ended 4 April 2024 was 151% (2023: 147%), well in excess of the 100% minimum requirement.

Funding risk

Funding strategy

Nationwide's funding strategy is to remain predominantly retail funded, as set out below.

Funding profile					
Assets (note i)	**2024 £bn**	2023 £bn	**Members' interests, equity and liabilities**	**2024 £bn**	2023 £bn
Retail mortgages	**204.1**	201.4	Retail funding	**193.4**	187.1
Treasury assets (including liquidity portfolio)	**52.8**	56.1	Wholesale funding	**50.5**	57.9
Commercial lending	**5.5**	5.5	Other liabilities	**2.9**	3.1
Consumer banking	**3.8**	3.9	Capital and reserves (note ii)	**25.1**	23.8
Other assets	**5.7**	5.0			
Total	**271.9**	271.9	**Total**	**271.9**	271.9

Notes:
i. Figures are stated net of impairment provisions where applicable.
ii. Includes all subordinated liabilities and subscribed capital.

At 4 April 2024, Nationwide's loan to deposit ratio, which represents loans and advances to customers divided by the total of shares and other deposits, was 107.9% (2023: 109.6%). Included within shares and other deposits, which are reported in the retail and wholesale funding categories above, is £37 billion (4 April 2023: £35 billion[1]) of deposits that exceed the £85,000 per customer Financial Services Compensation Scheme (FSCS) limit.

[1] The 4 April 2023 comparative for deposits that exceed the £85,000 threshold has been restated to reflect improved data quality since originally reported.

Liquidity and funding risk (continued)

Wholesale funding

The wholesale funding portfolio comprises a range of secured and unsecured instruments to ensure that a stable and diversified funding base is maintained across a range of instruments, currencies, maturities, and investor types. Part of Nationwide's wholesale funding strategy is to remain active in core markets and currencies. A funding risk limit framework also ensures that a prudent funding mix and maturity concentration profile is maintained and limits the level of encumbrance to ensure enough contingent funding capacity is retained in the event of a stress.

Wholesale funding has decreased by £7.4 billion to £50.5 billion during the year, primarily due to the repayment of £7.9 billion of drawings from the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME). The wholesale funding ratio (on-balance sheet wholesale funding as a proportion of total funding liabilities) at 4 April 2024 was 22.5% (2023: 25.0%).

The table below sets out Nationwide's wholesale funding by currency.

Wholesale funding by currency												
	2024						2023					
	GBP £bn	**EUR £bn**	**USD £bn**	**Other £bn**	**Total £bn**	**% of total**	GBP £bn	EUR £bn	USD £bn	Other £bn	Total £bn	% of total
Repos	**0.1**	**1.7**	**0.1**	**-**	**1.9**	**4**	1.4	0.1	0.6	-	2.1	4
Deposits	**9.7**	**-**	**-**	**-**	**9.7**	**19**	11.0	-	-	-	11.0	19
Certificates of deposit	**1.5**	**-**	**-**	**-**	**1.5**	**3**	1.0	-	-	-	1.0	2
Covered bonds	**5.7**	**7.4**	**1.2**	**1.2**	**15.5**	**31**	6.0	7.2	-	1.2	14.4	25
Medium term notes	**1.5**	**5.9**	**2.9**	**1.3**	**11.6**	**23**	1.1	4.8	3.9	1.3	11.1	19
Securitisations	**1.9**	**-**	**0.1**	**-**	**2.0**	**4**	2.3	-	0.2	-	2.5	4
TFSME	**9.3**	**-**	**-**	**-**	**9.3**	**18**	17.2	-	-	-	17.2	29
Other (note i)	**-**	**(0.8)**	**(0.2)**	**-**	**(1.0)**	**(2)**	-	(1.1)	(0.2)	(0.1)	(1.4)	(2)
Total	**29.7**	**14.2**	**4.1**	**2.5**	**50.5**	**100**	40.0	11.0	4.5	2.4	57.9	100

Note:

i. Other consists of fair value adjustments to debt securities in issue for micro hedged risks.

Liquidity and funding risk (continued)

The table below sets out Nationwide's residual maturity of wholesale funding, on a contractual maturity basis.

Wholesale funding – residual maturity 2024	**Not more than one month**	**Over one month but not more than three months**	**Over three months but not more than six months**	**Over six months but not more than one year**	**Subtotal less than one year**	**Over one year but not more than two years**	**Over two years**	**Total**
	£bn	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**
Repos	**1.9**	**-**	**-**	**-**	**1.9**	**-**	**-**	**1.9**
Deposits	**6.5**	**1.6**	**1.2**	**0.4**	**9.7**	**-**	**-**	**9.7**
Certificates of deposit	**1.5**	**-**	**-**	**-**	**1.5**	**-**	**-**	**1.5**
Covered bonds	**0.1**	**0.5**	**-**	**0.6**	**1.2**	**1.5**	**12.8**	**15.5**
Medium term notes	**-**	**0.1**	**0.1**	**0.8**	**1.0**	**3.2**	**7.4**	**11.6**
Securitisations	**0.1**	**-**	**-**	**0.1**	**0.2**	**0.2**	**1.6**	**2.0**
TFSME	**-**	**-**	**-**	**4.0**	**4.0**	**5.3**	**-**	**9.3**
Other (note i)	**-**	**-**	**-**	**-**	**-**	**(0.1)**	**(0.9)**	**(1.0)**
Total	**10.1**	**2.2**	**1.3**	**5.9**	**19.5**	**10.1**	**20.9**	**50.5**
Of which secured	**2.1**	**0.5**	**-**	**4.7**	**7.3**	**7.0**	**13.8**	**28.1**
Of which unsecured	**8.0**	**1.7**	**1.3**	**1.2**	**12.2**	**3.1**	**7.1**	**22.4**
% of total	**20.0**	**4.3**	**2.6**	**11.7**	**38.6**	**20.0**	**41.4**	**100.0**

Wholesale funding – residual maturity 2023	Not more than one month	Over one month but not more than three months	Over three months but not more than six months	Over six months but not more than one year	Subtotal less than one year	Over one year but not more than two years	Over two years	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Repos	2.1	-	-	-	2.1	-	-	2.1
Deposits	7.6	1.6	1.4	0.3	10.9	0.1	-	11.0
Certificates of deposit	1.0	-	-	-	1.0	-	-	1.0
Covered bonds	0.8	0.1	-	1.6	2.5	1.1	10.8	14.4
Medium term notes	0.7	-	-	1.4	2.1	0.8	8.2	11.1
Securitisations	0.7	-	0.2	0.2	1.1	0.3	1.1	2.5
TFSME	-	-	-	-	-	11.9	5.3	17.2
Other (note i)	-	-	-	-	-	(0.1)	(1.3)	(1.4)
Total	12.9	1.7	1.6	3.5	19.7	14.1	24.1	57.9
Of which secured	3.6	0.1	0.2	1.8	5.7	13.3	16.4	35.4
Of which unsecured	9.3	1.6	1.4	1.7	14.0	0.8	7.7	22.5
% of total	22.3	2.9	2.8	6.0	34.0	24.4	41.6	100.0

Note:
i. Other consists of fair value adjustments to debt securities in issue for micro hedged risks.

At 4 April 2024, cash, government bonds and supranational bonds included in the liquid asset buffer represented 220% (2023: 229%) of wholesale funding maturing in less than one year, assuming no rollovers.

Liquidity and funding risk (continued)

Liquidity risk

Liquid assets

The table below sets out the sterling equivalent fair value of the liquidity portfolio, by issuing currency. It includes off-balance sheet liquidity, such as securities received through reverse repo agreements, and excludes securities encumbered through repo agreements and for other purposes.

Liquid assets	2024						2023					
	GBP	EUR	USD	JPY	Other (note i)	Total	GBP	EUR	USD	JPY	Other (note i)	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Cash and reserves at central banks	23.8	-	-	-	-	23.8	25.5	-	0.1	-	-	25.6
Government bonds (note ii)	6.8	2.5	5.0	1.7	1.0	17.0	5.9	3.2	5.3	1.3	1.1	16.8
Supranational bonds	0.1	1.6	0.4	-	-	2.1	0.1	2.2	0.5	-	-	2.8
Covered bonds	0.9	1.8	0.2	-	-	2.9	1.1	1.6	0.1	-	-	2.8
RMBS (note iii)	0.9	0.3	-	-	-	1.2	1.3	0.2	-	-	-	1.5
Asset-backed securities and other securities	0.1	-	-	-	-	0.1	0.2	-	-	-	-	0.2
Total	32.6	6.2	5.6	1.7	1.0	47.1	34.1	7.2	6.0	1.3	1.1	49.7

Notes:
i. Other currencies primarily consist of Canadian dollars.
ii. Balances classified as government bonds include government guaranteed, agency and government sponsored bonds.
iii. Balances include all RMBS held by the Society which can be monetised through sale or repo.

The table above primarily comprises LCR eligible high-quality liquid assets which averaged £56.1 billion for the 12 months ended 4 April 2024 (2023: £53.3 billion).

Liquidity and funding risk (continued)

Residual maturity of financial assets and liabilities

The table below segments the carrying value of financial assets and financial liabilities into relevant maturity groupings based on the final contractual maturity date (residual maturity):

Residual maturity (note i)									
2024	**Due less than one month (note ii)**	**Due between one and three months**	**Due between three and six months**	**Due between six and nine months**	**Due between nine and twelve months**	**Due between one and two years**	**Due between two and five years**	**Due after more than five years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Financial assets									
Cash	23,817	-	-	-	-	-	-	-	23,817
Loans and advances to banks and similar institutions	2,378	-	-	-	-	-	-	100	2,478
Investment securities	58	212	272	239	325	2,016	10,639	12,771	26,532
Derivative financial instruments	20	41	51	11	276	1,736	2,170	1,985	6,290
Fair value adjustment for portfolio hedged risk	(41)	(18)	(140)	(185)	(171)	(814)	(1,698)	(263)	(3,330)
Loans and advances to customers	2,806	1,321	1,953	1,925	1,927	7,664	22,460	173,384	213,440
Total financial assets	**29,038**	**1,556**	**2,136**	**1,990**	**2,357**	**10,602**	**33,571**	**187,977**	**269,227**
Financial liabilities									
Shares	139,238	4,595	14,887	12,006	8,486	12,126	1,128	900	193,366
Deposits from banks and similar institutions	7,129	7	1	1	3,980	5,270	-	-	16,388
Of which repo	1,943	-	-	-	-	-	-	-	1,943
Of which TFSME	-	4	-	-	3,980	5,270	-	-	9,254
Other deposits	1,283	1,585	1,167	223	192	75	5	-	4,530
Fair value adjustment for portfolio hedged risk	1	3	16	17	7	6	-	-	50
Secured funding – ABS and covered bonds	176	533	49	54	659	1,652	7,663	6,488	17,274
Senior unsecured funding	1,527	73	75	20	748	3,101	6,189	592	12,325
Derivative financial instruments	21	42	43	-	59	158	574	554	1,451
Subordinated liabilities	37	2	30	15	-	827	4,265	2,049	7,225
Subscribed capital (note iii)	1	-	1	-	-	-	-	171	173
Total financial liabilities	**149,413**	**6,840**	**16,269**	**12,336**	**14,131**	**23,215**	**19,824**	**10,754**	**252,782**
Off-balance sheet commitments (note iv)	13,344	-	-	-	-	-	-	-	13,344
Net liquidity difference	**(133,719)**	**(5,284)**	**(14,133)**	**(10,346)**	**(11,774)**	**(12,613)**	**13,747**	**177,223**	**3,101**
Cumulative liquidity difference	**(133,719)**	**(139,003)**	**(153,136)**	**(163,482)**	**(175,256)**	**(187,869)**	**(174,122)**	**3,101**	**-**

Liquidity and funding risk (continued)

Residual maturity (note i) 2023	Due less than one month (note ii) £m	Due between one and three months £m	Due between three and six months £m	Due between six and nine months £m	Due between nine and twelve months £m	Due between one and two years £m	Due between two and five years £m	Due after more than five years £m	Total £m
Financial assets									
Cash	25,635	-	-	-	-	-	-	-	25,635
Loans and advances to banks and similar institutions	1,887	-	-	-	-	-	-	973	2,860
Investment securities	81	151	41	68	402	772	8,880	17,220	27,615
Derivative financial instruments	77	1	59	44	243	450	3,904	2,145	6,923
Fair value adjustment for portfolio hedged risk	(16)	(31)	(297)	(26)	(314)	(1,118)	(2,829)	(380)	(5,011)
Loans and advances to customers	2,784	1,371	2,127	2,053	2,076	7,957	23,489	168,925	210,782
Total financial assets	30,448	1,492	1,930	2,139	2,407	8,061	33,444	188,883	268,804
Financial liabilities									
Shares	149,642	2,153	6,955	8,292	6,473	10,116	2,581	931	187,143
Deposits from banks and similar institutions	7,882	13	1	-	-	11,890	5,270	-	25,056
Of which repo	2,075	-	-	-	-	-	-	-	2,075
Of which TFSME	-	6	-	-	-	11,890	5,270	-	17,166
Other deposits	1,806	1,559	1,374	224	103	116	9	-	5,191
Fair value adjustment for portfolio hedged risk	-	1	1	-	-	-	-	-	2
Secured funding – ABS and covered bonds	1,501	41	264	233	1,592	1,328	5,930	5,142	16,031
Senior unsecured funding	1,685	12	53	200	1,126	805	5,757	1,957	11,595
Derivative financial instruments	56	-	2	1	24	134	405	902	1,524
Subordinated liabilities	8	2	31	14	-	795	3,225	2,680	6,755
Subscribed capital (note iii)	1	-	1	-	-	-	-	171	173
Total financial liabilities	162,581	3,781	8,682	8,964	9,318	25,184	23,177	11,783	253,470
Off-balance sheet commitments (note iv)	10,333	-	-	-	-	-	-	-	10,333
Net liquidity difference	(142,466)	(2,289)	(6,752)	(6,825)	(6,911)	(17,123)	10,267	177,100	5,001
Cumulative liquidity difference	(142,466)	(144,755)	(151,507)	(158,332)	(165,243)	(182,366)	(172,099)	5,001	-

Notes:

i. The analysis excludes certain financial assets and liabilities relating to accruals, trade receivables, trade payables and settlement balances which are generally short-term in nature and lease liabilities.
ii. Due less than one month includes amounts repayable on demand.
iii. The principal amount for undated subscribed capital is included within the due after more than five years column.
iv. Off-balance sheet commitments include amounts payable on demand for undrawn loan commitments, customer overpayments on residential mortgages where the borrower can draw down the amount overpaid, and commitments to acquire financial assets.

In practice, customer behaviours mean that liabilities are often retained for longer than their contractual maturities and assets are repaid earlier. This gives rise to funding mismatches on the balance sheet. The balance sheet structure and risks are managed and monitored by Nationwide's Assets and Liabilities Committee (ALCO). Judgement and past behavioural performance of each asset and liability class are used to forecast likely cash flow requirements.

Liquidity and funding risk (continued)

Financial liabilities – gross undiscounted contractual cash flows

The tables below provide an analysis of gross contractual cash flows. The totals differ from the analysis of residual maturity as they include estimated future interest payments, calculated using balances outstanding at the balance sheet date, contractual maturities, and appropriate forward-looking interest rates.

Amounts are allocated to the relevant maturity band based on the timing of individual contractual cash flows.

Gross contractual cash flows 2024	Due less than one month (note i) £m	Due between one and three months £m	Due between three and six months £m	Due between six and nine months £m	Due between nine and twelve months £m	Due between one and two years £m	Due between two and five years £m	Due after more than five years £m	Total £m
Shares	139,238	5,206	15,376	12,327	8,679	12,442	1,284	900	195,452
Deposits from banks and similar institutions	7,129	128	122	122	4,067	5,281	-	-	16,849
Other deposits	1,283	1,612	1,179	227	194	77	5	-	4,577
Secured funding – ABS and covered bonds	191	564	153	208	835	2,238	8,740	7,222	20,151
Senior unsecured funding	1,530	85	148	63	845	3,479	6,814	1,143	14,107
Subordinated liabilities	41	4	87	91	74	1,153	5,021	2,324	8,795
Subscribed capital (note ii)	1	-	4	1	4	11	33	188	242
Total non-derivative financial liabilities	149,413	7,599	17,069	13,039	14,698	24,681	21,897	11,777	260,173
Derivative financial liabilities:									
Gross settled derivative outflows	366	841	1,328	268	1,216	3,085	11,863	7,758	26,725
Gross settled derivative inflows	(314)	(787)	(1,256)	(219)	(1,150)	(2,906)	(11,480)	(7,670)	(25,782)
Gross settled derivatives – net flows	52	54	72	49	66	179	383	88	943
Net settled derivative liabilities	254	695	1,132	937	808	2,570	3,363	3,442	13,201
Total derivative financial liabilities	306	749	1,204	986	874	2,749	3,746	3,530	14,144
Total financial liabilities	149,719	8,348	18,273	14,025	15,572	27,430	25,643	15,307	274,317
Off-balance sheet commitments (note iii)	13,344	-	-	-	-	-	-	-	13,344
Total financial liabilities including off-balance sheet commitments	163,063	8,348	18,273	14,025	15,572	27,430	25,643	15,307	287,661

Liquidity and funding risk (continued)

Gross contractual cash flows (note iv) 2023	Due less than one month (note i) £m	Due between one and three months £m	Due between three and six months £m	Due between six and nine months £m	Due between nine and twelve months £m	Due between one and two years £m	Due between two and five years £m	Due after more than five years £m	Total £m
Shares	149,642	2,430	7,194	8,468	6,587	10,335	2,749	931	188,336
Deposits from banks and similar institutions	7,882	195	183	182	182	12,437	5,280	-	26,341
Other deposits	1,806	1,573	1,380	226	104	117	9	-	5,215
Secured funding – ABS and covered bonds	1,516	56	346	322	1,777	1,741	6,748	6,568	19,074
Senior unsecured funding	1,688	17	109	210	1,252	1,064	6,496	2,261	13,097
Subordinated liabilities	9	-	94	59	90	1,040	3,957	3,072	8,321
Subscribed capital (note ii)	1	-	4	1	4	11	35	181	237
Total non-derivative financial liabilities	162,544	4,271	9,310	9,468	9,996	26,745	25,274	13,013	260,621
Derivative financial liabilities:									
Gross settled derivative outflows	1,477	106	267	232	404	3,634	8,336	10,934	25,390
Gross settled derivative inflows	(1,439)	(89)	(244)	(205)	(381)	(3,555)	(8,154)	(10,422)	(24,489)
Gross settled derivatives – net flows	38	17	23	27	23	79	182	512	901
Net settled derivative liabilities	237	370	917	918	932	3,039	4,207	3,842	14,462
Total derivative financial liabilities	275	387	940	945	955	3,118	4,389	4,354	15,363
Total financial liabilities	162,819	4,658	10,250	10,413	10,951	29,863	29,663	17,367	275,984
Off-balance sheet commitments (note iii)	10,333	-	-	-	-	-	-	-	10,333
Total financial liabilities including off-balance sheet commitments	173,152	4,658	10,250	10,413	10,951	29,863	29,663	17,367	286,317

Notes:
i. Due less than one month includes amounts repayable on demand.
ii. The principal amount for undated subscribed capital is included within the due more than five years column.
iii. Off-balance sheet commitments include amounts payable on demand for undrawn loan commitments, customer overpayments on residential mortgages where the borrower is able to draw down the amount overpaid and commitments to acquire financial assets.
iv. Prior year comparatives for derivative financial liabilities have been restated to reflect outflows as a positive and inflows as a negative, consistent with the convention applied in the remainder of the table. Total financial liabilities including off-balance sheet commitments have been restated from £255,591 million to £286,317 million.

Asset encumbrance

Encumbrance arises where assets are pledged as collateral against secured funding and other collateralised obligations and therefore cannot be used for other purposes. The majority of asset encumbrance arises from the use of owner-occupied mortgage pools to collateralise the Covered Bond and securitisation programmes (further information is included in note 10 to the consolidated financial statements) and from participation in the Bank of England's TFSME.

Certain unencumbered assets are readily available to secure funding or meet collateral requirements. These include owner-occupied mortgages and cash and securities held in the liquid asset buffer. Other unencumbered assets, such as buy to let mortgages, are capable of being encumbered with a degree of further management action. Assets which do not fall into either of these categories are classified as not being capable of being encumbered.

Liquidity and funding risk (continued)

An analysis of Nationwide's encumbered and unencumbered on-balance sheet assets is set out below. This disclosure is not intended to identify assets that would be available in the event of a resolution or bankruptcy.

Asset encumbrance										
2024	**Assets encumbered as a result of transactions with counterparties other than central banks**				**Other assets (comprising assets encumbered at the central bank and unencumbered assets)**					**Total**
						Assets not positioned at the central bank				
	As a result of covered bonds	**As a result of securitisations**	**Other**	**Total**	**Assets positioned at the central bank (i.e. prepositioned plus encumbered)**	**Readily available for encumbrance**	**Other assets that are capable of being encumbered**	**Cannot be encumbered**	**Total**	
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cash	**558**	**394**	**-**	**952**	**-**	**22,625**	**-**	**240**	**22,865**	**23,817**
Loans and advances to banks and similar institutions	**-**	**-**	**352**	**352**	**1,449**	**-**	**-**	**677**	**2,126**	**2,478**
Investment securities (note i)	**-**	**-**	**3,873**	**3,873**	**-**	**22,596**	**-**	**63**	**22,659**	**26,532**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,290**	**6,290**	**6,290**
Loans and advances to customers (note ii)	**23,581**	**7,321**	**-**	**30,902**	**67,206**	**51,983**	**62,999**	**350**	**182,538**	**213,440**
Non-financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,690**	**2,690**	**2,690**
Fair value adjustment for portfolio hedged risk	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,330)**	**(3,330)**	**(3,330)**
Total	**24,139**	**7,715**	**4,225**	**36,079**	**68,655**	**97,204**	**62,999**	**6,980**	**235,838**	**271,917**
2023	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cash	522	637	-	1,159	-	23,972	-	504	24,476	25,635
Loans and advances to banks and similar institutions	-	-	589	589	1,944	-	-	327	2,271	2,860
Investment securities (note i)	-	-	4,508	4,508	-	23,050	-	57	23,107	27,615
Derivative financial instruments	-	-	-	-	-	-	-	6,923	6,923	6,923
Loans and advances to customers (note ii)	20,254	8,705	-	28,959	66,591	52,908	61,894	430	181,823	210,782
Non-financial assets	-	-	-	-	-	-	-	3,089	3,089	3,089
Fair value adjustment for portfolio hedged risk	-	-	-	-	-	-	-	(5,011)	(5,011)	(5,011)
Total	20,776	9,342	5,097	35,215	68,535	99,930	61,894	6,319	236,678	271,893

Notes:

i. Encumbered investment securities primarily relate to repo transactions and collateral pledged for derivatives.

ii. Loans and advances to customers 'readily available for encumbrance' are expected to be immediately eligible to use in existing secured funding programmes or at the central bank. Any fair value micro hedge balance is reported as 'cannot be encumbered'. Prior year reporting has been updated to reflect this refinement in definition.

Liquidity and funding risk (continued)

External credit ratings

The Group's long-term and short-term credit ratings are shown in the table below. The long-term rating for both Standard & Poor's (S&P) and Moody's is the senior preferred rating. The long-term rating for Fitch is the senior non-preferred rating.

Credit ratings	Senior preferred	Short-term	Senior non-preferred	Tier 2	Date of last rating action / confirmation	Outlook
Standard & Poor's	**A+**	**A-1**	**BBB+**	**BBB**	**March 2024**	**Stable**
Moody's	**A1**	**P-1**	**A3**	**Baa1**	**March 2024**	**Stable**
Fitch	**A+**	**F1**	**A**	**BBB+**	**March 2024**	**Stable**

The table below sets out Nationwide's additional contractual collateral requirement in the event of a one and two notch downgrade by external credit rating agencies.

Collateral sensitivity	Cumulative adjustment for a one notch downgrade	Cumulative adjustment for a two notch downgrade
	£bn	**£bn**
2024	**-**	**0.7**
2023	-	0.6

The contractually required cash outflow would not necessarily match the actual cash outflow, because of management actions that could be taken to reduce the impact of the downgrades.

Outlook

Nationwide continues to hold a diversified high-quality liquid asset buffer which will evolve in line with Nationwide's liquidity requirements. Nationwide's funding plans include the refinancing of TFSME through a continued presence in wholesale funding markets.

Capital risk

Capital risk is the risk that Nationwide fails to maintain sufficient capital to absorb losses throughout a full economic cycle and sufficient to maintain the confidence of current and prospective investors, members, the Board and regulators. Capital is held to protect customers, cover inherent risks, provide a buffer for stress events and support the business strategy. In assessing the adequacy of capital resources, risk appetite is considered in the context of the material risks to which Nationwide is exposed and the appropriate strategies required to manage those risks.

Capital position

The capital disclosures included in this report are in line with UK Capital Requirements Directive V (UK CRD V) with IFRS 9 transitional arrangements applied. In addition, the disclosures are on a consolidated Group basis, including all subsidiary entities, unless otherwise stated.

Capital ratios and requirements		
	2024	2023
Capital ratios	**%**	%
CET1 ratio	**27.1**	26.5
Total Tier 1 ratio	**29.5**	29.1
Total regulatory capital ratio	**32.6**	32.7
Leverage ratio	**6.5**	6.0
Capital requirements	**£m**	£m
Risk weighted assets (RWAs)	**54,628**	51,731
Leverage exposure	**249,263**	249,299

Risk-based capital ratios remain in excess of regulatory requirements with the CET1 ratio at 27.1% (2023: 26.5%), above Nationwide's CET1 capital requirement of 12.9%. The CET1 capital requirement includes a 7.4% minimum Pillar 1 and Pillar 2A requirement and the UK CRD V combined buffer requirements of 5.5% of RWAs.

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

UK CRD V requires firms to calculate a leverage ratio, which is non-risk-based, to supplement risk-based capital requirements. Nationwide's leverage ratio is 6.5% (2023: 6.0%), with Tier 1 capital increasing by £1.1 billion as a result of the CET1 capital movements outlined above, and leverage exposure remaining at £249 billion.

The leverage ratio remains in excess of Nationwide's leverage capital requirement of 4.3%, which comprises a minimum Tier 1 capital requirement of 3.25% and buffer requirements of 1.05%. The buffer requirements include a 0.7% UK countercyclical leverage ratio buffer, in force from July 2023, and a 0.35% additional leverage ratio buffer.

Leverage requirements continue to be Nationwide's binding Tier 1 capital measure, as the combination of minimum and regulatory buffer requirements are in excess of the risk-based equivalent. The risk of excessive leverage is managed through regular monitoring and reporting of the leverage ratio, which forms part of risk appetite.

Capital risk (continued)

The table below shows how the components of members' interests and equity contribute to total regulatory capital and does not include non-qualifying instruments.

Total regulatory capital	2024 £m	2023 £m
General reserve	**15,119**	14,184
Core capital deferred shares (CCDS) (note i)	**1,334**	1,334
Revaluation reserve	**36**	38
Fair value through other comprehensive income (FVOCI) reserve	**(38)**	(14)
Cash flow hedge and other hedging reserves	**76**	129
Regulatory adjustments and deductions:		
Cash flow hedge and other hedging reserves (note ii)	**(76)**	(129)
Direct holdings of CET1 instruments (note i)	**(177)**	(101)
Foreseeable distributions (note iii)	**(63)**	(67)
Prudent valuation adjustment (note iv)	**(73)**	(119)
Own credit and debit valuation adjustments (note v)	**(11)**	(27)
Intangible assets (note vi)	**(812)**	(839)
Goodwill (note vi)	**(12)**	(12)
Defined-benefit pension fund asset (note vi)	**(454)**	(614)
Excess of regulatory expected losses over impairment provisions (note vii)	**(51)**	(45)
IFRS 9 transitional arrangements (note viii)	**-**	15
Total regulatory adjustments and deductions	**(1,729)**	(1,938)
CET1 capital	**14,798**	13,733
Other equity instruments (Additional Tier 1)	**1,336**	1,336
Total Tier 1 capital	**16,134**	15,069
Dated subordinated debt (note ix)	**1,650**	1,835
Excess of impairment provisions over regulatory expected losses (note vii)	**24**	14
IFRS 9 transitional arrangements (note viii)	**-**	(10)
Tier 2 capital	**1,674**	1,839
Total regulatory capital	**17,808**	16,908

Notes:

i. The CCDS amount does not include the deductions for the Group's repurchase exercises completed in February and June 2023. This is presented separately as a regulatory adjustment in line with UK Capital Requirements Regulation (CRR) article 42.

ii. In accordance with CRR article 33, institutions do not include the fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value.

iii. Foreseeable distributions in respect of CCDS and AT1 securities are deducted from CET1 capital under UK CRD V rules.

iv. A prudent valuation adjustment (PVA) is applied in respect of fair valued instruments as required under UK CRD V rules.

v. Own credit and debit valuation adjustments are applied to remove balance sheet gains or losses of fair valued liabilities and derivatives that result from changes in own credit standing and risk, as per UK CRD V rules.

vi. Intangible, goodwill and defined benefit pension fund assets are deducted from capital resources after netting associated deferred tax liabilities.

vii. Where capital expected loss exceeds accounting provisions, the excess balance is removed from CET1 capital, gross of tax. In contrast, where provisions exceed capital expected loss, the excess amount is added to Tier 2 capital, gross of tax. This calculation is not performed for equity exposures, in line with Article 159 of CRR. The expected loss amounts for equity exposures are deducted from CET1 capital, gross of tax.

viii. The IFRS 9 transitional adjustments to capital resources apply scaled relief until 4 April 2025 due to the impact of the introduction of IFRS 9 and anticipated increases in expected credit losses as a result of the Covid-19 pandemic. The relief for the introduction of IFRS 9 ended in the financial year, which led to the reduction of the IFRS 9 transitional arrangements adjustment to zero.

ix. Subordinated debt includes fair value adjustments relating to changes in market interest rates, adjustments for unamortised premiums and discounts that are included in the consolidated balance sheet, and any amortisation of the capital value of Tier 2 instruments required by regulatory rules for instruments with fewer than five years to maturity.

Capital risk (continued)

As part of the Bank Recovery and Resolution Directive, the Bank of England, in its capacity as the UK resolution authority, has published its policy for setting the minimum requirement for own funds and eligible liabilities (MREL). From 1 January 2024, Nationwide's requirement is to hold twice the minimum capital requirements (6.5% of leverage exposure), plus the applicable capital requirement buffers, which amount to 1.05% of leverage exposure. This equals a total loss-absorbing requirement of 7.55%.

At 4 April 2024, total MREL resources were 9.4% (2023: 8.8%) of leverage exposure, in excess of the loss-absorbing requirement of 7.55% (2023: 7.2%) described above.

Risk weighted assets

The table below shows the breakdown of risk weighted assets (RWAs) by risk type and business activity. Market risk has been set to zero as permitted by the UK CRR, as the exposure is below the threshold of 2% of own funds.

Risk weighted assets	2024			2023		
	Credit risk (note i)	Operational risk (note ii)	Total risk weighted assets	Credit risk (note i)	Operational risk (note ii)	Total risk weighted assets
	£m	£m	£m	£m	£m	£m
Retail mortgages	37,373	2,188	39,561	34,609	2,991	37,600
Retail unsecured lending	4,750	1,270	6,020	5,145	1,114	6,259
Commercial loans	1,818	77	1,895	1,883	60	1,943
Treasury	1,736	266	2,002	1,559	290	1,849
Counterparty credit risk (note iii)	777	-	777	989	-	989
Other (note iv)	1,676	2,697	4,373	1,715	1,376	3,091
Total	**48,130**	**6,498**	**54,628**	45,900	5,831	51,731

Notes:
i. This column includes credit risk exposures, securitisations, counterparty credit risk exposures and exposures below the thresholds for deduction that are subject to a 250% risk weight.
ii. RWAs have been allocated according to the business lines within the standardised approach to operational risk, as per article 317 of UK CRR.
iii. Counterparty credit risk relates to derivative financial instruments, securities financing transactions (repurchase agreements) and exposures to central counterparties.
iv. Other relates to equity, fixed, intangible software and other assets.

RWAs increased by £2.9 billion, predominantly driven by a £2.8 billion increase in retail mortgage credit risk RWAs. This was due to an increase in residential mortgage balances, in conjunction with a higher portfolio average loss given default (LGD) linked to property valuations. This was partly offset by reductions to credit risk RWAs across other portfolios. Operational risk RWAs increased due to higher average total income over the previous three years, by reference to which they are calculated.

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

Outlook

The Basel Committee published its final reforms to the Basel III framework in December 2017, now denoted by the PRA as Basel 3.1. The amendments include changes to the standardised approaches for credit and operational risks, including the introduction of an RWA standardised output floor to restrict the use of internal models. On 30 November 2022, the Bank of England issued CP16/22 'Implementation of the Basel 3.1 standards'. The consultation paper, although materially similar to the original Basel reforms, includes interpretations and some divergence from Basel standards. A near-final policy statement covering market, counterparty credit and operational risks was published on 12 December 2023. Near-final rules covering credit risk and the output floor are due in Q2 2024.

Capital risk (continued)

The reforms may lead to an increase in Nationwide's RWAs relative to the current position, mainly due to the application of the standardised RWA output floor. The expected implementation date is 1 July 2025, with a phased introduction of the standardised RWA output floor until fully implemented by 2030. Based on Nationwide's latest interpretation of the draft rules, there will not be a material day-one impact on Nationwide's CET1 ratio. However, if Nationwide's CET1 ratio was restated to an endpoint position, reflecting full implementation of the standardised RWA output floor, it would reduce to a low to mid 20% range compared to the 27.1% reported at 4 April 2024.

Nationwide will remain engaged in the development of the regulatory approach to ensure it is prepared for any resulting change.

During 2024, Nationwide repurchased CCDS at a gross cost of £76 million (2023: £101 million). For further information see note 15 to the consolidated financial statements. The PRA has granted a renewed 12 month general prior permission to repurchase CCDS up to 2% of existing CET1 capital resources (£296 million at 4 April 2024), though this does not mean further repurchase exercises will necessarily follow. The permission will expire in January 2025.

Market risk

Summary

Market risk is the risk that the net value of, or net income arising from, the Group's assets and liabilities is impacted as a result of market price or rate changes, specifically interest rates or currency rates. Nationwide has limited appetite for market risk and does not have a trading book. Market risk is closely monitored and managed to ensure the level of risk remains within appetite. Market risks are not taken unless they are essential to core business activities and they provide stability of earnings, minimise costs or enable operational efficiency.

The principal market risks linked to Nationwide's balance sheet assets and liabilities include interest rate risk, basis risk, swap spread risk, inflation risk, currency risk, product option risk and structural interest rate risk.

Global market conditions

Although economic activity has remained weak and uncertainty remains, some of the cost of living pressures are easing. Market pricing suggests that interest rates have reached their peak, with the Bank of England combating high inflation by increasing the Bank rate up to 5.25%. As a result of the Bank rate increases and the easing of other inflation drivers, the UK Consumer Price Index fell from 10.1% in March 2023 to 3.2% by March 2024. Nationwide has some inflation exposure (to UK, EU and US inflation indices) from investment securities; however, inflation risk is managed within tight limits and the financial impact from recent increases in inflation globally has therefore been limited.

Whilst economic conditions within the UK have an impact on the Group, market risk is managed prudently. This is demonstrated by the Society's very low level of exposure to interest rate risk as outlined below.

Net Interest Income (NII) sensitivity

The sensitivities presented below measure the extent to which Nationwide's pre-tax earnings are exposed to changes in interest rates over a one-year period based on instantaneous parallel rises and falls in interest rates, with the shifts applied to the prevailing interest rates at the reporting date.

The sensitivities are prepared based on a static balance sheet, with all assets and liabilities maturing within the year replaced with like-for-like products, and changes in interest rates being fully passed through to variable rate retail products, unless a 0% floor is reached when rates fall. No management actions are included in the sensitivities.

The purpose of these sensitivities is to assess Nationwide's exposure to interest rate risk and therefore the sensitivities should not be considered as a guide to future earnings performance, with actual future earnings influenced by the extent to which changes in interest rates are passed through to product pricing, the timing of maturing assets and liabilities and changes to the balance sheet mix. In practice, earnings changes from actual interest rate movements will differ from those shown below because interest rate changes may not be passed through in full to those assets and liabilities that do not have a contractual link to Bank rate.

Market risk (continued)

Potential (adverse)/favourable impact on annual pre-tax future earnings		
	2024	2023
	£m	£m
+100 basis points shift	**(16)**	(30)
+25 basis points shift	**(2)**	(6)
-25 basis points shift	**(9)**	(5)
-100 basis points shift	**(47)**	(32)

The low levels of NII sensitivity reflect Nationwide's prudent management of interest rate risk. The sensitivities also reflect that changes in rates are fully passed through in these scenarios, and product margins are held static. The impact of take-up risk in the mortgage pipeline is included within the sensitivities, which contributes to the small negative sensitivities in the +25 and +100 basis point shifts.

Outlook

Nationwide will continue to have a limited appetite for market risk, which will only be taken if essential to core business activities and if it provides or supports stability of earnings, minimises costs or enables operational efficiency.

Consolidated financial statements

Contents

Consolidated income statement

For the year ended 4 April 2024			
		2024	2023
	Notes	**£m**	£m
Interest receivable and similar income:			
Calculated using the effective interest rate method	3	**13,962**	8,776
Other	3	**63**	49
Total interest receivable and similar income	3	**14,025**	8,825
Interest expense and similar charges	4	**(9,575)**	(4,327)
Net interest income		**4,450**	4,498
Fee and commission income		**426**	432
Fee and commission expense		**(292)**	(311)
Other operating income	5	**80**	54
Gains/(losses) from derivatives and hedge accounting	6	**117**	(4)
Total income		**4,781**	4,669
Administrative expenses	7	**(2,422)**	(2,323)
Impairment charge on loans and advances to customers	8	**(112)**	(126)
Provisions for liabilities and charges	12	**(127)**	9
Profit before member reward payments and tax		**2,120**	2,229
Member reward payments		**(344)**	-
Profit before tax		**1,776**	2,229
Taxation	9	**(476)**	(565)
Profit after tax		**1,300**	1,664

Consolidated statement of comprehensive income

For the year ended 4 April 2024	2024 £m	2023 £m
Profit after tax	**1,300**	1,664
Other comprehensive (expense)/income:		
Items that will not be reclassified to the income statement		
Retirement benefit obligations:		
Remeasurement of net retirement benefit asset	**(380)**	(85)
Taxation	**190**	29
	(190)	(56)
Revaluation reserve:		
Revaluation of property	**-**	2
Taxation	**(2)**	(1)
	(2)	1
Fair value through other comprehensive income reserve:		
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income	**5**	(3)
Taxation	**(1)**	1
	4	(2)
	(188)	(57)
Items that may subsequently be reclassified to the income statement		
Cash flow hedge reserve:		
Hedging net (losses)/gains arising during the year	**(21)**	40
Amount transferred to income statement	**(48)**	(50)
Taxation	**20**	2
	(49)	(8)
Other hedging reserve:		
Hedging net gains arising during the year	**5**	16
Amount transferred to income statement	**(10)**	(23)
Taxation	**1**	3
	(4)	(4)
Fair value through other comprehensive income reserve:		
Revaluation gains/(losses) on debt instruments at fair value through other comprehensive income	**8**	(66)
Amount transferred to income statement	**(47)**	(74)
Taxation	**11**	39
	(28)	(101)
	(81)	(113)
Other comprehensive expense	**(269)**	(170)
Total comprehensive income	**1,031**	1,494

Consolidated balance sheet

At 4 April 2024			
		2024	2023
	Notes	**£m**	£m
Assets			
Cash		**23,817**	25,635
Loans and advances to banks and similar institutions		**2,478**	2,860
Investment securities		**26,532**	27,615
Derivative financial instruments		**6,290**	6,923
Fair value adjustment for portfolio hedged risk		**(3,330)**	(5,011)
Loans and advances to customers	10	**213,440**	210,782
Intangible assets		**848**	862
Property, plant and equipment		**656**	744
Accrued income and prepaid expenses		**294**	302
Deferred tax		**109**	119
Current tax assets		**54**	15
Other assets		**122**	101
Retirement benefit asset	14	**607**	946
Total assets		**271,917**	271,893
Liabilities			
Shares		**193,366**	187,143
Deposits from banks and similar institutions		**16,388**	25,056
Other deposits		**4,530**	5,191
Fair value adjustment for portfolio hedged risk		**50**	2
Debt securities in issue		**29,599**	27,626
Derivative financial instruments		**1,451**	1,524
Other liabilities		**689**	695
Provisions for liabilities and charges	12	**149**	82
Accruals and deferred income		**405**	334
Subordinated liabilities	11	**7,225**	6,755
Subscribed capital	11	**173**	173
Deferred tax		**206**	406
Total liabilities		**254,231**	254,987
Members' interests and equity			
Core capital deferred shares	15	**1,157**	1,233
Other equity instruments	16	**1,336**	1,336
General reserve		**15,119**	14,184
Revaluation reserve		**36**	38
Cash flow hedge reserve		**127**	176
Other hedging reserve		**(51)**	(47)
Fair value through other comprehensive income reserve		**(38)**	(14)
Total members' interests and equity		**17,686**	16,906
Total members' interests, equity and liabilities		**271,917**	271,893

Consolidated statement of movements in members' interests and equity

For the year ended 4 April 2024	**Core capital deferred shares**	**Other equity instruments**	**General reserve**	**Revaluation reserve**	**Cash flow hedge reserve**	**Other hedging reserve**	**FVOCI reserve**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 5 April 2023	1,233	1,336	14,184	38	176	(47)	(14)	16,906
Profit for the year	**-**	**-**	**1,300**	**-**	**-**	**-**	**-**	**1,300**
Net remeasurements of retirement benefit obligations	**-**	**-**	**(190)**	**-**	**-**	**-**	**-**	**(190)**
Net revaluation of property	**-**	**-**	**-**	**(2)**	**-**	**-**	**-**	**(2)**
Net movement in cash flow hedge reserve	**-**	**-**	**-**	**-**	**(49)**	**-**	**-**	**(49)**
Net movement in other hedging reserve	**-**	**-**	**-**	**-**	**-**	**(4)**	**-**	**(4)**
Net movement in FVOCI reserve	**-**	**-**	**-**	**-**	**-**	**-**	**(24)**	**(24)**
Total comprehensive income	**-**	**-**	**1,110**	**(2)**	**(49)**	**(4)**	**(24)**	**1,031**
Repurchase of core capital deferred shares	**(76)**	**-**	**-**	**-**	**-**	**-**	**-**	**(76)**
Distribution to the holders of core capital deferred shares	**-**	**-**	**(97)**	**-**	**-**	**-**	**-**	**(97)**
Distribution to the holders of Additional Tier 1 capital	**-**	**-**	**(78)**	**-**	**-**	**-**	**-**	**(78)**
At 4 April 2024	**1,157**	**1,336**	**15,119**	**36**	**127**	**(51)**	**(38)**	**17,686**

For the year ended 4 April 2023	Core capital deferred shares	Other equity instruments	General reserve	Revaluation reserve	Cash flow hedge reserve	Other hedging reserve	FVOCI reserve	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2022	1,334	1,336	12,753	46	184	(43)	89	15,699
Profit for the year	-	-	1,664	-	-	-	-	1,664
Net remeasurements of retirement benefit obligations	-	-	(56)	-	-	-	-	(56)
Net revaluation of property	-	-	-	1	-	-	-	1
Net movement in cash flow hedge reserve	-	-	-	-	(8)	-	-	(8)
Net movement in other hedging reserve	-	-	-	-	-	(4)	-	(4)
Net movement in FVOCI reserve	-	-	-	-	-	-	(103)	(103)
Total comprehensive income	-	-	1,608	1	(8)	(4)	(103)	1,494
Reserve transfer	-	-	9	(9)	-	-	-	-
Repurchase of core capital deferred shares	(101)	-	-	-	-	-	-	(101)
Distribution to the holders of core capital deferred shares	-	-	(108)	-	-	-	-	(108)
Distribution to the holders of Additional Tier 1 capital	-	-	(78)	-	-	-	-	(78)
At 4 April 2023	1,233	1,336	14,184	38	176	(47)	(14)	16,906

Notes to the consolidated financial statements

1. Reporting period

These results have been prepared as at 4 April 2024 and show the financial performance for the year from, and including, 5 April 2023 to this date.

2. Basis of preparation

These consolidated financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Building Societies Act 1986 and with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 (as amended) that are applicable. International accounting standards which have been adopted for use within the UK have also been applied in these consolidated financial statements.

These consolidated financial statements are also prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

The accounting policies adopted for use in the preparation of this Preliminary Results Announcement and which will be used in preparing the Annual Report and Accounts for the year ended 4 April 2024 were included in the 'Annual Report and Accounts 2023' document, except for the addition of a new accounting policy in the period for member reward payments. Copies of the Annual report and accounts are available at **nationwide.co.uk**

Member reward payments

Member reward payments represent discretionary payments to members of the Society which may be determined by the Board from time to time, depending on the financial strength of the Society. The Group recognises the expected cost of member reward payments on the date at which they are announced.

Adoption of new and revised IFRSs

A number of amendments and improvements to accounting standards have been issued by the International Accounting Standards Board (IASB) with an effective date for annual reporting periods beginning on or after 1 January 2023. The adoption of these amendments had no significant impact on the Group.

Future accounting developments

The IASB has also issued a number of amendments to IFRSs that become effective for annual reporting periods beginning on or after 1 January 2024, some of which have not yet been endorsed for use in the European Union or the UK. These amendments are not expected to have a significant impact for the Group.

Judgements in applying accounting policies and critical accounting estimates

The preparation of the Group's consolidated financial statements in accordance with IFRS involves management making judgements and estimates when applying those accounting policies that affect the reported amounts of assets, liabilities, income and expense. Actual results may differ from those on which management's estimates are based. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. For the year ended 4 April 2024, this evaluation has considered the impact of climate-related risks on the Group's financial position and performance. While the effects of climate change represent a source of uncertainty, the Group does not consider there to be a material impact on its judgements and estimates from physical and transition risks of climate change in the short to medium term.

The key areas involving a higher degree of judgement or areas involving significant sources of estimation uncertainty made by management in applying the Group's accounting policies are disclosed in the following notes.

	Estimates	Judgements
Impairment charge and provisions on loans and advances to customers	Note 8	Note 8
Retirement benefit obligations (pensions)	Note 14	

Going concern

The directors have assessed the Group's ability to continue as a going concern, with reference to current and anticipated market conditions including the impact of climate-related matters and the proposed acquisition of Virgin Money UK plc. The directors confirm they are satisfied that the Group has adequate resources to continue in business for a period of not less than 12 months from the date of approval of these consolidated financial statements and that it is therefore appropriate to adopt the going concern basis.

3. Interest receivable and similar income

	2024 £m	2023 £m
On financial assets measured at amortised cost:		
Residential mortgages	**6,424**	4,904
Other loans	**718**	602
Other liquid assets, including reserves at central banks	**1,962**	1,002
Investment securities	**1**	2
On investment securities measured at FVOCI	**522**	310
Net income on financial instruments hedging assets in a qualifying hedge accounting relationship	**4,335**	1,956
Total interest receivable and similar income calculated using the effective interest rate method	**13,962**	8,776
Interest on net defined benefit pension surplus (note 14)	**44**	26
Other interest and similar income (note i)	**19**	23
Total	**14,025**	8,825

Note:
i. Includes interest on financial instruments hedging assets that are not in a qualifying hedge accounting relationship.

4. Interest expense and similar charges

	2024 £m	2023 £m
On shares held by individuals	**5,217**	1,915
On subscribed capital	**11**	11
On deposits and other borrowings:		
Subordinated liabilities	**277**	272
Deposits from banks and similar institutions and other deposits	**1,723**	1,070
Debt securities in issue	**1,244**	769
Net expense on financial instruments hedging liabilities	**1,103**	290
Total	**9,575**	4,327

5. Other operating income

	2024	2023
	£m	£m
Losses on financial assets measured at FVTPL	(6)	(10)
Gains on disposal of FVOCI investment securities	47	74
Other income/(expense)	39	(10)
Total	**80**	54

Other income/(expense) includes a £42 million net gain relating to the disposal of the Group's investment advice business.

There were no gains or losses on disposal of financial assets measured at amortised cost in the year ended 4 April 2024 (2023: £nil).

6. Gains/losses from derivatives and hedge accounting

As a part of its risk management strategy, the Group uses derivatives to economically hedge financial assets and liabilities. More information on how the Group manages market risk can be found in the Risk report. Hedge accounting is employed by the Group to minimise the accounting volatility associated with the change in fair value of derivative financial instruments. The Group only uses derivatives for the hedging of risks; however, income statement volatility can still arise due to hedge accounting ineffectiveness or because hedge accounting is either not applied or is not currently achievable. The overall impact of derivatives will remain volatile from period to period as new derivative transactions replace those which mature to ensure that interest rate and other market risks are continually managed.

Gains/(losses) from derivatives and hedge accounting	2024	2023
	£m	£m
Gains/(losses) from fair value hedge accounting (note i)	111	(62)
Gains from cash flow hedge accounting	-	1
Fair value gains from other derivatives (note ii)	10	56
Foreign exchange retranslation (note iii)	(4)	1
Total	**117**	(4)

Notes:
i. Includes gains/(losses) from portfolio hedges of interest rate risk arising from amortisation of existing balance sheet amounts and hedge ineffectiveness.
ii. Gains or losses arise from derivatives used for economic hedging purposes which are not currently in a hedge accounting relationship, including derivatives economically hedging fixed rate mortgages not yet on the balance sheet, and valuation adjustments applied at a portfolio level which are not allocated to individual hedge accounting relationships.
iii. Gains or losses arise from the retranslation of foreign currency monetary items not subject to effective hedge accounting.

7. Administrative expenses

	2024 £m	2023 £m
Employee costs:		
Wages and salaries	**660**	597
Bonuses	**83**	78
Social security costs	**86**	90
Pension costs	**168**	153
	997	918
Other administrative expenses	**915**	862
Bank levy	**13**	20
Bank of England levy	**36**	-
Depreciation, amortisation and impairment	**461**	523
Total	**2,422**	2,323

8. Impairment charge and provisions on loans and advances to customers

The following tables set out the impairment charges during the year and the closing provision balances which are deducted from the relevant asset values in the balance sheet:

Impairment charge	2024 £m	2023 £m
Owner-occupied mortgages	**7**	11
Buy to let and legacy residential mortgages	**37**	83
Consumer banking	**51**	31
Commercial lending	**17**	1
Total	**112**	126

Impairment provisions	2024 £m	2023 £m
Owner-occupied mortgages	**90**	84
Buy to let and legacy residential mortgages	**231**	196
Consumer banking	**436**	469
Commercial lending	**24**	16
Total	**781**	765

8. Impairment charge and provisions on loans and advances to customers (continued)

Critical accounting estimates and judgements

Impairment is measured as the impact of credit risk on the present value of management's estimate of future cash flows. In determining the required level of impairment provisions, outputs from statistical models are used, and judgements incorporated to determine the probability of default (PD), the exposure at default (EAD), and the loss given default (LGD) for each loan. Provisions represent a probability weighted average of these calculations under multiple economic scenarios. Adjustments are made in modelling provisions, applying further judgements to take into account model limitations, or to deal with instances where insufficient data exists to fully reflect credit risks in the models.

The most significant areas of judgement are:

- The approach to identifying significant increases in credit risk; and
- The approach to identifying credit impaired loans.

The most significant areas of estimation uncertainty are:

- The use of forward-looking economic information using multiple economic scenarios; and
- The additional judgements made in modelling expected credit losses (ECL) – these currently include PD uplifts relating to the current economic uncertainty and LGD uplifts for property valuation risk.

The Group has progressed the quantitative assessment of the credit risks resulting from climate change during the year, completing a climate change stress test and associated sensitivity analysis. This exercise modelled the expected credit loss impact of macroeconomic impacts, physical risks and transition risks in two climate scenarios, uplifting the PD and/or LGD where appropriate. The stress test exercise outputs support the Group's view that the impact of climate change on impairment provisions is not currently material. The potential economic impact of climate change is captured by our existing range of economic scenarios. The expected credit losses associated with physical risks are low and arise over the long term, and therefore currently have an immaterial impact on the Group's existing lending due to the effect of loan amortisation and redemptions over time. There are no current transition policies that require additional provisions against current portfolios. Potential future Government transition policies and the Group's response to these remain highly uncertain.

Identifying significant increases in credit risk (stage 2)

Loans are allocated to stage 1 or stage 2 according to whether there has been a significant increase in credit risk. Judgement has been used to select both quantitative and qualitative criteria which are used to determine whether a significant increase in credit risk has taken place. These criteria are detailed within the Credit risk section of the Risk report. The primary quantitative indicators are the outputs of internal credit risk assessments. While different approaches are used within each portfolio, the intention is to combine current and historical data relating to the exposure with forward-looking economic information to determine the probability of default (PD) at each reporting date. For residential mortgage and consumer banking lending, the main indicators of a significant increase in credit risk are either of the following:

- The residual lifetime PD exceeds a benchmark determined by reference to the maximum credit risk that would have been accepted at origination; or
- The residual lifetime PD is at least 75 basis points more than, and at least double, the residual lifetime PD calculated at origination.

These complementary criteria have been reviewed through regular model monitoring, using management performance indicators and actual default experience, and found to be effective in capturing events which would constitute a significant increase in credit risk.

Identifying credit impaired loans (stage 3)

The identification of credit-impaired loans is an important judgement within the staging approach. A loan is credit-impaired if it has an arrears status of more than 90 days past due, is considered to be in default, or it is considered unlikely that the borrower will repay the outstanding balance in full, without recourse to actions such as realising security.

8. Impairment charge and provisions on loans and advances to customers (continued)

Critical accounting estimates and judgements (continued)

Use of forward-looking economic information

Management exercises judgement in estimating future economic conditions which are incorporated into provisions through modelling of multiple scenarios. The economic scenarios are reviewed and updated on a quarterly basis. The provision recognised is the probability-weighted sum of the provisions calculated under a range of economic scenarios. The scenarios and associated probability weights are derived using external data and statistical methodologies, together with management judgement. The Group continues to model four economic scenarios, which together encompass an appropriate range of potential economic outcomes. The base case scenario is aligned to the Group's financial planning process. The upside and downside scenarios are reasonably likely favourable and adverse alternatives to the base case, and the severe downside scenario is aligned with the Group's internal stress testing. The impact of applying multiple economic scenarios (MES) is to increase provisions by £126 million (2023: £125 million), compared with provisions calculated on the base case economic scenario.

Probability weightings for each scenario are reviewed quarterly to reflect economic conditions as they evolve. The probability weightings applied to the scenarios were unchanged over the year and are shown in the table below. Whilst domestic economic uncertainty has eased in the second half of the year, this has been offset by increased geopolitical risks including the ongoing conflicts in Ukraine and Gaza.

Scenario probability weighting (%)	Upside scenario	Base case scenario	Downside scenario	Severe downside scenario
4 April 2024	**10**	**45**	**30**	**15**
4 April 2023	10	45	30	15

8. Impairment charge and provisions on loans and advances to customers (continued)

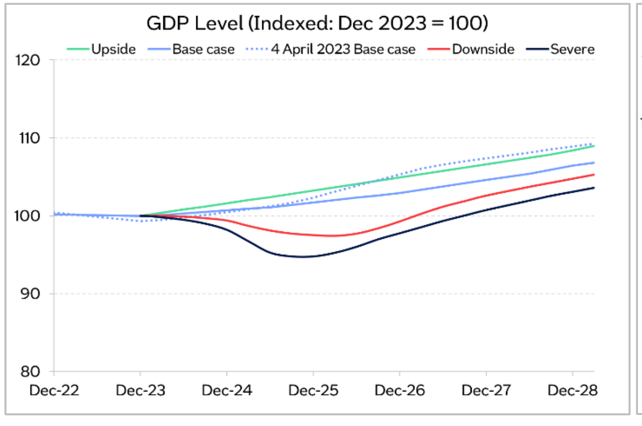
Critical accounting estimates and judgements (continued)

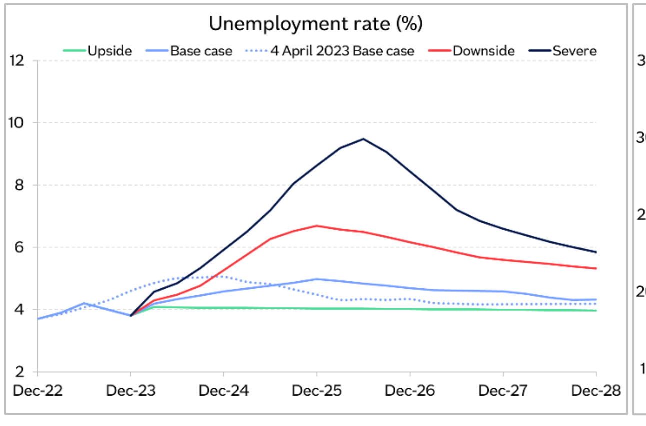
In the base case scenario at 4 April 2024, limited economic growth is forecast, with an increase in GDP of 0.7% expected in 2024. In this scenario unemployment peaks at 5.0%. By contrast, the peak unemployment in the downside scenario of 6.7% reflects a significant UK recession, whilst the severe downside scenario peak of 9.5% reflects a severe and longer-lasting economic downturn.

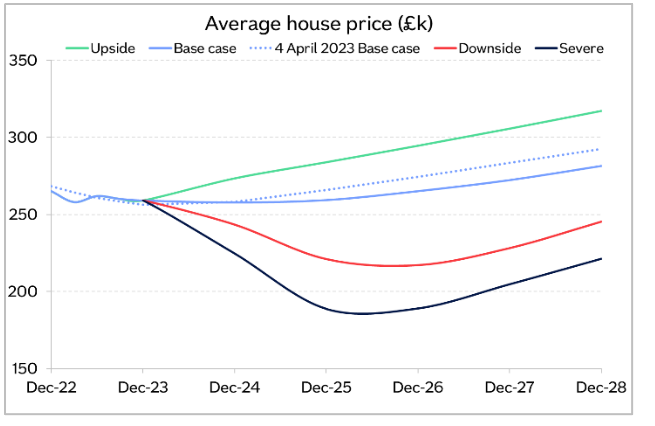
House prices are expected to remain broadly stable in the short term, with a fall in the base case scenario of 0.5% during 2024 and an increase of 0.6% during 2025. The downside scenario assumes more significant falls until 2026, driven by a deterioration in economic conditions, including an increase in unemployment, whilst the severe downside scenario includes a fall in house prices of 28% from December 2023 to the low point in early 2026. The house price forecasts used within the provision calculations cover a wide range of outcomes; the weighted average of the four scenarios represents a fall in house prices of 8% from December 2023 to early 2026.

The Bank rate is assumed to have reached a peak of 5.25% in the base case scenario, with a gradual reduction to 4.25% expected during 2024. Further reductions are expected in this scenario in both 2025 and 2026, with rates stabilising at 3%. Inflation in this scenario is expected to reduce during 2024 to 2.6% and then remain at circa 2% from 2025. In the downside scenario the Bank rate falls to 1% from 2026 onwards, reflecting that there is a significant UK recession, with a reduction in the Bank rate required to stimulate economic demand. The severe downside scenario includes a sustained high level of inflation, which leads to an increase in Bank rate to 7.5%.

The graphs below show the historical and forecasted GDP level, unemployment rate and average house price for the Group's current economic scenarios, as well as the previous base case economic scenario.







8. Impairment charge and provisions on loans and advances to customers (continued)

Critical accounting estimates and judgements (continued)

The tables below provide a summary of the values of the key UK economic variables used within the economic scenarios over the first five years of the scenario:

Economic variables	Rate/annual growth rate at December 2023-2028						5-year average (note i)	Dec-23 to peak (note ii)	Dec-23 to trough (note ii)
	Actual	Forecast							
	2023	2024	2025	2026	2027	2028			
4 April 2024	%	%	%	%	%	%	%	%	%
GDP growth									
Upside scenario	(0.2)	1.6	1.6	1.6	1.6	1.7	1.6	8.4	0.4
Base case scenario	(0.2)	0.7	1.0	1.2	1.6	1.8	1.3	6.4	0.1
Downside scenario	(0.2)	(0.6)	(1.9)	1.8	3.3	2.1	0.9	4.8	(2.6)
Severe downside scenario	(0.2)	(1.8)	(3.5)	3.1	3.0	2.3	0.6	3.1	(5.2)
HPI growth									
Upside scenario	(2.3)	5.5	3.8	3.8	3.8	3.8	4.1	22.6	0.7
Base case scenario	(2.3)	(0.5)	0.6	2.2	2.7	3.3	1.7	9.0	(1.1)
Downside scenario	(2.3)	(6.1)	(9.2)	(1.8)	5.1	7.5	(1.1)	(1.3)	(16.3)
Severe downside scenario	(2.3)	(13.3)	(16.0)	0.2	8.2	8.0	(3.1)	(2.6)	(28.3)
Unemployment									
Upside scenario	3.8	4.1	4.0	4.0	4.0	4.0	4.0	4.1	4.0
Base case scenario	3.8	4.6	5.0	4.7	4.6	4.3	4.6	5.0	4.2
Downside scenario	3.8	5.3	6.7	6.2	5.6	5.3	5.7	6.7	4.3
Severe downside scenario	3.8	5.9	8.6	8.4	6.6	5.8	7.0	9.5	4.6
Bank rate									
Upside scenario	5.3	4.8	4.0	4.0	4.0	4.0	4.2	5.3	4.0
Base case scenario	5.3	4.3	3.5	3.0	3.0	3.0	3.5	5.3	3.0
Downside scenario	5.3	5.8	3.0	1.0	1.0	1.0	2.7	6.0	1.0
Severe downside scenario	5.3	7.5	6.0	4.5	4.0	3.5	5.3	7.5	3.5
Consumer price inflation									
Upside scenario	3.9	1.7	2.0	2.0	2.0	2.0	1.9	2.3	1.4
Base case scenario	3.9	2.6	1.7	1.9	2.0	2.0	2.1	3.7	1.6
Downside scenario	3.9	2.0	0.3	1.2	1.7	2.0	1.5	4.0	0.3
Severe downside scenario	3.9	8.0	3.0	2.0	2.0	2.0	3.8	8.0	2.0

8. Impairment charge and provisions on loans and advances to customers (continued)

Critical accounting estimates and judgements (continued)

Economic variables									
	Rate/annual growth rate at December 2022-2027						5-year average (note i)	Dec-22 to peak (note ii)	Dec-22 to trough (note ii)
	Actual	Forecast							
4 April 2023	2022 %	2023 %	2024 %	2025 %	2026 %	2027 %	%	%	%
GDP growth									
Upside scenario	0.4	1.3	2.0	1.8	1.6	1.6	1.7	8.6	0.2
Base case scenario	0.4	(1.1)	1.2	1.8	2.9	2.0	1.4	7.0	(1.1)
Downside scenario	0.4	(2.9)	0.8	2.4	2.3	2.0	0.9	4.7	(3.2)
Severe downside scenario	0.4	(5.2)	2.2	3.0	2.1	1.7	0.7	3.7	(5.7)
HPI growth									
Upside scenario	6.0	0.4	3.7	3.8	3.8	3.8	3.1	16.2	(1.0)
Base case scenario	6.0	(4.5)	0.7	3.0	3.2	3.2	1.1	5.6	(4.5)
Downside scenario	6.0	(8.6)	(11.4)	2.0	6.8	4.3	(1.7)	(1.7)	(19.5)
Severe downside scenario	6.0	(21.0)	(15.8)	2.2	7.7	5.1	(5.1)	(1.7)	(33.8)
Unemployment									
Upside scenario	3.7	3.9	4.0	4.0	4.0	4.0	3.9	4.0	3.7
Base case scenario	3.7	4.6	5.0	4.5	4.3	4.2	4.5	5.0	3.9
Downside scenario	3.7	5.8	6.5	5.7	5.3	5.1	5.6	7.0	3.9
Severe downside scenario	3.7	6.6	9.4	8.0	7.0	6.4	7.5	10.0	4.2
Bank rate									
Upside scenario	3.5	4.0	3.0	3.0	3.0	3.0	3.3	4.3	3.0
Base case scenario	3.5	4.3	3.8	2.8	2.3	2.0	3.1	4.3	2.0
Downside scenario	3.5	5.0	0.5	0.1	0.1	0.5	1.5	5.0	0.1
Severe downside scenario	3.5	7.0	3.0	2.5	2.5	2.5	3.5	7.0	2.5
Consumer price inflation									
Upside scenario	10.5	1.2	1.8	2.0	2.0	2.0	2.3	8.5	1.2
Base case scenario	10.5	4.0	2.0	2.0	2.0	2.0	2.9	9.0	2.0
Downside scenario	10.5	5.0	1.5	0.5	1.5	1.9	3.0	13.0	0.3
Severe downside scenario	10.5	14.0	3.5	2.0	2.0	2.0	5.3	16.0	2.0

Notes:

i. The average rate for GDP and HPI is based on the cumulative annual growth rate over the forecast period. Average unemployment and CPI is calculated using a simple average using quarterly points.

ii. GDP growth and HPI are shown as the largest cumulative growth/fall over the forecast period. The unemployment rate and CPI is shown as the highest/lowest rate over the forecast period.

8. Impairment charge and provisions on loans and advances to customers (continued)

Critical accounting estimates and judgements (continued)

To give an indication of the sensitivity of ECLs to different economic scenarios, the table below shows the ECL if 100% weighting is applied to each scenario:

Expected credit losses under 100% weighted scenarios						Proportion of balances in stage 2 under 100% weighted scenarios					
	Upside scenario	Base case scenario	Downside scenario	Severe downside scenario	Reported provision	Upside scenario	Base case scenario	Downside scenario	Severe downside scenario	Reported stage 2	Reported stage 3 (note i)
4 April 2024	**£m**	**£m**	**£m**	**£m**	**£m**	**%**	**%**	**%**	**%**	**%**	**%**
Residential mortgages	**210**	**216**	**275**	**814**	**321**	**15.0**	**13.7**	**13.0**	**27.7**	**17.4**	**0.6**
Consumer banking – credit cards	**186**	**183**	**187**	**247**	**195**	**23.8**	**23.0**	**22.4**	**24.6**	**24.3**	**5.4**
Consumer banking – personal loans and overdrafts	**229**	**232**	**245**	**269**	**241**	**35.3**	**37.1**	**41.1**	**45.6**	**39.6**	**6.3**
Commercial lending	**24**	**24**	**24**	**24**	**24**	**5.2**	**5.2**	**5.2**	**5.2**	**5.2**	**1.3**
Total	**649**	**655**	**731**	**1,354**	**781**						
4 April 2023	£m	£m	£m	£m	£m	%	%	%	%	%	%
Residential mortgages	160	179	236	789	280	14.6	13.9	13.5	35.7	17.6	0.5
Consumer banking – credit cards	213	212	228	264	225	37.8	37.8	39.0	40.2	38.8	5.8
Consumer banking – personal loans and overdrafts	227	233	247	281	244	34.6	37.5	41.4	46.5	40.0	6.7
Commercial lending	16	16	16	17	16	3.3	3.3	3.3	3.3	3.3	0.7
Total	616	640	727	1,351	765						

Note:
i. The staging of stage 3 assets is not sensitive to economic scenarios. The reported stage 3 proportion is the same as it would be in any of the 100% weighted scenarios.

Reported ECL represents 119% (2023: 120%) of the base case scenario ECL, primarily due to the impact of increased losses in the severe downside scenario. The increased ECLs in both the downside and severe downside scenarios are the result of increased unemployment rates combined with material house price falls. The low Bank rate forecast in the downside scenario is the main driver of residential mortgage and credit cards stage 2 proportion being lower in the downside scenario than in the base case scenario. Provisions in the commercial portfolios relate primarily to a small number of higher risk loans, which are sensitive to loan-specific factors rather than economic scenarios.

The ECL for each scenario multiplied by the scenario probability will not reconcile to the reported provision. Whilst the stage allocation of loans varies in each individual scenario, each loan is allocated to a single stage in the reported provision calculation; this is based on a weighted average PD which takes into account the economic scenarios. A probability-weighted 12-month or lifetime ECL (which takes into account the economic scenarios) is then calculated based on the stage allocation.

The table below shows the sensitivity at 4 April 2024 to some of the key assumptions used within the ECL calculation:

Sensitivity to key forward-looking information assumptions	
2024	**Increase in provision £m**
Single-factor sensitivity to key economic variables	
10% decrease in house prices (HPI) at 4 April 2024 and throughout the forecast period (note i)	**27**
Sensitivity to changes in scenario probability weightings	
10% increase in the probability of the downside scenario (reducing the upside by a corresponding 10%)	**8**
5% increase in the probability of the severe downside scenario (reducing the downside by a corresponding 5%)	**31**

Note:
i. As this is a single-factor sensitivity, it should not be extrapolated due to the likely non-linear effects. The provision impact is calculated using the base case scenario and only includes the impact of a 10% decrease of house prices on LGD.

8. Impairment charge and provisions on loans and advances to customers (continued)

Critical accounting estimates and judgements (continued)

The table below shows key adjustments made in modelling provisions in relation to the significant areas of estimation uncertainty for the retail portfolios (residential mortgages and consumer banking), with further details on each provided below. There are no significant adjustments for the commercial portfolio.

Significant adjustments made in modelling provisions	4 April 2024				4 April 2023			
	Residential Mortgages	Consumer Banking		Total	Residential Mortgages	Consumer Banking		Total
		Credit cards	Personal loans and overdrafts			Credit cards	Personal loans and overdrafts	
	£m	£m	£m	£m	£m	£m	£m	£m
PD uplift for economic uncertainty	72	44	29	145	77	64	36	177
LGD uplift for property valuation risks	19	-	-	19	22	-	-	22
Total	91	44	29	164	99	64	36	199
Of which:								
Stage 1	7	6	3	16	5	4	4	13
Stage 2	76	38	26	140	89	60	30	179
Stage 3	8	-	-	8	5	-	2	7

PD uplift for economic uncertainty

Household disposable income has reduced over recent years due to a combination of high inflation and increasing mortgage interest rates, which has increased the risk that borrowers will not be able to meet their contractual repayments. In addition, model inputs relating to borrower credit quality are still benefitting from improvements to credit indicators which are expected to reverse, such as reduced levels of arrears. An adjustment is made to reflect the cumulative effect of these combined risks by increasing the PD.

At 4 April 2024, the overall PD uplift adjustment for economic uncertainty increased provisions by £145 million (2023: £177 million). During the year, a combination of wage growth and a lower rate of inflation have resulted in a reduction in the PD uplift applied for both residential mortgage and consumer banking portfolios. In the mortgage portfolio this reduction has been partially offset by the impact of uplifting the PD for an increased volume of mortgages which have switched or are expected to switch to higher interest rates. The most significant element of the PD uplift relates to the assumed increase in mortgage rates faced by borrowers over the next two years. If mortgage rates were to increase by 1% above current assumptions this would increase residential mortgage provisions by £18 million.

The uplift in PD has resulted in loans breaching existing quantitative criteria for transfer to stage 2. This has resulted in approximately £12.8 billion (2023: £16.6 billion) of residential mortgages and £473 million (2023: £585 million) of consumer banking balances moving from stage 1 to stage 2.

LGD uplift for property valuation risks

An adjustment is made to reflect the property valuation risk associated with flats, originally driven by risks for properties subject to fire safety issues such as unsuitable cladding. We continue to hold an adjustment to provisions for this segment of the market whilst there is insufficient evidence of a recovery in the value of affected properties. This adjustment increased provisions by £19 million (2023: £22 million).

9. Taxation

Tax charge in the income statement	2024 £m	2023 £m
Current tax:		
UK corporation tax	483	565
Adjustments in respect of prior years	(28)	17
Total current tax	455	582
Deferred tax:		
Current year (credit)/charge	(3)	(4)
Adjustments in respect of prior years	24	(13)
Total deferred taxation	21	(17)
Tax charge	**476**	565

The actual tax charge differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK as follows:

Reconciliation of tax charge	2024 £m	2023 £m
Profit before tax:	1,776	2,229
Tax calculated at a tax rate of 25% (2023: 19%)	444	424
Adjustments in respect of prior years	(4)	4
Tax credit on distribution to the holders of Additional Tier 1 capital	(20)	(15)
Banking surcharge	41	145
Temporary differences where no deferred tax is recognised	-	1
Expenses not deductible for tax purposes/(income not taxable):		
Depreciation on non-qualifying assets	2	2
Bank levy	3	4
Customer redress	4	(2)
Dividend income	-	-
Other	6	-
Effect of deferred tax provided at different tax rates	-	2
Tax charge	**476**	565

10. Loans and advances to customers

	2024						2023					
	Loans held at amortised cost				Loans held at FVTPL	Total	Loans held at amortised cost				Loans held at FVTPL	Total
	Gross	Provisions	Other (note i)	Total			Gross	Provisions	Other (note i)	Total		
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Owner-occupied mortgages	160,941	(90)	-	160,851	40	160,891	157,511	(84)	-	157,427	47	157,474
Buy to let and legacy residential mortgages	43,486	(231)	-	43,255	-	43,255	44,104	(196)	-	43,908	-	43,908
Consumer banking	4,263	(436)	-	3,827	-	3,827	4,408	(469)	-	3,939	-	3,939
Commercial lending	5,139	(24)	350	5,465	2	5,467	4,994	(16)	430	5,408	53	5,461
Total	213,829	(781)	350	213,398	42	213,440	211,017	(765)	430	210,682	100	210,782

Note:
i. ‘Other’ represents a fair value adjustment for micro hedged risk for commercial loans that were previously hedged on an individual basis. The hedge relationships have been discontinued and the balances are being amortised over the remaining life of the loans.

The tables below summarise the movements in, and stage allocations of, gross loans and advances to customers held at amortised cost, including the impact of ECL impairment provisions and excluding the fair value adjustment for micro hedged risk. Residential mortgages represent the majority of the Group’s loans and advances to customers. Additional tables summarising the movements for the Group’s residential mortgages and consumer banking are presented in the Credit risk section of the Risk report.

The basis of preparation for this note has been updated. Previously, the tables were presented on a gross basis, with the reported values representing an aggregation of monthly movements over the period. To present more directly the change in credit quality compared to the previous reporting period, the tables are now prepared on a net basis. The movements within the tables compare the position at 4 April to that at the start of the reporting period. The comparative tables have been restated to also be presented on a net basis. Further detail on the methodology is included within the footnotes to the tables.

The reasons for key movements for the year ended 4 April 2024 were as follows:

- Gross balances increased, due to £27,219 million of new lending offset by £24,280 million of repayments and redemptions. The majority of these movements relate to residential mortgages.
- Write-offs decreased to £106 million, comprising £89 million relating to consumer banking, £8 million to residential mortgages and £9 million to commercial lending.
- Impairment provisions increased by £16 million in the period to £781 million. Further detail on impairment provisions by portfolio is shown in note 8 to the consolidated financial statements.

10. Loans and advances to customers (continued)

Reconciliation of net movements in balances and impairment provisions

	Non-credit impaired				Credit impaired (note i)			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Stage 1		Stage 2		Stage 3 and POCI			
	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2023	172,058	50	37,457	410	1,502	305	211,017	765
Stage transfers:								
Transfers from stage 1 to stage 2	(16,072)	(3)	16,072	3	-	-	-	-
Transfers to stage 3	(162)	(1)	(612)	(40)	774	41	-	-
Transfers from stage 2 to stage 1	13,432	100	(13,432)	(100)	-	-	-	-
Transfers from stage 3	76	1	176	10	(252)	(11)	-	-
Net remeasurement of ECL arising from transfer of stage		(82)		102		82		102
Net movement arising from transfer of stage (note ii)	(2,726)	15	2,204	(25)	522	112	-	102
New assets originated or purchased (note iii)	25,526	12	1,681	39	12	7	27,219	58
Net impact of further lending and repayments (note iv)	(7,785)	(15)	(769)	(26)	(5)	2	(8,559)	(39)
Changes in risk parameters in relation to credit quality (note v)	-	(3)	-	3	-	37	-	37
Other items impacting income statement (including recoveries)	-	-	-	-	-	(10)	-	(10)
Redemptions (note vi)	(12,213)	(5)	(3,270)	(20)	(238)	(11)	(15,721)	(36)
Income statement charge for the year								112
Decrease due to write-offs	-	-	-	-	(127)	(106)	(127)	(106)
Other provision movements	-	-	-	-	-	10	-	10
At 4 April 2024	174,860	54	37,303	381	1,666	346	213,829	781
Net carrying amount		174,806		36,922		1,320		213,048

10. Loans and advances to customers (continued)

Reconciliation of net movements in balances and impairment provisions								
	Non-credit impaired				Credit impaired (note i)			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Stage 1		Stage 2		Stage 3 and POCI			
	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2022	188,130	48	18,326	380	1,691	318	208,147	746
Stage transfers:								
Transfers from stage 1 to stage 2	(24,049)	(7)	24,049	7	-	-	-	-
Transfers to stage 3	(229)	(1)	(392)	(39)	621	40	-	-
Transfers from stage 2 to stage 1	4,956	68	(4,956)	(68)	-	-	-	-
Transfers from stage 3	134	1	277	9	(411)	(10)	-	-
Net remeasurement of ECL arising from transfer of stage		(57)		114		63		120
Net movement arising from transfer of stage (note ii)	(19,188)	4	18,978	23	210	93	-	120
New assets originated or purchased (note iii)	31,085	15	2,842	50	14	6	33,941	71
Net impact of further lending and repayments (note iv)	(8,018)	(13)	(834)	(27)	(26)	(4)	(8,878)	(44)
Changes in risk parameters in relation to credit quality (note v)	-	2	-	7	-	22	-	31
Other items impacting income statement (including recoveries)	-	-	-	-	-	(10)	-	(10)
Redemptions (note vi)	(19,951)	(6)	(1,855)	(23)	(255)	(13)	(22,061)	(42)
Income statement charge for the year								126
Decrease due to write-offs	-	-	-	-	(132)	(117)	(132)	(117)
Other provision movements	-	-	-	-	-	10	-	10
At 4 April 2023	172,058	50	37,457	410	1,502	305	211,017	765
Net carrying amount		172,008		37,047		1,197		210,252

Notes:

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

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

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

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

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

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

10. Loans and advances to customers (continued)

Asset backed funding

Certain owner-occupied mortgages have been pledged to the Group's asset backed funding programmes or utilised as whole mortgage loan pools for TFSME and other short-term liquidity facilities. The programmes have enabled the Group to obtain secured funding. Mortgages pledged and the carrying values of the notes in issue are as follows:

Mortgages pledged to asset backed funding programmes	2024					2023				
		Notes in issue					Notes in issue			
	Mortgages pledged (note i)	Held by third parties (note ii)	Held by the Group: Drawn (note iii)	Held by the Group: Undrawn (note iv)	Total notes in issue	Mortgages pledged (note i)	Held by third parties (note ii)	Held by the Group: Drawn (note iii)	Held by the Group: Undrawn (note iv)	Total notes in issue
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Covered bond programme	23,581	14,955	-	-	14,955	20,253	13,496	-	-	13,496
Securitisation programme	7,321	1,984	-	3,651	5,635	8,705	2,535	-	2,632	5,167
Whole mortgage loan pools	12,000	-	9,254	-	9,254	23,045	-	17,166	-	17,166
Total	42,902	16,939	9,254	3,651	29,844	52,003	16,031	17,166	2,632	35,829

Notes:
i. Mortgages pledged include £6.3 billion (2023: £6.6 billion) in the covered bond and securitisation programmes that are in excess of the amount contractually required to support notes in issue.
ii. Notes in issue which are held by third parties are included within debt securities in issue.
iii. Notes in issue, held by the Group and drawn, are whole mortgage loan pools securing amounts drawn with the BoE under the TFSME.
iv. Notes in issue, held by the Group and undrawn, are debt securities issued by the programmes to the Group..

Mortgages pledged under the Nationwide Covered Bond programme provide security for issues of covered bonds made by the Group.

The securitisation programme notes are issued by Silverstone Master Issuer plc and are not included in the accounts of the Group. Silverstone Master Issuer plc is fully consolidated into the accounts of the Group. The issuance proceeds are used to purchase, for the benefit of note holders, a share of the beneficial interest in the mortgages pledged by the Group. The remaining beneficial interest in the pledged mortgages of £1.4 billion (2023: £3.4 billion) stays with the Group and includes its required minimum seller share in accordance with the rules of the programme. The Group is under no obligation to support losses incurred by the programme or holders of the notes and does not intend to provide such further support. The entitlement of note holders is restricted to payment of principal and interest to the extent that the resources of the programme are sufficient to support such payment and the holders of the notes have agreed not to seek recourse in any other form.

11. Subordinated liabilities and subscribed capital

	2024	2023
	£m	£m
Subordinated liabilities		
Senior non-preferred notes and Tier 2 eligible subordinated notes	**7,525**	7,052
Fair value hedge accounting adjustments	**(287)**	(281)
Unamortised premiums and issue costs	**(13)**	(16)
Total	**7,225**	6,755
Subscribed capital		
Permanent interest-bearing shares	**174**	173
Fair value hedge accounting adjustments	**-**	1
Unamortised premiums and issue costs	**(1)**	(1)
Total	**173**	173

Senior non-preferred notes are a class of subordinated liability which rank equally with each other and behind the claims against the Group of all depositors, creditors and investing members other than holders of Tier 2 eligible subordinated notes, permanent interest-bearing shares (PIBS), Additional Tier 1 (AT1) instruments and core capital deferred shares (CCDS). Senior non-preferred notes contribute to meeting the Group's minimum requirement for own funds and eligible liabilities (MREL) and loss absorbing requirements.

The Tier 2 eligible subordinated notes rank equally with each other and ahead of claims against the Group of holders of PIBS, AT1 instruments and CCDS.

PIBS rank equally with each other. They are deferred shares of the Group and rank behind the claims against the Group of all noteholders, depositors, creditors and investing members of the Group, other than the holders of AT1 and CCDS instruments.

12. Provisions for liabilities and charges

	Customer redress	Legal and regulatory	Other provisions	Total
	£m	£m	£m	£m
At 5 April 2023	40	1	41	82
Charge for the year	**28**	**99**	**32**	**159**
Release for the year	**-**	**-**	**(7)**	**(7)**
Net income statement charge (note i)	**28**	**99**	**25**	**152**
Provisions utilised	**(44)**	**(3)**	**(38)**	**(85)**
At 4 April 2024	**24**	**97**	**28**	**149**

Note:
i. The net income statement charges relating to customer redress and legal and regulatory provisions are included in provisions for liabilities and charges. The net income statement charge relating to other provisions is included in administrative expenses.

Customer redress

During the course of its business, the Group receives complaints from customers in relation to past sales or ongoing administration and is subject to enquiries from regulators or other public bodies, including the Financial Ombudsman Service, on a range of customer-related matters. In addition, the Group may identify through its own investigations matters which require customer redress.

Consideration of these matters may result in a provision, a contingent liability or both, depending upon relevant facts and circumstances. No provision is made where it is concluded that it is not probable that a quantifiable payment will be made; this will include circumstances where the facts are unclear or further time is required to reasonably quantify the expected payment.

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

Whilst there is uncertainty as to the timing of the utilisation of customer redress provisions, the Group expects the majority to have been utilised within the next year.

Legal and regulatory provisions

The Group is also subject to enquiries from, and discussions with, its regulators and other government bodies, including tax authorities, on a range of matters, and may be engaged in legal proceedings in the course of its business.

Provisions of £99 million have been recognised for such matters during the year. The matter to which this provision relates is the subject of ongoing litigation commenced by the Group against Allen & Overy and Bank of New York Mellon, and the Group expects to recover significant amounts from the defendants. No such amounts have been recognised as at the balance sheet date on the basis that these are not yet considered to be virtually certain of receipt.

The Group does not disclose further information in the case of matters subject to active legal proceedings where such disclosure could be seriously prejudicial to the conduct of the claims.

Whilst there is uncertainty as to the timing of the utilisation of provisions, the Group expects the majority to have been utilised within the next two years.

12. Provisions for liabilities and charges (continued)

Other provisions

Other provisions include amounts for property-related provisions, severance costs and expected credit losses on irrevocable personal loan and mortgage lending commitments. A charge of £25 million was recognised for these items in the year ended 4 April 2024.

Whilst there is uncertainty as to the timing of the utilisation of provisions, the Group expects the majority to have been utilised within the next two years.

13. Contingent liabilities

During the ordinary course of business, the Group may be subject to complaints, disputes and threatened or actual legal proceedings brought by or on behalf of current or former employees, customers, investors or other third parties. The Group may also be subject to legal and regulatory reviews, challenges, investigations and enforcement actions which may result in, among other things, actions being taken by governmental, tax and regulatory authorities, increased costs being incurred in relation to remediation of systems and controls, or fines. Any such material cases are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of incurring a liability and any ability to recover any losses in future periods.

In those instances where it is concluded that it is not yet probable that a quantifiable payment will be made, for example because the facts are unclear or further time is required to fully assess the merits of the case or to reasonably quantify the expected payment, no provision is made. Provision has also not been made for certain contingent liabilities relating to existing provisions for legal matters disclosed in note 12, where the existence of a possible obligation will only be confirmed by the occurrence or non-occurrence of certain future events which are outside of the control of the Group.

The Group does not disclose amounts in relation to contingent liabilities associated with such claims where the likelihood of any payment is remote or where, in the case of matters subject to active legal proceedings, such disclosure could be seriously prejudicial to the conduct of the claims.

The FCA is undertaking an investigation of the Group's compliance with UK money laundering regulations and the FCA's rules and Principles for Businesses in an enquiry focused on aspects of the Group's anti-money laundering control framework. The Group is co-operating with the investigation, which remains ongoing. The Group has not disclosed an estimate of any potential financial impact arising from this matter as it is not currently practicable to do so.

Apart from the matters disclosed, the Group does not expect the ultimate resolution of any current complaints, disputes, threatened or actual legal proceedings, regulatory or other matters to have a material adverse impact on its financial position. However, in light of the uncertainties involved in such matters there can be no assurance that the outcome of a particular matter or matters may not ultimately be material to the Group's results.

14. Retirement benefit obligations

The Group operates two defined contribution pension schemes in the UK – the Nationwide Group Personal Pension Plan (GPP) and the Nationwide Temporary Workers Pension Scheme. New employees are automatically enrolled into one of these schemes. Outside of the UK, there is a defined contribution pension scheme for a small number of employees in the Isle of Man.

The Group also has funding obligations to several defined benefit pension schemes, which are administered by boards of trustees. Pension trustees are required by law to act in the interests of all relevant beneficiaries and are responsible for the investment policy of fund assets, as well as the day-to-day administration. The Group's largest pension scheme is the Nationwide Pension Fund (the Fund). This is a defined benefit pension scheme, with both final salary and career average revalued earnings (CARE) sections. The Fund was closed to new entrants in 2007 and since that date employees have been able to join the GPP. The Fund was closed to future accrual on 31 March 2021.

In line with UK pensions legislation, a formal actuarial valuation ('Triennial Valuation') of the assets and liabilities of the Fund is carried out at least every three years by independent actuaries. The main differences between the assumptions used for assessing defined benefit liabilities for purposes of the actuarial funding valuation and those used for accounting under IAS 19 'Employee Benefits' are that the financial and demographic assumptions used for the funding valuation are generally more prudent than those used for the IAS 19 valuation. As the 31 March 2022 Triennial Valuation indicated a funding surplus, a recovery plan requiring employer deficit contributions was not needed.

In November 2020, Nationwide and the Trustee of the Fund entered into an arrangement whereby Nationwide agreed to provide a contingent asset in the form of self-issued Silverstone notes to provide additional security to the Fund. The Fund would have access to these notes in the case of certain events such as insolvency of Nationwide.

Further information on the Group's obligations to defined benefit pension schemes is set out below.

Defined benefit pension schemes

Retirement benefit obligations on the balance sheet		
	2024	2023
	£m	£m
Fair value of fund assets	**4,679**	5,281
Present value of funded obligations	**(4,069)**	(4,331)
Present value of unfunded obligations	**(3)**	(4)
Surplus at 4 April	**607**	946

Most members of the Fund can draw their pension when they reach the Fund's retirement age of 65. The methodologies for calculating the level of pension benefits accrued before 1 April 2011 varied; however, most were based on 1/54th of final salary for each year of service. Pension benefits accrued after 1 April 2011 until 31 March 2021 were usually based on 1/60th of average earnings, revalued to the age of retirement, for each year of service (also called CARE). From 1 April 2021, members moved from active to deferred status, with future indexation of deferred pensions before retirement measured by reference to the Consumer Price Index (CPI). On the death of a Fund member, benefits may be payable in the form of a spouse/dependant's pension, lump sum (paid within five years of a Fund member beginning to take their pension), or refund of Fund member contributions.

14. Retirement benefit obligations (continued)

Approximately 56% (2023: 57%) of the Fund's pension obligations relate to deferred Fund members (current and former employees not yet drawing their pension) and 44% (2023: 43%) to current pensioners and dependants. The weighted average duration of the Fund's overall pension obligation is approximately 16 years (2023: 16 years), reflecting an average duration of 19 years for deferred members and 11 years for current pensioners.

The Group's retirement benefit obligations include a deficit of less than £1 million (2023: £1 million) recognised in a subsidiary company, Nationwide (Isle of Man) Limited. This obligation relates to a defined benefit scheme providing benefits based on both final salary and CARE, which was closed to new entrants in 2009. The Group's retirement benefit obligations also include £3 million (2023: £4 million) in respect of unfunded legacy defined benefit arrangements.

Changes in the present value of the net defined benefit asset (including unfunded obligations) are as follows:

Movements in net defined benefit asset		
	2024	2023
	£m	£m
At 5 April	946	1,008
Interest on net defined benefit asset	**44**	26
Return on assets less than discount rate (note i)	**(684)**	(2,144)
Contributions by employer	**1**	1
Administrative expenses	**(4)**	(4)
Actuarial gains on defined benefit obligations (note i)	**304**	2,059
At 4 April	**607**	946

Note:
i. The net impact before tax on the surplus of return on assets and actuarial gains is a decrease of £380 million (2023: £85 million) in other comprehensive income.

The £684 million (2023: £2,144 million) loss relating to the return on assets being less than the discount rate is driven by decreases in value of the Fund's liability matching assets due to increases in interest rates in the period.

As the Fund is closed to future accrual, there have been no current service costs, past service costs or employer contributions made in respect of future benefit accrual during the current or prior year. Additionally, there have been no employer deficit contributions required into the Fund and there are no such contributions scheduled in the year ending 4 April 2025 or future years under the current Schedule of Contributions. Employer deficit contributions of £1 million (2023: £1 million) were made in respect of the Group's defined benefit scheme in its Nationwide (Isle of Man) Limited subsidiary.

The £304 million (2023: £2,059 million) actuarial gain on defined benefit obligations is due to:

- A £215 million (2023: £2,175 million) gain from changes in financial assumptions, driven by a 0.30% increase in the discount rate (which decreases the value of liabilities), in addition to a 0.05% decrease in assumed Retail Price Index (RPI) inflation (which also decreases the value of the liabilities).
- A £75 million (2023: £22 million) gain arising from the impacts of updates to demographic assumptions and applying the latest industry views for future longevity improvements.
- An experience gain of £14 million (2023: £138 million loss) primarily reflecting the difference between estimates of long-term inflation compared to actual inflation.

14. Retirement benefit obligations (continued)

The principal actuarial assumptions used are as follows:

Financial assumptions	2024 %	2023 %
Discount rate	**4.95**	4.65
Future pension increases (maximum 5%)	**3.00**	3.05
Retail Price Index (RPI) inflation	**3.10**	3.15
Consumer price index (CPI) inflation	**2.50**	2.50

Life expectancy assumptions	2024 years	2023 years
Age 60 at 4 April 2024:		
Males	**27.0**	27.1
Females	**28.5**	28.7
Age 60 at 4 April 2044:		
Males	**28.0**	28.1
Females	**29.8**	30.0

The assumptions for mortality rates are based on standard mortality tables which allow for future improvements in life expectancy and are adjusted to represent the Fund's membership. The assumptions made are illustrated in the table above, showing how long the Group would expect the average Fund member to live for after the age of 60, based on reaching that age at 4 April 2024 or in 20 years' time at 4 April 2044.

Critical accounting estimates and judgements

The key assumptions used to calculate the defined benefit obligation which represent significant sources of estimation uncertainty are the discount rate, inflation assumptions and mortality assumptions. If different assumptions were used, this could have a material effect on the reported surplus. The sensitivity of the results to these assumptions is shown below:

Change in key assumptions at 4 April 2024	Increase in defined benefit obligation £m
1.0% decrease in discount rate	**687**
0.1% increase in inflation assumption	**33**
1 year increase in life expectancy at age 60 in respect of all members	**89**

The above sensitivities apply to individual assumptions in isolation. In practice, changes to individual assumptions in isolation are unlikely to occur, and changes in some of the assumptions may be correlated. The inflation assumption sensitivity includes the impact on the rate of increases to pensions, both before and after retirement.

15. Core capital deferred shares

	Number of shares	CCDS	Share premium	Treasury share reserve	Total
		£m	£m	£m	£m
At 4 April 2023 (note i)	9,779,892	11	1,323	(101)	1,233
CCDS repurchased and retained	**(657,547)**	**-**	**-**	**(76)**	**(76)**
At 4 April 2024 (note i)	**9,122,345**	**11**	**1,323**	**(177)**	**1,157**

Note:

i. The total number of shares outstanding at 4 April 2024 is 10,555,500 (2023: 10,555,500) which includes 1,433,155 (2023: 775,608) shares repurchased and retained by the Group.

Core capital deferred shares (CCDS) are a form of Common Equity Tier 1 (CET1) capital which has been developed to enable the Group to raise capital from the capital markets. CCDS are perpetual instruments. They rank equally to each other and are junior to claims against the Group of all depositors, creditors and investing members. Each holder of CCDS has one vote, regardless of the number of CCDS held.

In the event of a winding up or dissolution of the Group and if a surplus was available, the amount that the investor would receive for each CCDS held is limited to the average principal amount in issue, which is currently £126.39 per share.

In the financial year ended 4 April 2024, the Group repurchased 657,547 (6.2% of the issued shares) of £1 CCDS at £114.42 per share. The repurchased CCDS were not cancelled, instead being retained by the Group. The gross cost of the repurchase of £76 million has been presented within the treasury share reserve in the table above.

There is a cap on the distributions that can be paid to holders of CCDS in any financial year. The cap is currently set at £20.34 per share and is adjusted annually in line with CPI. A final distribution of £50 million (£5.125 per share) for the financial year ended 4 April 2023 was paid on 20 June 2023 and an interim distribution of £47 million (£5.125 per share) in respect of the period to 30 September 2023 was paid on 20 December 2023. These distributions have been recognised in the statement of movements in members' interests and equity.

Since the balance sheet date, the directors have declared a distribution of £5.125 per share in respect of the period to 4 April 2024, amounting in aggregate to £47 million. This has not been reflected in these consolidated financial statements as it will be recognised in the year ending 4 April 2025, by reference to the date at which it was declared.

16. Other equity instruments

				2024	2023
	Issuance date	Next reset date	Reset rate	£m	£m
5.875% Additional Tier 1	17 September 2019	20 June 2025	Benchmark gilts + 5.39%	600	600
5.75% Additional Tier 1	10 June 2020	20 December 2027	Benchmark gilts + 5.625%	750	750
				1,350	1,350
Issuance costs				(14)	(14)
Total				1,336	1,336

Other equity instruments are Additional Tier 1 (AT1) capital instruments. The AT1 instruments rank equally to each other and are junior to claims against the Group of all depositors, creditors and investing members, other than the holders of CCDS.

The AT1 instruments pay a fully discretionary, non-cumulative fixed rate of interest. Coupons are paid semi-annually in June and December. AT1 instruments have no maturity date but are repayable at the option of the Group from the first reset date, and on every fifth reset date anniversary thereafter. If they are not repaid the interest rate resets at the rates shown in the table above.

If the fully loaded CET1 ratio for the Group, on either a consolidated or unconsolidated basis, falls below 7% the AT1 instruments convert to CCDS instruments at the rate of one CCDS share for every £100 of AT1 holding.

Interest payments totalling £78 million were made in the year ended 4 April 2024 (2023: £78 million), representing the maximum non-cumulative fixed coupon amounts. These payments have been recognised in the statement of movements in member's interest and equity. A coupon payment of £39 million is expected to be paid on 20 June 2024 and will be recognised in the statement of movements in members' interests and equity in the year ending 4 April 2025.

17. Events after the balance sheet date

On 21 March 2024, the Group announced a binding offer to acquire the outstanding shares of Virgin Money UK plc for £2.9 billion. On 22 May 2024, the offer was approved in a vote by Virgin Money UK plc shareholders.

Completion of the acquisition is contingent upon a number of factors, including receipt of requisite regulatory approvals. As the acquisition has not yet completed, there is no impact to the Group's consolidated financial statements for the year ended 4 April 2024.

On 22 May 2024, the Board approved a Nationwide Fairer Share Payment to be made to certain eligible members in June 2024, amounting to approximately £385 million in total. This has not been reflected in these consolidated financial statements as it will be recognised in the year ending 4 April 2025, by reference to the date at which it was announced.

Responsibility statement

The directors confirm that the consolidated financial statements, prepared in accordance with international accounting standards which have been adopted for use within the UK, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the Disclosure Guidance and Transparency Rules (DTR 4.1.12). The Chief Executive's review and the Financial review together include a fair review of the development and performance of the business of the Group, and taken together with the primary financial statements, supporting notes and the Risk report provide a description of the principal risks and uncertainties faced.

A full list of the board of directors will be disclosed in the Annual Report and Accounts 2024.

Signed on behalf of the Board by

Chris Rhodes
Chief Financial Officer

22 May 2024

Other information

The financial information set out in this announcement which was approved by the Board on 22 May 2024 does not constitute statutory accounts within the meaning of the Building Societies Act 1986.

The Annual Report and Accounts 2023 have been filed with the Financial Conduct Authority and the Prudential Regulation Authority. The Annual Report and Accounts 2024 will be published on the website of Nationwide Building Society, **nationwide.co.uk** The report of the auditor on those accounts is unqualified and did not draw attention to any matters by way of emphasis. The Annual Report and Accounts 2024 will be lodged with the Financial Conduct Authority and the Prudential Regulation Authority following publication.

A copy of this Preliminary report is placed on the website of Nationwide Building Society, **nationwide.co.uk** from 23 May 2024. The directors are responsible for the maintenance and integrity of information on the Society's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Contacts

Media queries:

Sara Batchelor
Mobile: +44 (0)7785 344 137
Sara.Batchelor@nationwide.co.uk

Eden Black
Mobile: +44 (0)7793 596 317
Eden.Black@nationwide.co.uk

Investor queries:

Sarah Abercrombie
Mobile: +44 (0)7587 886 500
Sarah.Abercrombie@nationwide.co.uk

Vikas Sidhu
Mobile: +44 (0)7738 273 287
Vikas.Sidhu@nationwide.co.uk