RAF
Public Disclosure 2024

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1. INTRODUCTION

The 2007/8 financial crisis highlighted the importance of both firms and regulators being prepared to respond effectively to unforeseen severe stress events, given the disruptive and costly nature of disorderly bank failures observed through this time. As part of the commitment by the Bank of England (BoE) to protect financial stability and ensure that all banks[1] are resolvable in the event they experience future financial distress, a regulatory Resolvability Assessment Framework (RAF)[2] has been developed. This framework ensures that in the event of a future crisis, banks can be allowed to fail in a way that provides for the continued operation of important banking services, while they are recapitalised and restructured, in order to protect financial stability and without exposing public funds to loss (more details of this framework can be found in section 2).

Who is required to file resolution plans?

The Resolvability Assessment Framework (RAF) applies to UK firms notified by the BoE that their preferred resolution strategy is bail-in or partial-transfer and material subsidiaries of overseas-based firms operating in the UK. It makes firms responsible for demonstrating their readiness for resolution.

Why is the strategy referred to as "single point of entry bail-in"

"Bail-In" means that eligible liabilities would be converted to equity to recapitalise Nationwide, and SPE means that this recapitalisation would be performed at the Group parent level only.

In Section 3, we provide information on Nationwide's business model and operational structure, and in Section 4, we provide details of the BoE's resolution strategy for Nationwide, which has been identified as single point-of-entry (SPE) bail-in.

Our capital and liquidity ratios position us well above regulatory minima, making the likelihood of Nationwide entering resolution highly unlikely.

Even so, in recent years, we have invested significant time and resources into our resolution planning capabilities, ensuring that, while the execution of any resolution strategy is at the discretion of the BoE, we could support and enable a resolution should Nationwide become severely financially distressed.

These resolution capabilities, which are designed to ensure we are compliant with the RAF have been delivered by subject matter experts across Nationwide, co-ordinated by the Recovery and Resolution team in Treasury on behalf of the Chief Financial Officer (CFO) and approved by Nationwide's Board Risk Committee under mandate from the Board. Ongoing maintenance and testing of the capabilities developed remains a high priority for Nationwide. More details are included within sections 5-8.

[1] The term "bank" in this document will refer to banks and building societies that are within scope of the BoE's resolvability guidance

[2] Bank of England's Approach to Assessing Resolvability, available at: www.bankofengland.co.uk

Nationwide is pleased to present this summary of how we have prepared for, and could support the BoE in, executing a SPE resolution strategy. This report is published in compliance with the requirements of the UK Prudential Regulation Authority (PRA).[3]

The BoE made a public statement on 6 August 2024 which included its assessment of Nationwide's resolvability, alongside its industry perspective. Nationwide will continue to work with the BoE in its efforts to maintain the stability and soundness of the UK financial system.

ASSUMPTIONS AND BASIS OF PREPARATION

This document is based on Nationwide's current business operations and capability as well as certain assumptions, about the environment that may lead to a resolution event, and the actions that would be taken in response to that environment. Although Nationwide believes the responses to these assumptions are accurate and reasonable, Nationwide can give no assurance that these activities or these assumptions will be an actual reflection of what might happen in practice. By their nature, all of the planned actions and assumptions will involve uncertainty because they relate to future events and circumstances which are beyond the control and knowledge of Nationwide.

Any action taken in actual resolution may differ from the stated planned courses of action. Due to this uncertainty, and that any actual resolution of Nationwide is considered unlikely, readers should not place reliance on the assumptions, plans or anything else which is contained in this document being carried out exactly as documented. Other than as required to do so when published on a biennial basis, Nationwide is under no obligation to update this disclosure document for any changes to the planned activity or assumptions whether as a result of new business developments, future information, future events or otherwise.

This document does not constitute or form part of an offer of securities for sale in the United States or any other jurisdiction. 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 financial statements.

[3] SS4/19 Resolution assessment and public disclosure by firms, May 2021, available at: www.bankofengland.co.uk

2. ABOUT THE UK RESOLUTION FRAMEWORK AND THIS REPORT

2.1 The purpose of resolution

The 2007/8 financial crisis highlighted the importance of both firms and regulators being prepared to respond effectively to unforeseen severe stress events, given the disruptive and costly nature of disorderly bank failures observed through this time. As part of the subsequent global regulatory reforms, regulators have called on large, systemically important financial institutions to develop recovery plans in the first instance, for restoring their capital and liquidity during times of severe stress. However, if recovery plans are not successful, banks should also be allowed to fail. In such an event, regulators require that firms should be able to fail in an orderly way reducing risks to depositors, the financial system and public finances.

The BoE describes resolution in the following way[4]:

Resolution is a way to manage the failure of a bank, building society, or central counterparty. We use it to minimise the impact on depositors, the financial system, and public finances. Using resolution to manage failure in an orderly way, allows us to:

- Maintain critical functions,
- Protect public money,
- Protect financial stability.

2.2 The UK Resolution Framework

The BoE, as the regulatory authority with responsibility for resolution of banking groups and building societies in the UK, has at its disposal several so-called 'stabilisation options' provided for under the Banking Act 2009, which can be exercised individually or in combination. These are outlined in the box below:

- the bail-in of eligible liabilities (including issued debt) in order to recapitalise the entity or the group;
- a sale of the entity either to a private sector purchaser, most likely another banking group, or a publicly-owned 'bridge company';
- a sale of some or all of the group's business to another industry participant; and
- as a last resort, temporary public ownership of the entity or the group.

On the Resolution section of their website, the BoE has published a range of materials which discuss the UK's resolution framework and how the BoE might conduct a resolution[5].

[4] Bank of England Resolution page, available at: https://www.bankofengland.co.uk/financial-stability/resolution

[5] The Bank of England's approach to resolution, available at: www.bankofengland.co.uk

2.3 A commitment to resolvability

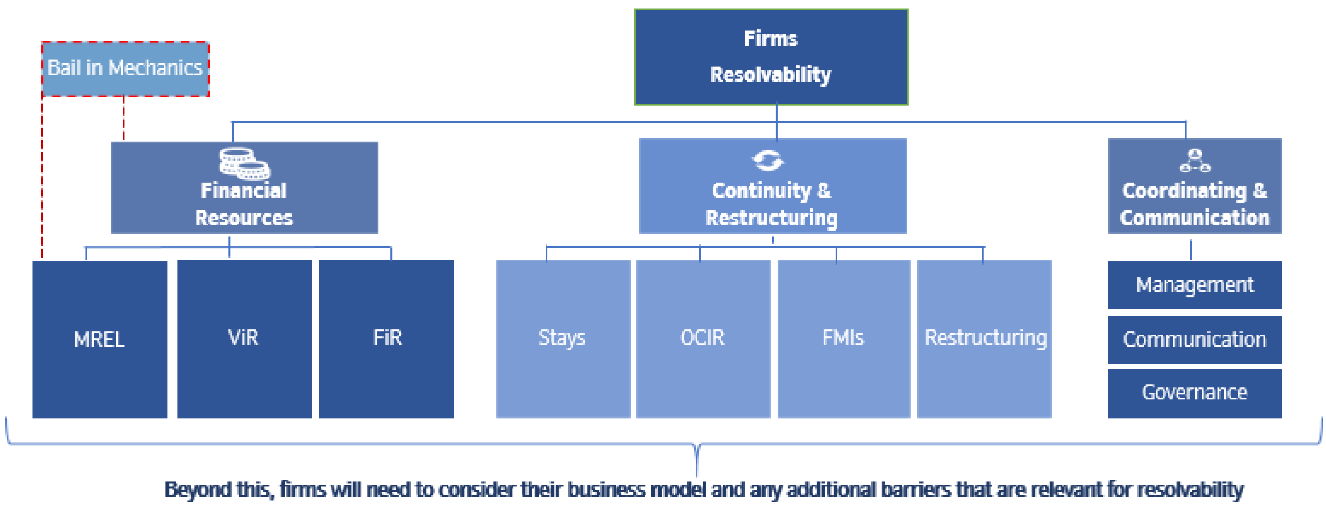
In April 2017, the BoE committed to UK parliament that the major UK banking groups would be resolvable by 2022. Since that time, the BoE has developed its views on what it means for a bank to be resolvable, identified a number of potential barriers to resolution and developed policy expectations aimed to ensure such barriers are removed, or substantially mitigated.

For a bank or building society to be resolvable, in the view of the BoE, it must be able to meet the following three resolvability outcomes:

1. have adequate financial resources available to absorb losses and recapitalise the institution, without recourse to public funds, in a resolution context;
2. be able to continue to do business through resolution and restructuring; and
3. be able to coordinate and communicate effectively within the firm and with the authorities and markets so that resolution and subsequent restructuring are orderly.

The BoE has identified eight generic barriers to resolvability, which could prevent the three outcomes listed above from being achieved, although firms must also consider other impediments. It has published policy principles for firms to support the development of capabilities to overcome these barriers:

- adequacy of minimum requirements for own funds and eligible liabilities (MREL);
- capability to conduct accurate and timely valuations of assets and liabilities in resolution (ViR);
- access to funding in resolution (FiR);
- the risk of early termination of financial contracts (Stays);
- ensuring operational continuity in resolution (OCiR);
- ensuring continuity of access to financial market infrastructures (FMIs);
- identification, development and execution of post-stabilisation restructuring options; and
- effectiveness and timeliness of management, governance and communications in resolution.



Since its last Public Disclosures in 2022 Nationwide has continued to enhance and embed its Resolvability framework to mitigate these identified barriers, particularly where such barriers might in practice constitute an impediment to a credible execution of its SPE resolution strategy. See section 5 for a description of the steps taken to date. We have not identified any other barriers to resolution, although note that Nationwide's status as a building society means that for the bail-in mechanic to be effective, it may need to be preceded by a demutualisation, which would be directed by the BoE as part of the resolution instrument (see section 5.4 below). Nationwide considers that the capabilities it has developed are well adapted to meeting any emergent idiosyncratic issue which may pose a threat to the credible execution of the resolution strategy.

Bail-in mechanics

Mechanism by which the BoE may impose losses on shareholders and write down or convert into equity the value of the claims of certain unsecured creditors, so that a failed firm can be recapitalised.

2.4 Resolution planning and this report

Resolution planning is the process of analysing information about a firm, developing a resolution strategy and creating systems and structures that support the resolution strategy. A resolution strategy identifies the stabilisation options and other resolution powers that are likely to be best suited to stabilise and restructure a particular firm were it to become severely financially distressed; planning to support that strategy involves identifying how the potential barriers identified above could be addressed. The strategy identified for an institution is determined by the BoE based on reports and analysis provided by that institution.

The BoE has developed a Resolvability Assessment Framework (RAF) to support this process. The RAF defines the information firms need to provide to the BoE and how the BoE will determine the extent to which the strategy for a particular firm, as well as the firm's own preparations have adequately prepared for resolution. As part of this framework, we are publishing this report to describe Nationwide's preparations for resolution. This report should be read in conjunction with the BoE's public statement on resolvability, also issued on 6th August 2024.

Since our disclosures in 2022 we have enhanced many of our capabilities in response to feedback from the Bank of England and following our own internal testing and reviews. This includes but is not limited to:

- Enhanced liquidity analysis for Funding in Resolution
- Documentation and process improvements for Valuation in Resolution
- Implementation of the new supervisory statement SS4/21 for Operational Continuity in Resolution
- Introduction of a revised matrix to identify service providers that are critical to Continuity of Access to Financial Market Infrastructure
- Testing of capabilities to further consider the pace of deposit outflows following market disruption in early 2023
- Addressed findings from the Bank of England thematic review of the major UK Banks resolvability assessment.

3. NATIONWIDE'S STRUCTURE

3.1 Overview of Nationwide

Nationwide is the largest building society, based in and focused on the UK, with c.17 million members. The Society's business model is to provide customers and members with current account and savings products, which in turn enables mortgages to be offered to allow people to buy their own homes.

The Society is the principal body or undertaking within Nationwide. As a building society, the Society is a mutual organisation owned by its members and is subject to the requirements of the Building Societies Act 1986 (the BSA 1986). The BSA 1986 requires that the principal purpose of a building society must be the making of loans secured on residential property funded substantially by its members. It also imposes certain restrictions on the business that building societies can conduct.

Alongside its core products (mortgages, savings and personal current accounts), Nationwide offers a range of credit cards, personal loans, home insurance and protection products. It also undertakes a limited range of other activities, including deposit taking for small and medium sized enterprises (SMEs), servicing existing Commercial Real Estate (CRE) customers and providing funding to registered social landlords and existing project finance (PFI) customers. Note the CRE and PFI portfolios are closed to new customers and therefore in run-off. Nationwide's Treasury function maintains a variety of wholesale funding programmes to provide flexibility and stability to Nationwide's balance sheet.

To ensure compliance with the BSA 1986 and/or for commercial reasons, the Society has a small number of subsidiary companies of which the Society is the parent undertaking, the most significant of which is The Mortgage Works (TMW). These subsidiary companies are separate legal entities and are subject to the provisions of the Companies Act 2006. Collectively, these form Nationwide – the Society and the companies and undertakings under its control.

The Mortgage Works (TMW)

TMW is the specialist lender of Nationwide building society offering a range of Buy to Let products.

Nationwide has a simple and tightly integrated operational structure with the Society and its subsidiaries effectively operating as a single business unit, but still maintaining appropriate governance with approved directors in place for individual subsidiaries. All services are provided by the building society or by independent third-party providers. There is no group service company, nor do the subsidiaries provide any services to the Society. Nationwide is currently split into different Functions, each led by an Executive Committee member.

Further information on Nationwide's business model and member focus can be found in the "Business Model" section of the Annual Report and Accounts 2024.[6]

[6] Nationwide Annual Report and Accounts 2024 (page 7), available at: Results and accounts, the latest and records | Nationwide

3.2 Structural Implications for Resolution

Nationwide considers that its simple and well-integrated structure combined with its shared management arrangements and committee structure would support resolution due to clear lines of responsibility and ease of communication. This structure would allow us to rapidly share information, determine the causes of failure and to respond with quick and effective decision making. It also means that Nationwide does not have the issue of trapped inter-entity liquidity, nor does it have to hold internal MREL, which simplifies its ability to utilise its liquidity and capital resources, were this required, in the event of resolution.

What is MREL?

MREL stands for Minimum requirement for own funds and eligible liabilities. MREL is the minimum amount of equity and subordinated debt a firm must maintain to support an effective resolution.

The shared services applied across Nationwide could present a challenge to resolution if we were required to provide ring-fenced services to parts of the business that have been removed following restructure. This, however, has been mitigated by our SLA (Service Level Agreement) playbook, and we have considered how we can accelerate such activity for significant portfolio disposals, which may be considered in resolution.

Further, as a building society, in a resolution situation a directed demutualisation may be required to facilitate the bail-in strategy. While this is an additional consideration, we do not see this as a barrier to resolution (see Other barriers to resolution section 5.4 below).

Since the financial crisis in 2007/8, the quantity and quality of capital and liquidity held by Nationwide has increased. Nationwide has developed and issued new capital instruments, in the form of Core Capital Deferred Shares (CCDS), has issued Additional Tier 1 (AT1), and also holds Tier 2 Capital, which all together ensure a diverse and robust capital base.

What are Core Capital Deferred Shares (CCDS)?

CCDS are a form of Common Equity Tier 1 (CET1) capital which has been developed to enable Nationwide to raise capital without compromising our mutual status.

Nationwide has also extended and increased its funding capabilities, including issuing bail-inable debt instruments in the form of Senior Non Preferred (SNP) instruments. Nationwide's Liquid Asset Buffer is comprised of exceptionally high quality liquid assets, primarily cash at the BoE and government bonds. Capital and liquidity ratios are much higher than they were before the financial crisis, well in excess of regulatory minima and are prudently stressed and managed on a forward-looking basis.

What is the Liquid Assets Buffer (LAB)?

A portfolio of high quality, unencumbered liquid assets that are held to meet internal and regulatory liquidity stressed requirements.

Nationwide has also de-risked its balance sheet by reducing its existing Commercial Real Estate exposures and limiting the type of new commercial lending it undertakes to social housing only.

All of the above ensures Nationwide's balance sheet is exceptionally strong, making the likelihood of the BoE needing to apply resolution powers to Nationwide extremely remote.

Nonetheless, we have invested significant time and resources into our resolution planning capabilities, ensuring that, for example, our governance structure, funding, counterparty arrangements, and relationships with third-party vendors and service providers are robust and can facilitate a resolution should the need ever arise in the future. Further details of this can be found in section 5 below.

4. THE BANK OF ENGLAND'S RESOLUTION STRATEGY FOR NATIONWIDE

4.1 Resolution strategy

As a "Domestically Significantly Important Bank" or DSIB, the BoE's preferred resolution strategy for Nationwide is Single Point of Entry (SPE) bail-in at the Group parent level. In the unlikely event it would become necessary to do so, the intention when entering resolution would therefore be that Nationwide would be recapitalised and restructured, to return it to viability.

To facilitate this, Nationwide holds sufficient MREL for the purposes of loss absorption (to cover the losses that would need to be absorbed up to and in resolution) and recapitalisation (to enable the BoE's preferred resolution strategy, in Nationwide's case bail-in, to be implemented resulting in a restructured business with sufficient capital to continue trading). Nationwide's MREL stack (beyond its retained earnings) comprises of CCDS, AT1, Permanent Interest Bearing Shares (PIBS), Tier 2, and Senior Non-Preferred debt (SNP). For more information see Pillar 3 disclosures[7].

As Nationwide is a building society, exercise of a bail-in may be immediately preceded by a directed demutualisation of the Society through its conversion into a company or the transfer of all of the Society's property, rights or liabilities to a company (in either case, such company being a successor bank).

Creditors whose debt obligations are written down would receive 'certificates of entitlement' exchangeable for ordinary shares in the successor bank in due course. For more information see the BoE's operational guide to executing a bail-in[8].

Under a directed demutualisation, the BoE has indicated that the ownership rights of members would be replaced by shares in the successor bank which would in turn be allocated to bailed-in creditors. However, member deposits in the successor bank would be covered by the Financial Services Compensation Scheme (FSCS) subject to normal limits and otherwise treated in accordance with the creditor hierarchy.

The BoE has also determined that Nationwide does not have any material subsidiaries for the purpose of internal MREL. While TMW has buy-to-let mortgage assets of c. £42bn, it is not a deposit taker, and is funded entirely by an intra-group loan with the Society. Losses incurred by TMW in a severe stress event would therefore be borne by the Society, which holds sufficient MREL for the whole Group.

Notwithstanding the bail-in of shares and debt, the operation of the UK resolution framework with various assurances for continuity of financial contracts and other services means that Nationwide's operations are expected to continue as normal throughout a resolution, including both honouring all existing obligations and standing ready to engage in new transactions. This includes ensuring continuity of services throughout the implementation of any recovery management actions or post-resolution restructuring, including the possible sale of certain business lines or assets. Given appropriate contractual clauses are in place, Nationwide considers it will be in a position to negotiate with key suppliers, financial counterparties and other stakeholders to ensure continuity

[7] Nationwide Pillar 3 Disclosures 2024, available at: Results and accounts, the latest and records | Nationwide

[8] Executing bail-in: an operational guide from the BoE, July 2021, available at: www.bankofengland.co.uk

of services and business as is required by or appropriate for the benefit of the acquirer (see Sections 6.1 and 6.2 for further details).

A Bail-in Administrator (BIA) is expected to be appointed to be responsible for certain strategic decisions and to carry out certain senior roles within the firm during the bail-in period.

It is important to note that the actual approach taken to resolve an institution will depend on the circumstances at the time of its failure. The preferred resolution strategy may not necessarily be followed if a different approach would better meet the resolution objectives at the time.

Bail-in Administrator (BIA)

In exercising bail-in, the BoE has the power to appoint a resolution administrator to perform functions as specified within the bail-in Resolution Instrument. This could be a variety of senior roles within the firm.

4.2 Conduct of a resolution

The BoE has explained how it might conduct a Single Point of Entry resolution in its Approach to Resolution document[9].

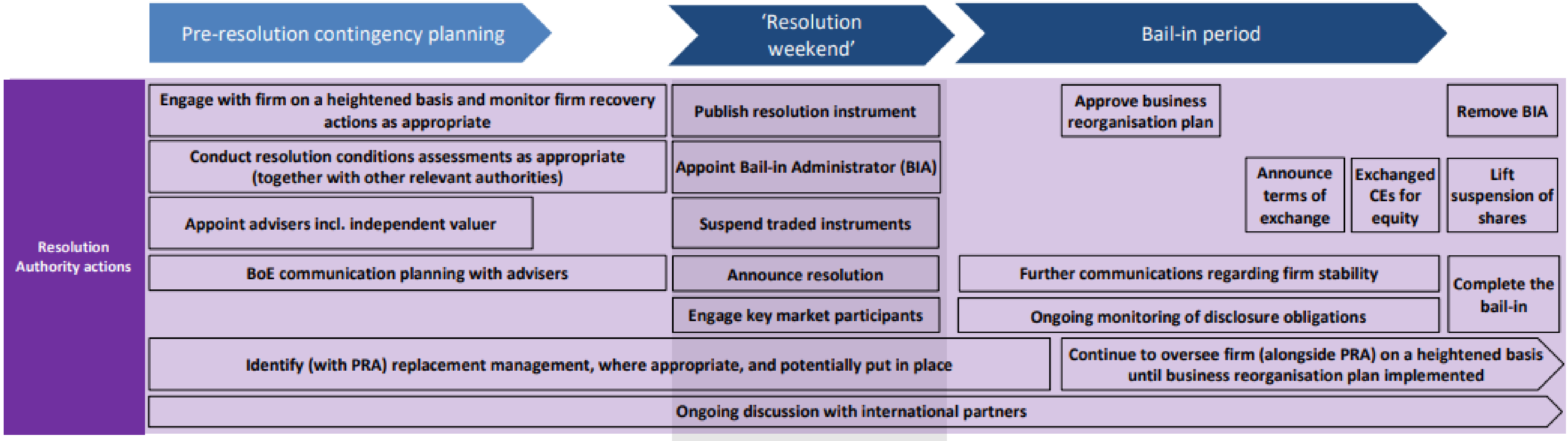
Whilst bail-in is the preferred strategy, this would only be enacted if a credible restructuring plan can be identified. The stylised resolution timeline, as included within the July 2019 Statement of Policy (updated May 2021), provides a high-level view of the activities required to take place, by both the BoE and by firms in order to facilitate the restructuring planning and the decision / implementation of bail-in, as well as activity that needs to take place to support normal processes so as to not put any of the services that we provide to our members at risk. The following schematic shows how Nationwide would support this process.

Resolution Instrument

A Bail-in Resolution Instrument would be made by the BoE at the point of entry into resolution. It would formally place the firm in resolution and contain actions to give effect to the bail-in including the issuance of certificates of entitlement (CEs) to creditors affected by the bail-in.

[9] The Bank of England's approach to resolution, October 2017 (updated December 2023), available at: www.bankofengland.co.uk

Activities to be performed by the resolution authority:



Source: bank-of-englands-approach-to-assessing-resolvability-sop-may-2021.pdf

Activities to be performed by Nationwide:

	Key Capabilities	Heightened risk to firm's viability — 1. Pre-resolution planning	Resolution decision by authorities — 2. Resolution weekend	3. Bail-in period	Exit from resolution
Adequate Financial Resources	Surplus MREL resources Clear Creditor hierarchy ViR models & Management Information IV onboarding process Established MREL and Liquidity reporting & forecasting capabilities Flexible assumptions Access to central bank facilities	Increase frequency of liquidity reporting & forecasting. Review assumptions. Assess funding conditions. Replenish cash as required	Refresh liquidity forecasts and metrics. Draw central bank funding, if required	Continue frequent liquidity reporting & forecasting. Assess WSF conditions and execute where possible	
		Onboard Independent Valuer, run valuation models and provide data tapes, produce NCWO assessment	Data tapes / balance sheet produced at point of resolution	Run iterations of ViR models based on amended forecasts, input from IV, and final business reorganisation plan	
		Update creditor hierarchy and determine instruments in scope of bail-in. Respond to bond holders' queries	Receipt of resolution instrument, support write-down / conversion of MREL.	Issue CEs, and then later issue equities in exchange for CEs	
Continuity & Restructuring	Service Catalogue & Master Process List Resolution proof contracts for critical service providers and financial counterparties Established Incident Management procedures FMI Templates to collate key information Recovery & Restructuring option playbooks Established strategic & financial planning processes	Ensure operational readiness, engage all stakeholders, run list of critical processes, identify risks, run operational MI			Refresh OCiR for new BAU
		Run Stays report. Produce FMIs list, review contracts and requirements, engage with providers / counterparties	Produce Stays report and provide FMI transaction reporting data	Engage with FMIs, comply with requirements, gather transaction data, update funding team	
		Assess plausible restructuring options against success criteria, detailed financial modelling and execution planning		Finalise and then implement business reorganisation plan. Monitor progress against key milestones	
Coordination & Communication	Resolution Critical role matrix Succession, Retention and incentive strategies Pre-determined Committee structure for Resolution Resolution responsibilities reflected in all committee Terms of Reference (ToR) BIA Onboarding process Established incident management Communications Protocol	Activate resolution governance structure, appoint committee members, obtain reg approval for any director changes	Remove directors as required by resolution instrument. Onboard BIA		Unwind resolution governance structure
		Produce critical role list, review and activate retention and succession plans as required, identify contingent resource required		Agree objectives for senior leaders. Retention, succession and handover activity for critical employees	
		Establish stakeholder mapping and prepare detailed comms plan, including spokespeople and draft market disclosures	Finalise market disclosures and engage internal stakeholders	Media interviews, member comms, supporting people change, managing investors	

4.3 Creditors

Nationwide's significant surplus of MREL above regulatory requirements makes it very unlikely that other creditors will be impacted by a resolution event.

However, in extremis, bail-in could result in the write down or conversion of other, more senior-ranking liabilities of Nationwide. In this very unlikely circumstance, many creditors would be protected by the express exclusions from bail-in provided for under section 48B of the Banking Act 2009. In particular, holders of secured liabilities, depositors that are eligible for protection under the UK Financial Services Compensation Scheme (FSCS), employees in respect of fixed remuneration (and some variable remuneration) entitlements, pensions schemes and suppliers of non-financial goods and services that are critical to our daily operations are all expressly excluded from the potential scope of any bail-in.

4.4 Depositors

A Single Point of Entry resolution strategy is aimed at ensuring that depositors continue to have access to their deposits and related banking services throughout the entire resolution process. Part of the resolution planning process involves assessing the likely sources, and modelling the likely uses, of liquidity in resolution, including that required to meet any withdrawals made by depositors in the event they might arise. Nationwide has a variety of sources of liquidity available to it, including central bank facilities that may be made available by the BoE. Further details can be found in the "Liquidity and Funding Risk" section of the Annual Report and Accounts 2024.[10]

4.5 Vendors and service providers

The UK resolution framework recognises the importance of preserving relationships with critical vendors and service providers. Nationwide's Operational Continuity in Resolution (OCIR) capabilities provide a good understanding of the costs associated with its operations, and Nationwide's Funding in Resolution (FiR) capabilities ensure that such costs can be met, so we can continue to pay our vendors and service providers throughout a resolution event.

5. ACHIEVING THE RESOLUTION OUTCOMES

Since our 2022 Public Disclosure we have continued to develop our resolvability framework to ensure that capabilities continue to be embedded and optimised. This section describes how we continue to optimise the barriers to resolution (set out in section 2.3) to build upon Nationwide's enhanced capabilities.

The overarching approach has been to continue to develop our resolution capabilities via testing which has included a fire-drill at Board-level and a challenging holistic test to assess continuity capabilities. This has been complemented by a quarterly RAF Committee meeting (maintained as part of our governance structure) to discuss resolvability activity to ensure that senior management remain close to capabilities and that progress continues to be made.

We continue to enhance the suite of documents that were originally prepared to demonstrate how Nationwide approached removing each of the barriers to resolution to capture the enhancements that have been made since the first RAF cycle as detailed throughout this document. For each barrier this includes a handbook to set out how the barrier relates to Nationwide, describe Nationwide's capabilities and demonstrate how Nationwide is compliant with the Statement of

[10] Nationwide Annual Report and Accounts 2024, available at: Results and accounts, the latest and records | Nationwide

Policy (SoP) and other relevant regulatory requirements; a playbook to outline the actions required for each barrier in a resolution event; and a self-assessment document which explains how we have removed the barrier and achieved the resolution outcomes, and the evidence that supports this. We also have a Master Resolution Playbook (MRP) which articulates the activity required across all barriers during the resolution stylised timeframe, identifies key dependencies between the barriers, and documents key decision points and supporting Management Information (MI) for the Board Contingency Planning Committee (BCPC). Other barrier-specific documentation and capabilities are also in place and are described in the sections below.

Board Contingency Planning Committee

A Nationwide board level committee that would be inaugurated during the pre-resolution planning period to oversee all resolution related activity.

This has involved wide engagement with SMEs across the business to understand how we can continue to evolve and test our capabilities to help to identify any areas for improvement, alongside regular engagement with our second and third line teams.

The following diagram provides a visual summary of the approach that has been followed in developing Nationwide's resolution capabilities and supporting documentation.

5.1 Outcome 1: Adequate Financial Resources

(a) Minimum requirements for own funds and eligible liabilities (MREL)

One of the factors the BoE has identified as critical to ensuring resolvability is the sufficiency of a firm's loss-absorbing resources.

Nationwide maintains eligible liabilities in excess of the minimum loss absorbing capacity minimum set by the BoE – last updated April 2024. Such eligible liabilities are intended to support a potential SPE bail-in, the preferred resolution strategy for Nationwide.

MREL resources reported as at 4th April 2024 were £23.5bn which equated to 9.4% of leverage exposure compared to our published Loss Absorbing Capacity (LAC) requirement of 7.55%, representing a surplus of £4.7bn.

MREL / LAC is an integral part of Nationwide's Capital Plan, which demonstrates sufficient eligible liabilities across the 5-year planning period. The MREL plan is updated on an ongoing basis as part of the monthly capital forecasting process such that changes can be made if any potential future shortfall is identified. The Asset and Liabilities Committee (ALCo) provides ongoing governance over MREL reporting, including monitoring surpluses and ratios.

Nationwide does not have any material subsidiaries for internal MREL purposes, nor does it have any entities based outside the UK. Nationwide has a Single Point of Entry (SPE) preferred resolution strategy, i.e., there is only one resolution entity. With no material deposit-taking subsidiaries internal MREL is not required.

The Society's MREL instruments are comprised of own-funds (Additional Tier 1 and Tier 2 capital) and qualifying senior unsecured instruments (Senior Non-Preferred debt (SNP)).

SNP has been designed specifically to satisfy the eligibility requirements of the MREL SoP[11], within the constraints of the Building Societies Act 1986, and the terms and conditions, which feature contractual subordination, were drafted with independent legal oversight.

As part of the 2023 self-assessment individual legal opinions from an external law firm have been obtained for all SNP notes in issuance to confirm their MREL eligibility. Previously this had been done at the programme level. Further, for each new future SNP an external legal opinion will be obtained as part of the issuance process. Beyond this, there have been no material changes within our MREL barrier documentation or compliance assessment since our last public disclosure.

Nationwide retains a very small amount of legacy Tier 1 instruments (£173m) that no longer count as regulatory capital and all have call dates within the next 7 years. We have concluded that these instruments do not present a barrier to resolution. More details of Nationwide's MREL instruments can be found within our Pillar 3 disclosures[12].

(b) Funding in Resolution (FiR)

The BoE expects that firms will be able to estimate, anticipate and monitor their potential liquidity resources and needs and mobilise liquidity resources, in the approach to and throughout resolution.

Liquidity and funding risk management is a well embedded process at Nationwide, with an established framework in place. The framework covers the reporting, forecasting and management of liquidity and funding (including the identification and mobilisation of liquidity resources) in both normal conditions and in stress, with significant developments implemented since the Financial Crisis. Further details can be found in the "Liquidity and Funding Risk" section of Annual Report and Accounts 2024.[13]

Due to the critical and timely nature of the processes run in normal operating conditions, they are suitable for use during a resolution event. Key analysis and metrics which would be used in a resolution event are shown below.

• Liquidity Coverage Ratio (LCR)

Liquidity Coverage Ratio (LCR)

A regulatory liquidity metric which aims to ensure that a firm maintains an adequate level of liquidity to meet a severe-but-plausible stress lasting 30 calendar days.

[11] The BoE's approach to setting MREL, December 2021, available at: www.bankofengland.co.uk

[12] Nationwide Pillar 3 Disclosures 2024, available at: Results and accounts, the latest and records | Nationwide

[13] Nationwide Annual Report and Accounts 2024, available at: Results and accounts, the latest and records | Nationwide

- PRA110 Cash Flow Mismatch Report
- Short-term liquidity forecast
- Medium / long-term liquidity forecast
- Wholesale funding ratio (WSFR) / statutory funding limit
- Asset encumbrance analysis and reporting

PRA110 Cash Flow Mismatch Report

Detailed regulatory liquidity reporting template which captures the contractual maturity mismatch of cash flows. It includes daily cash flows for the first 92 days, with cash flows reported weekly / monthly / annually thereafter.

Wholesale funding ratio (WSFR)

Wholesale funding as a percentage of total funding.

Flexible reporting and forecasting processes allow assumptions to be updated and multiple forecast scenarios and sensitivities to be run simultaneously which include differing assumptions. Short-term liquidity forecasts, which cover daily cash flows over the next circa nine months can be updated regularly.

As Nationwide Building Society is the only credit institution in the Nationwide Group (and provides liquidity and funding to its subsidiaries) there are no material differences between the group consolidated and individual consolidated positions for the liquidity analysis/metrics described above. However, we have the capability to undertake liquidity analysis for the Society only (e.g., excluding TMW).

Nationwide's reporting currency is GBP, with GBP, EUR and USD being individually material currencies. Nationwide's retail cash flows are denominated in GBP with EUR and USD cash flows relating to transactions undertaken by Nationwide's Treasury function with all currencies swapped into GBP. As such, in normal operating conditions, internal liquidity forecasts are prepared in GBP. However, Nationwide's flexible forecasting process, including the readily available data of transactions in currency, enable EUR and USD internal forecasts to be prepared quickly if needed in resolution.

Nationwide's liquidity resources (liquid assets and mortgage collateral) are managed centrally by the Treasury function. Both the management of the liquid asset portfolio, which includes the sale and repo of assets, and maintaining mortgage collateral pools for use in Nationwide's secured funding programmes and at the BoE's liquidity operations are established processes and suitable for a resolution event.

Significant unencumbered owner-occupied mortgage collateral is available and a risk appetite limit is monitored to avoid excessive encumbrance. This ensures a minimum amount of collateral is available at all times, sufficient to meet deposit outflows beyond those for which liquidity is already held in the Internal Liquidity Evaluation (ILE) and Liquidity Coverage Ratio (LCR). Whilst not directly eligible under the BoE's Sterling Monetary Framework, TMW Buy to let mortgages could also be used as collateral to raise funding.

Internal Liquidity Evaluation (ILE)
Nationwide's internal 30 calendar day severe, but plausible, combined (market-wide and Nationwide specific) liquidity stress test.

Nationwide participates in the BoE's SMF (Sterling Monetary Framework) and can access liquidity operations, which include the Indexed-Linked Term Repo (ILTR) operation and the Discount Window Facility (DWF). Mortgage assets are pre-positioned at the BoE for immediate drawing if required. Assets eligible for use in the SMF could also be used in the BoE's Resolution Liquidity

Framework to draw Emergency Liquidity Assistance (ELA) as described in the BoE's approach to resolution Purple Book[14].

Following our 2021 self-assessment submission the BoE identified one area for further enhancement regarding our Funding in Resolution capabilities. To address this feedback, we have extended our liquidity forecasting from 135 days to 270 days to allow us to forecast our liquidity position beyond the point we could enter resolution, alongside other developments. These enhancements were tested as part of a Board level fire-drill in May 2023 which incorporated a range of retail deposit outflow scenarios and as part of BoE validation testing in October 2023.

(c) Valuation in Resolution (ViR)

In the context of Nationwide's resolution strategy, the ability to carry out robust and timely valuations of assets and liabilities is critical to ensure that restructuring options can be appropriately evaluated. It also ensures the value of Nationwide's MREL are sufficient to recapitalise, and that bailed-in creditors are allocated appropriate equity interests, following any necessary restructuring.

Nationwide developed three valuation models in response to the original 2021 SoP. This included a loan portfolio valuation model (valuation 2) which covers material retail and commercial loan portfolios, as well as an equity valuation model (valuation 3) and an insolvency valuation model (valuation 4). Valuation 1 is derived from Nationwide's balance sheet and therefore required no additional model development.

Data tapes, which provide loan level data (and, for commercial loans, property level data), have been developed for all retail and commercial loan portfolios and current accounts. These are reconciled to the general ledger and source systems, are consistent with Nationwide's internal data quality standards, and can be made available within one to two business days.

All valuation models have been through Nationwide's internal model governance process and have been endorsed by Nationwide's Model Risk Oversight Committee (MROC). A third party has conducted a review of the adequacy of our valuation capabilities from an Independent Valuer's perspective, focusing on our high-level approach and the documentation, whilst also providing advice on areas where Nationwide has less in-house expertise. The final report noted the robust governance and ownership of Valuation in Resolution (ViR) and concludes that our ability to engage with the Independent Valuer (IV) for ViR purposes is sensible and proportionate for Nationwide given the nature of the balance sheet, materiality and the expected focus on the mortgage books.

Independent Valuer (IV)

A person appointed by the BoE to provide independent challenge to, and support in, producing a firm's valuations.

A specific Material Risk Taker (MRT) role holder within Treasury has been assigned responsibility for ensuring ongoing compliance with the ViR principles, with formal governance through the ALCo.

In line with Nationwide's model governance standards, all ViR models undergo an annual review and internal validation by Nationwide's Model Risk Oversight team for endorsement, including presentation to Model Risk Oversight Committee for material changes, to ensure that the models

[14] The Bank of England's approach to resolution, December 2023, available at: www.bankofengland.co.uk

remain fit for purpose. This review includes a test of the valuation capabilities, the results of which are presented to ALCo as part of the annual compliance assessment.

There have been no material changes to the ViR models since the 2021 self-assessment. Minor changes to model processing have been made to improve the efficiency of the model runs with subsequent testing confirming that the models can be successfully run in the required timeframes. Documentation and processes including an onboarding plan, have been written to ensure an Independent Valuer can be onboarded and provided access to Nationwide's valuation data and models within 24 hours. We have also established a working group to monitor ongoing enhancements and will continue to test capabilities both internally and as part BoE validation testing.

5.2 Outcome 2: Continuity & Restructuring

(a) Continuity of financial contracts (Stays)

The Banking Act 2009 includes provisions to ensure a firm's entry into resolution does not, by itself, trigger contractual early termination rights or other rights under the contract normally triggered by an 'event of default'. This general stay lasts as long as the firm in resolution continues to perform its substantive obligations under the contract. The BoE, as resolution authority, also has the power to suspend, temporarily, the failed firm's payment and delivery obligations, including preventing counterparties from terminating their contracts with the firm or enforcing security interests created by the firm.

The Banking Act 2009 general and temporary stay (jointly referred to as 'stay') powers apply to contracts governed by UK laws, under which the vast majority of Nationwide's financial contracts operate, but may not be effective in relation to contracts governed by third country laws.

For Nationwide this currently impacts four of our funding programmes which operate under 'third country' laws:

- US Medium Term Notes programme (USMTN)
- US Commercial Paper Issuance
- German n-bonds
- Australian medium-term notes

For all four of these funding instruments, legal provisions have been included in the contractual documentation to ensure that the UK bail-in laws, including Stays, can still be fully applied regardless of the legal position where the instruments have been issued.

To comply with the Stays reporting requirements and enable rapid identification of all Nationwide's financial contracts in resolution, a report containing data sourced directly from the Treasury technology system is produced daily as part of the Treasury end of day process.

It is assessed that the risk of counterparties terminating financial contracts early in a resolution scenario is low, owing to the prevalence of English law contracts and other legal provisions put in place for third country contracts.

No notable changes to our Stays capabilities have been required since the 2021 self-assessment submission, however we have made improvements to enhance the pace of reporting delivery and continue to test capabilities on an ongoing basis.

(b) **Maintaining Operational Continuity in Resolution (OCIR)**

Nationwide is required to ensure its operational structure facilitates effective recovery and resolution planning within a reasonable time. This includes demonstrating how restructuring options could be executed. Nationwide is required to undertake a comprehensive mapping of Critical Services that underpin its Critical Economic Functions (CEFs). Critical Services are mapped from providers to recipients providing clarity on which Critical Services need to be maintained in resolution.

Critical Economic Functions

Products or activities of a firm whose withdrawal or disorderly wind-down could have a material impact on the UK economy or financial system. Nationwide CEFs include Mortgages, Savings and Current Accounts.

Nationwide has created and maintains a Service Catalogue to fulfil the requirements of the Operational Continuity in Resolution (OCIR) regulations (Supervisory Statement 4/21), which utilises Nationwide's existing Master Process List (MPL) as its underlying taxonomy. The Service Catalogue contains information on property, IT assets, people and third parties (drawn from their respective source systems) which support each of Nationwide's Critical Services. An OCIR Playbook resides alongside the Service Catalogue to act as a guide for employees/managers in a resolution scenario.

Critical Services

Services that need to be available to business units to provide functions critical to the economy (CEFs).

Master Process List (MPL)

Single source of process information that lists Nationwide's end to end processes.

Scope of Outsourcing

The Chief Operating Officer (COO), who also holds Senior Manager Function (SMF) 24, has the prescribed responsibility for Nationwide's performance of its obligations under the PRA Outsourcing Rule Book[15].

The Third-Party Risk Policy ensures that Nationwide meets its legal and regulatory obligations in relation to its use of third parties. The Policy is supported by the Third-Party Risk Framework. The framework details the controls in place through the end-to-end procurement and supplier management life cycle.

Contractual Service Provisions

Nationwide is required to ensure that a Critical Services provider, whether located in the group or a non-group provider, cannot change the arrangements of service provision as a result of a firm or a member of the group entering a period of stress or resolution. Nationwide has identified the Master Processes which support our CEFs. Suppliers identified as supporting these processes are assessed against an approved set of criticality criteria and a list of critical suppliers is created.

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[15] PRA Outsourcing rulebook, available at: Outsourcing - Prudential Regulation Authority (prarulebook.co.uk)

All Critical Service providers have signed appropriate Banking Act clauses and the financial stability of the suppliers is regularly monitored.

Nationwide is required to ensure services will remain operational despite the failure of any group entities. As all Critical Services are provided internally by Nationwide or externally by independent third-party suppliers, there is no group service company, nor do the subsidiaries provide any Critical Services to the Society, meaning that this is not an issue for us.

Objective Service Level Agreements (SLAs)

Nationwide must demonstrate that it has identified and documented the Critical Services it receives and that service level agreements between business units, or non-group providers are objective and on third party terms. An SLA may be required to be set-up in resolution, either to support outsourcing of services that are currently provided from within the Society or to allow for Nationwide to continue to operate a part of its existing business on behalf of a new acquirer with no service capacity. For this reason, a Service Level Agreement playbook has been prepared to outline the process that would be followed to create an SLA. The playbook documents the teams that would be involved in the process and the information that would be required to prepare the SLA.

Access to Operational Assets

Nationwide is required to ensure that access to operational assets which support Critical Services, will be maintained at the point of stress or resolution of a firm, or the Critical Services provider itself.

All operational assets are owned or leased by Nationwide, therefore, with this direct control, there is no risk of Nationwide or any of its subsidiaries being unable to access operational assets.

Charging Structures

Nationwide is required to ensure that charges for critical services are predictable, transparent, and set on an arm's length basis, irrespective of the firm's service model. The PRA expects a firm to be able to convert the service contracts into a third party or transitional service agreement at short notice.

As Nationwide and its subsidiaries effectively operate as a single business unit and do not run product or business unit profit and loss accounts it does not need internal cost transfer pricing. Instead, it has an internal cost allocation process known as "Cost Transparency". This process allocates costs to products supported by a detailed analysis of the cost base split by Functions and by the services they provide. The cost allocations derived from this process provide the transparency and predictability required by Supervisory Statement SS4/21.

Functions

Nationwide is organised into different Functions, each led by an Executive Committee member.

In the absence of an internal cost transfer pricing system, Nationwide has assessed the probable impact of applying commercial mark-ups to the internal costs allocations. Charging for services from third party suppliers are set out in detail in the contracts with those suppliers and are predictable and transparent.

PRA SS4/21 came into effect on 1 January 2023 and set out the PRA's revised expectations of firms to ensure operational continuity of Critical Economic Functions (CEFs) and Critical Services to facilitate recovery actions, orderly resolution, and post-resolution restructuring. Nationwide undertook a full gap analysis of Nationwide's readiness for SS4/21 and PRA Rulebook implementation prior to 1 January 2023 implementation. A line-by-line gap analysis was completed on the statement requirements alongside internal governance concluding Nationwide was compliant ahead of the date of implementation.

(c) **Continuity of access to financial market infrastructures**

In order to conduct our financial operations, we rely on payment, settlement and clearing services provided by third parties referred to as financial market infrastructures or FMIs.

Nationwide has identified its critical FMIs, assessed its arrangements with them and established contingency plans to ensure access is maintained throughout stress or resolution. A key aspect of ensuring our continued access to FMIs is ensuring that we have sufficient funds available to address any increases in transaction volumes, fees or collateral requirements, and this is captured within our Funding in Resolution capabilities as described in section 5.1.

Financial Market Infrastructures (FMIs)

Key components of the financial system, delivering services critical to the smooth functioning of financial markets.

Nationwide's approach to determining which FMIs provide critical FMI services utilised the in-house Inherent Risk Questionnaire as a starting point. This application is used by Nationwide to apply a criticality assessment for all third-party service providers by asking a series of questions regarding the nature of the third-party relationship. The results from this are combined with input from the subject matter experts responsible for the relationships and processes, enabling Nationwide to identify the third parties that represent the greatest risk to its operations.

An internally designed template is used to collate information regarding the nature of Nationwide's relationship with its critical FMI service providers. The templates outline how we believe service providers would respond should Nationwide experience financial stress or be put into resolution and have been completed for each of our FMI providers.

As part of the annual template review the contractual relationship with each service provider is assessed to determine whether we consider the service provider would continue to facilitate continuity of access during resolution. These assessments are primarily based upon the following three pieces of information:

- Has the service provider signed a side letter to agree a standstill period in the event of Nationwide entering resolution?
- Does the contract include a resolution clause?
- What conclusions could be drawn from reviewing the service providers responses to the FSB Questionnaire?

Financial Stability Board (FSB) Questionnaire

A questionnaire that was prepared by the FSB to help firms understand how FMI providers may respond to firms in a resolution situation.

A contingency plan section has been included within the FMI templates to outline a full range of plausible actions that could be taken by each critical FMI and the approach that Nationwide has identified for mitigating them. The templates also contain the communication protocols to be followed for the service providers and document additional information that service providers have signalled that they would require.

An appropriate level of transaction data that details the relevant positions and usage of FMI service providers can be collated for both Payments and Treasury and provided to the BoE during pre-resolution contingency planning to assist the BoE's understanding of Nationwide's obligations to, and patterns of usage of, FMI service providers.

Nationwide's approach to the FMI barrier remains broadly unchanged since the last public disclosure, however we have continued to test and develop capabilities to ensure that they are suitably maintained including addressing findings from the Bank of England's thematic review of the major UK Banks resolvability assessment.

(d) **Restructuring options**

It is assumed that, in conjunction with execution of a bail-in, some restructuring of Nationwide's business will be required to ensure that the recapitalised entity has addressed the causes of its financial stress to enable it to be sustainable in the long-term. Accordingly, the BoE expects that Nationwide will be able to plan and execute a restructuring of its business in an effective and timely fashion, which means having appropriate capabilities to deliver a restructuring plan within one month of the bail-in weekend.

The principles within the restructuring barrier policy require us to be able to identify, evaluate and plan the execution of restructuring options in the event of resolution. To achieve this, we would draw on the processes we have in place under normal operating conditions for strategic and financial planning, and resolution barrier capabilities in the form of ViR, FiR and OCiR, using recovery capabilities as a foundation, which enable us to meet the core objectives and detailed requirements of these principles. We have not limited our thinking to a specific set of scenarios or restructuring options and instead have focussed on flexible capabilities that will enable us to develop a business reorganisation plan in the moment, facilitated and accelerated (but not limited) by our existing suite of recovery options.

Recovery options

Nationwide's Recovery Plan includes a list of recovery management actions that could be deployed to replenish its capital / liquidity position in a stress.

In addition, we have considered options that have previously been considered unviable for recovery purposes but given the more extreme nature of the failure, may be suitable to form part of Nationwide's business reorganisation plan in resolution. As a result, we have developed additional restructuring options.

Since the 2021 self-assessment submission and market disruption in early 2023 we have continued to test the mechanics of the restructuring playbook during the pre-resolution contingency planning window to consider how Nationwide would respond to an accelerated resolution timeline and to test our capability to prepare a business reorganisation plan within one month of a resolution event.

5.3 Outcome 3: Co-ordination & Communication

An effective resolution will rely on individuals in key jobs remaining in their roles, Nationwide having a governance structure that is flexible and capable of making timely decisions, including in relation to restructuring, and communications to all affected stakeholders being timely and effective. In the event that a BIA is appointed (see Section 4.1 above) it will be necessary for that person to become familiarised with Nationwide rapidly, so that they are able to carry out their role effectively. All of the above is made easier by Nationwide's simple operational structure as outlined in section 3 of this document.

To ensure that our ability to resource and incentivise key roles is not a barrier to resolution we have developed a resolution critical role matrix that would allow us to quickly identify the individuals and roles that would be critical to Nationwide's continuity and the resolution activities. The matrix brings together existing populations of critical roles/decision makers for the organisation. These individuals will support in the mitigation of key risks including, but not limited to, failure to deliver good member service, failure to deliver critical business activities, failure of services provided by critical or important suppliers, disruption to the ongoing leadership and decision making of Nationwide, failure to deliver an effective resolution and/or inability to maintain compliance with our regulatory obligations.

To mitigate any flight risks within the population identified a retention and incentive strategy has been developed, this provides a blueprint for the actions that would be taken in resolution whilst providing Nationwide with the flexibility to adapt the response to the individual and specifics of the situation as it arose.

Where retention of a critical individual is not viable this will be addressed via our succession planning capabilities and/or our ability to recruit contingent resource as a replacement.

A Resolution Governance Framework has been established, built around a Board Contingency Planning Committee (BCPC), to provide clear, centralised and agile decision-making in resolution, building on our existing incident management team and processes.

By creating a stand-alone BCPC, and supporting governance framework, Nationwide will be able to swiftly realign its strategic objectives to focus on resolution. Further, the Resolution Governance Framework, supported by the Governance in Resolution playbook, articulates the in-crisis processes to be followed in resolution to ensure that the change in strategic objectives can be supported operationally.

The Resolution Governance Framework has been developed with the expectation that the BIA is an integral part of its operation. It is assumed that the BIA would chair BCPC and be a member of the Executive Contingency Planning Committee (an executive committee who will oversee resolution actions at an operational level) on appointment. However, flexibility has been built into the governance framework to enable the incorporation of the BIA in a variety of possible roles including a quasi-non-executive or executive level role. A detailed onboarding plan has been developed alongside consideration of key materials and Management Information that would be required to support the rapid integration of a BIA with further detail provided in the Governance in Resolution playbook.

It is not anticipated that dispute resolution will be a significant risk for the organisation, due to its relatively simple corporate structure. Also, no additional regulatory approvals are anticipated beyond those for emergency appointments should directors or senior managers leave suddenly, for which pre-existing processes to obtain interim regulatory approvals would be followed.

Nationwide has effective Communications frameworks in place, alongside an experienced team. In addition, as Nationwide is a centralised UK based institution, we are able to formulate and distribute communications rapidly. However, we recognise there could be constraints during a resolution situation which would put unusual pressures on the teams and existing processes, and a Communications in Resolution playbook has been developed to address this.

The playbook outlines the broad range of stakeholders that need to be engaged, and the key principles, processes and approach that will underpin our communications response at each stage of resolution. It also captures operational considerations, communications infrastructure, and audience specific considerations, ensuring Nationwide would be able to offer timely and effective communications to key stakeholders.

The playbook outlines responsible teams, timelines and, where appropriate, external dependencies for the channels that would be used during a resolution scenario. These include updating online content, delivering mass digital communications to members/customers, preparing internal webcasts and organising large scale letter deliveries (where appropriate/required) – capturing how Nationwide would continue to successfully deploy multichannel communications during resolution.

Nationwide's approach to co-ordination and communication remains broadly unchanged since the last public disclosure, however we have continued to test and develop capabilities to ensure that they are suitably maintained. This has included enhancements to, and additional testing of our social media strategy to consider Nationwide's response to a fast moving liquidity stress.

5.4 Other barriers to resolution

As well as the BoE prescribed barriers, we have also considered other potential hurdles to Nationwide's resolvability, such as Nationwide Defined Benefit Pension Fund, Nationwide Foundation, Nationwide General Staff Union, Special Purpose Vehicles and Demutualisation and concluded these are not barriers to resolution. The only unique consideration for Nationwide is its mutual status. However, we do not consider our mutual status to be a barrier to resolution, given the Banking Act 2009 provisions that permit a demutualisation to be directed as part of the Resolution Instrument. The steps that would be required to enact a directed demutualisation per section 84A of the Banking Act 2009 have been captured within our bail-in playbook and individual barrier playbooks consider the implications of changing from a building society to a PLC, where appropriate.

6. NATIONWIDE'S RESOLUTION ACCOUNTABILITY & ASSURANCE

Chris Rhodes (CFO) has been appointed as Nationwide's accountable executive with overall responsibility for resolution planning and associated compliance requirements.

Following publication of the BoE's original SoP, gap analyses were performed by the Recovery & Resolution team in consultation with business subject matter experts for each of the barriers to resolution, and a project plan was prepared.

The Board, Executive Committee (ExCo) and the Executive Risk Committee (ERC) continue to be regularly engaged to ensure clear accountability for resolvability.

Executive Committee (ExCo)

Nationwide's senior leadership team including the CEO, COO and CFO alongside a number of other executives.

The Resolution Assessment Framework (RAF) Committee meet quarterly to manage development of resolution capabilities, manage delivery of the self-assessment submission and to ensure that Nationwide's approach to resolution assurance is appropriate to support the Board's approval of the self-assessment. RAF Committee has recently been upgraded from a steering committee to a formal management committee as we continue to embed resolution into business as usual. It is made up of Executive Committee (ExCo) members including the CFO, Chief Risk Officer (CRO), Chief People Officer (CPO) and General Counsel.

An established attestation process is in place for all barriers to ensure that suitable accountability for each of the barriers is taken and that all documentation (most critically the individual self-assessments, handbooks and playbooks) are reviewed and approved annually.

The Board and Board Committees have been well engaged in the continued development of Nationwide's resolvability framework, with the following key sessions having taken place since the 2021 self-assessment.

- A Board level fire-drill was conducted in November 2021 to step through elements of the resolvability stylised timeline in further detail, educate the Board on responsibilities of the Resolution Committee (later renamed the Board Contingency Planning Committee) during the timeline, and encourage debate and feedback on the materials presented.
- In May 2023 two Board level Fire Drills were conducted across two consecutive days utilising the same underlying scenario to test the transition from recovery planning into resolution planning.

Approval for the second biennial submission of the Self-assessment was endorsed by RAF Committee and the Executive Risk Committee (ERC), ahead of final approval at Board Risk Committee (BRC) and Board in September 2023.

BRC reviewed this disclosures document in May 2024, and final approval was provided by the Deputy CFO and Treasurer, on delegated authority from the Board, in August 2024 ahead of its publication.

Ongoing post-implementation governance

Nationwide recognises the importance of resolution being further embedded into business as usual, and the ongoing maintenance of the associated capabilities remains a high priority for the Society.

Handbooks, playbooks and other supporting documentation as appropriate, are reviewed and updated at least annually by barrier owners. Individual barrier self-assessment documents are reviewed and approved annually, and an annual attestation, provided by the relevant Executive Committee member (or delegate by exception) is sought to confirm that capabilities have been maintained and remain appropriate to address the principles set out in the SoP.

RAF Committee meet on a quarterly basis to monitor resolvability capabilities which includes reviewing any testing results and considering whether there have been any changes within Nationwide's business which impact existing resolution capabilities or could introduce a barrier to resolution.

The annual attestation of the resolvability assessment is taken to RAF Committee to confirm ongoing compliance with the RAF policies. On a biennial basis this takes place alongside the governance for the complete resolvability self-assessment and disclosures, which are endorsed by ERC, approved by BRC and ultimately approved for submission by the Board.

Finally, to further ensure that resolution is embedded into the organisation and our capabilities remain relevant and fit for purpose, it is important that resolution is considered in our decision making. To this end guidance is included in our Board and Committee paper templates so that the impact on resolution is a consideration as part of risk analysis for all material business decisions.

6.1 Three Lines of Defence

Nationwide operates a three lines of defence model as follows:

First line	Second line	Third line
Designs and runs all business operations and is responsible for day-to-day operation of controls and management of risks and loss events identified within each Function.	Responsible for ongoing Oversight challenge, support and advice to ensure effective management of risks, and the design, training and maintenance of enterprise risk management framework standards and guidance.	Provides independent assurance over ongoing effective risk management and internal controls.

Capabilities for each of the resolution barriers are managed by subject matter experts within relevant first line areas of the business, with the central Recovery and Resolution team assisting by coordinating this activity and providing first line review and challenge of the outputs.

Internal assurance is provided in the form of Second Line Risk Oversight who have continued to provide independent review and challenge on whether the First Line capabilities and testing remain appropriate to address each barrier to Nationwide's resolvability. Should Nationwide go into resolution, Second Line Risk Oversight would continue to provide challenge where appropriate at a local and committee level. Internal Audit (IA) have completed a number of audits over resolution, including a barrier readiness audit ahead of the 2023 self-assessment submission. External review has also been provided by Deloitte who were involved in the review and preparation of the May 2023 Resolvability Fire Drill as well as a review earlier in 2023 of our Funding in Resolution capabilities.

6.2 Testing

Nationwide has taken a two-tier approach to testing. Firstly, barrier specific testing is undertaken to ensure design and operational effectiveness. Secondly holistic testing (including fire drills) is conducted to test the effectiveness of cross barrier capabilities, dependencies and relationships.

Individual Barrier Testing

Barrier owners are accountable for carrying out barrier specific testing on an annual basis and need to assure themselves that their capabilities remain fit for purpose (e.g. by running resolution-specific testing on an annual basis or, for those areas where existing business as usual processes are leveraged, via ongoing assurance through such activities). Testing may include running processes, producing MI, using the playbook, reconfirming external information, and review of internal documentation.

To formalise annual testing, responsible ExCo members and barrier owners are asked to document testing within their annual attestation, as evidence that their capabilities remain fit for purpose to support resolvability outcomes.

Individual testing for all barriers was performed and evidenced prior to the submission of our second resolvability self-assessment in October 2023.

Holistic Testing

The central Recovery and Resolution team is responsible for coordinating holistic test exercises in line with the biennial cycle of the RAF self-assessment submission. There are a number of options when designing / executing these exercises, and over time we intend to test all combinations of these options:

Timeline	A broad test of the whole stylised timeline, or a more granular test of one or more particular sections of it.
Barriers	A broad test across all barriers, or focused on individual resolvability outcomes or groups of barriers.
Stakeholders	Who is being exercised? This could be barrier owners, ExCo members and/or Board members.
Scenario	What type of scenario has driven Nationwide's failure? This could be idiosyncratic or market wide, occurring either very quickly or over a long timeframe.

Since the 2021 self-assessment submission a number of holistic tests have been conducted as outlined below.

- A Board level Fire Drill exercise was conducted in November 2021 with a focus on the Restructuring, Valuation in Resolution and Communication barriers. This included a number of restructuring options relating to the disposal of portfolios.
- Holistic testing was carried out in November 2022 with a focus on the Restructuring and Valuation barriers. This exercise was designed to provide assurance that our restructuring capabilities work in practice and that it would be possible to complete the detailed processes involved in accordance with the stylised timeline outlined by the BoE.
- In May 2023 a Board-level Recovery Fire Drill was exercised that included an inject to test the decision to stand up resolution governance. This was followed the next day by a Resolvability Fire Drill that utilised the same scenario but included a worsening position, with assumptions included that recovery actions had failed. This exercise focused on the Funding barrier as an area identified by the BoE for further enhancement within its August 2022 feedback letter, but also included input from other barriers to test barrier interlinkages.
- In January 2024 a holistic exercise was conducted involving the FMI, OCIR, Communications and Stays barriers. Updates were provided to a 'mock' Executive Contingency Planning Committee (ECPC), enabling senior challenge on the materials and MI presented in preparedness for the Monday morning following the resolution weekend.

Feedback, challenge and specific actions were raised at all of these exercises. Actions are tracked via the RAF Committee.

7. RISKS AND LIMITATIONS

Whilst we consider that the capabilities that have been developed are fit for purpose and facilitate the application of stabilisation powers by the BoE, we note that the resolution framework continues to mature and has not yet been experienced by an organisation of Nationwide's size within the UK.

Resolution would require the co-operation of multiple stakeholders and successful deployment of arrangements outlined in the BoE Approach to Resolution, including cooperation and coordination between the UK regulatory bodies (PRA, FCA and BoE).

Further, while the internal timeline we have created for resolution activity is based on the stylised timeline created by the BoE, we recognise that this could differ from reality, and have therefore documented ways in which our timeline could be compressed, including the minimum timeframes required for key capabilities to be carried out.

Any risks applicable to Nationwide in business as usual, can also be expected to extend into resolution (scenario dependent). More information on Nationwide's risk profile can be found in the "Risk overview" and "Risk report" sections of the Annual Report and Accounts 2024.[16]

8. FURTHER ENHANCEMENTS TO OUR RESOLVABILITY

While we have delivered the resolvability capabilities described within this document, and as a result believe we have removed the barriers to resolvability as identified within the BoE's statement of policy, we recognise that there is an ongoing need to continue to mature the capabilities that we have put in place.

Looking ahead Nationwide's key area of focus looking will be to continue to test its resolvability framework to ensure that capabilities remain robust, and that cross barrier interdependencies are identified. Previous holistic testing exercises have proven to be extremely useful, and we believe that these types of exercises will continue to be the best way to evolve the framework that has been established.

[16] Nationwide Annual Report and Accounts 2024, available at: Results and accounts, the latest and records | Nationwide