nationwide

Nationwide Building Society Interim Results

for the period ended 30 September 2024

Contents

Introduction

Unless otherwise stated, the income statement analysis compares the period from 5 April 2024 to 30 September 2024 to the corresponding six months of 2023 and balance sheet analysis compares the position at 30 September 2024 to the position at 4 April 2024.

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 the Group. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, the Group 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 the Group 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 the Group operates. The economic outlook remains uncertain and, as a result, the Group'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, the Group cautions readers not to place undue reliance on such forward-looking statements.

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

This document is not intended to, and does not constitute, represent or form part of any offer invitation or solicitation of any offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval in any jurisdiction. No securities are being offered to the public by means of this document. 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 the Group and will contain detailed information about the Group and its management, as well as its financial statements.

Chief Executive's review

Record growth and value to members

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

"Nationwide delivered record first half growth in both mortgages and deposits, and record member value. Over the past 18 months, our mutual model has enabled us to provide over £3.5 billion in member value, including £729 million through the Nationwide Fairer Share Payment.

"Following our acquisition of Virgin Money on 1 October, we've recorded a gain of £2.3bn, as the value of net assets acquired is well above the price we paid. This gain provides significant headroom to cover our investment in integration, as well as in service and value.

"Future profits generated by Virgin Money can now be used for the benefit of customers, rather than being paid to external shareholders."

Business and trading highlights for the period ended 30 September 2024

Record first half year growth in mortgages and deposits
- Mortgage balances of £210.8bn (4 April 2024: £204.5bn), with record half year net lending of £6.3bn (H1 2023/24: £0.5bn). Market share of balances increased to 12.6% (4 April 2024: 12.3%).
- Member deposit balances increased by £8.3bn (H1 2023/24: £4.2bn) to £201.7bn (4 April 2024: £193.4bn). This was a record increase for a first half year. Deposit market share was 9.6% (4 April 2024: 9.5%).
- Continued growth in current account volumes, and a market share of 9.7%[1] (February 2024: 9.7%).

Leading customer service, giving customers a choice in how they bank with us
- First for customer satisfaction among our peer group for over 12 years, with a lead of 6.8%pts[2] (March 2024: lead of 5.5%pts).
- We continue to have the largest single-brand branch network in the UK, supported by our Branch Promise – everywhere we have a branch, we promise to still be there until at least the start of 2028.
- More than 35% of our new current accounts were opened in branches this half year.

Mutual model delivers record value to our members
- Member financial benefit increased to £950m (H1 2023/24: £885m), from pricing and incentives that were better than the market average.
- Distributed £385m through our Nationwide Fairer Share Payments to 3.85m eligible members in June 2024.
- On average, interest rates on deposits were 30% higher than the market average, largely driven by our savings rates.

[1] CACI's Current Account and Savings Database, Stock (August 2024).
[2] Lead at September 2024: 6.8%pts, March 2024: 5.5%pts. © Ipsos 2024, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to 12 months ending 30 September 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 Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB. Prior to April 2017, those in our peer group were Barclays, Halifax, HSBC, Lloyds Bank (Lloyds TSB prior to April 2015), NatWest and Santander.

Chief Executive's review (continued)

Robust financial performance and balance sheet strength

- Underlying profit before tax decreased to £959m (H1 2023/24: £1,262m) and statutory profit before tax was £568m (H1 2023/24: £989m), primarily due to the profile of interest rates over the period and our choice to offer competitive rates.
- Total underlying income of £2,129m (H1 2023/24: £2,449m). Net interest margin of 1.50% (H1 2023/24: 1.66%), higher than H2 2023/24 net interest margin of 1.46%.
- Credit impairment charges of £7m (H1 2023/24: £54m), reflecting the resilience of our lending.
- Underlying costs of £1,154m (H1 2023/24: £1,115m).
- CET1 ratio of 28.4% (4 April 2024: 27.1%) and leverage ratio of 6.7% (4 April 2024: 6.5%).

Making a meaningful impact across society

- Helped 53,000 (H1 2023/24: 31,000) first time buyers into a home of their own.
- Continued to commit 1% of pre-tax profits to good causes each year[3], which for 2024/25 includes committing £9m to our three new charity partners, Centrepoint, Action for Children and Dementia UK, under our new Fairer Futures social impact strategy.

Acquisition of Virgin Money UK plc on 1 October 2024

Gain on acquisition of £2.3bn, resulting from a net asset value well in excess of the £2.8bn acquisition price.

- Peer-leading combined group CET1 ratio of 19.6% and combined group leverage ratio of 5.4% at 1 October 2024, both comfortably above regulatory minimums.
- A unique opportunity, underpinned by an exceptionally strong business case.

Positioning us to become the UK's first full-service mutual banking provider.

- Acquisition broadens our product range to include business banking, which we intend to offer to more customers over time.
- This will diversify our funding and strengthen us financially, enabling us to deliver even greater value for our customers, including through our Branch Promise, focus on customer service, and competitive deposit and lending rates.

Delivering scale and connecting us with one in three people in the UK.

- Now the UK's second largest provider of mortgages[4] and retail deposits, with total assets of over £370 billion.
- Combined, we have £1 in every £6 of mortgage balances and hold £1 in every £8 of retail deposits in the UK.
- Now have an extensive network of 696 branches across the UK.

A long-term, measured and fully funded approach to integration.

- Acquired a profitable business so can take a longer-term approach to managing the Virgin Money business, with gradual integration following an initial 18-month strategic review.
- Gain on acquisition expected to provide significant headroom to cover costs associated with integration, investment in customer service and delivery of value under our mutual model.
- Future profits generated by Virgin Money will be fully retained within the Group, and available for investing in improving services and value for our customers, rather than being paid to shareholders.

The results for the period ended 30 September 2024 do not include the impacts of the Virgin Money acquisition. Further information is included in note 17 to the condensed consolidated interim financial statements, on page 89.

[3] The 1% is calculated based on average pre-tax profits over the previous three years.
[4] UK Finance 2023 balance database published on 31 July 2024 (latest available data).

Chief Executive's review (continued)

Strategy update

More rewarding relationships: *We will create deeper, lifelong relationships with our customers, that provide the best value in banking.*

We delivered £950 million of member financial benefit, from pricing and incentives that were better than the market average, largely driven by our savings rates. In addition, we distributed £385 million through the Nationwide Fairer Share Payment in June 2024. Over the half year, we supported a record 39,000 (H1 2023/24: 14,700) students with our competitive FlexStudent current account, more than double that of the previous period. We continue to focus on supporting first time buyers, and in September 2024, we extended our Helping Hand mortgage to enable them to borrow six times their income, up to 33% more than through standard mortgages. We also increased the maximum loan to value available for purchasing a new-build house, from 85% to 90%.

Simply brilliant service: *We will provide value beyond rates, with distinctive, personalised service our customers can trust, at every touchpoint.*

We have the largest single-brand branch network in the UK, supported by our Branch Promise[5]. More than 35% of our new current accounts were opened in branches this half year, demonstrating the value of our branch network to customers. Our branches provide customers with choice in the way they can interact with us, alongside our digital channels, telephones, 24/7 online chat and dedicated cost-of-living helpline. We added further functionality to our new banking app, that launched in March 2024.

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.*

We launched our new Fairer Futures social impact strategy, helping to tackle three of the biggest issues we see in society today – youth homelessness, families living in poverty and people living with dementia. We are headline partner to three key charities: Centrepoint, Action for Children, and Dementia UK, who will help us make a meaningful difference across these important causes. As part of this, we are rolling out dementia clinics in 200 of our branches.

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 continue to drive greater efficiency across our operations and improve our customer experiences. We are enabling faster mortgage offers for customers through our new automated income verification and valuation tools, and we continue to streamline our mortgage advice service, reducing interview times for customers whilst still ensuring appropriate products and good outcomes.

Looking forward

The economic outlook remains uncertain, and the interest rate outlook means we expect to have passed peak profitability. However, lower interest rates and resilience in real earnings are supporting consumer finances which, if maintained, should support a strengthening in housing market activity and overall deposit growth. The credit quality of our lending portfolios remains strong, and our capital resources are robust.

Following the acquisition of Virgin Money, we will use our ongoing financial strength to deliver even greater value to Nationwide and Virgin Money customers, through competitive rates, focus on customer service, and our unique Branch Promise.

Debbie Crosbie
Chief Executive

[5] All our 605 Nationwide branches will remain open until at least 1 January 2028. 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. We have now extended our Branch Promise to include Virgin Money's 91 branches, following the acquisition on 1 October 2024.

Performance summary

Financial performance	Half year to 30 September 2024 £m	Half year to 30 September 2023 £m
Total underlying income	**2,129**	2,449
Underlying administrative expenses	**1,154**	1,115
Underlying profit before tax (note i)	**959**	1,262
Statutory profit before tax	**568**	989

Mortgage Lending	£bn	%	£bn	%
Group residential – gross/*market share*	**17.6**	***14.1***	12.1	*10.5*
Group residential – net	**6.3**		0.5	
Average loan to value of new residential mortgages (by value)		**73**		71

Deposit balance movement	£bn	%	£bn	%
Member deposits balance movement/market share (note ii)	**8.3**	***15.0***	4.2	*7.8*

Key ratios	%	%
Underlying cost income ratio (note iii)	**54.2**	45.5
Statutory cost income ratio	**54.9**	44.2
Net interest margin	**1.50**	1.66

Balance sheet	30 September 2024 £bn	%	4 April 2024 £bn	%
Total assets	**282.4**		271.9	
Loans and advances to customers	**220.0**		213.4	
Mortgage balances/*market share* (note iv)	**210.8**	***12.6***	204.5	*12.3*
Member deposits/*market share* (note ii)	**201.7**	***9.6***	193.4	*9.5*

Asset quality	%	%
Residential mortgages		
Proportion of residential mortgage accounts 3 months+ in arrears	**0.42**	0.41
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)	**1.24**	1.36

Key ratios	%	%
Capital		
Common Equity Tier 1 ratio	**28.4**	27.1
Leverage ratio	**6.7**	6.5
Other balance sheet ratios		
Liquidity Coverage Ratio (note v)	**186**	191
Wholesale funding ratio (note vi)	**22.0**	22.5

Notes:

i. Underlying profit before tax represents management's view of underlying performance. A reconciliation of statutory to underlying profit before tax is included in the Financial review on page 9. The following items are adjusted from statutory profit before tax to arrive at underlying profit before tax:

- Member reward payments;
- Gains or losses from derivatives and hedge accounting; and
- Costs directly associated with the acquisition of Virgin Money.

ii. Member deposits include current account credit balances.

iii. The underlying cost income ratio represents management's view of underlying performance. Further information is included in the Financial review on page 8.

iv. Mortgage balances are presented gross of credit provisions.

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

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

Financial review

Muir Mathieson, Chief Financial Officer, Nationwide Building Society, said:

"We continue to deliver a robust financial performance. Underlying profit has decreased by 24.0% to £959 million, primarily due to the profile of interest rates over the period and our choice to offer competitive rates. We have delivered record levels of financial value back to our members, a combined £1,335 million, comprising £950 million of member financial benefit through better pricing and incentives than the market average and a Nationwide Fairer Share payment of £385 million to eligible members.

"Our competitive pricing and market leading service have supported robust growth in our deposit and mortgage balances.

"On 1 October we successfully completed the acquisition of Virgin Money. We believe that the combined Group will enhance Nationwide's profit resilience and will allow for more customers to benefit from a broadened range of products and services. Following the acquisition of Virgin Money on 1 October, our combined Group CET1 ratio was 19.6% and our combined Group leverage ratio was 5.4%."

Financial highlights

- Underlying profit before tax for the half year to 30 September 2024 decreased to £959 million (H1 2023/24: £1,262 million), given anticipated movements in Bank rate and continued reduction in overall mortgage margins. A decrease in income and marginally higher costs were partially offset by a reduction in charges for credit impairments. Statutory profit before tax was £568 million (H1 2023/24: £989 million), after reflecting the Nationwide Fairer Share Payment.

- Total underlying income decreased by £320 million, primarily due to a reduction in H1 2024/25 net interest margin to 1.50% (H1 2023/24: 1.66%).

- A combined £1,335 million (H1 2023/24: £1,229 million) of value has been delivered to members. This comprises member financial benefit, which increased to £950 million (H1 2023/24: £885 million) supported by better pricing and incentives than the market average, and the Nationwide Fairer Share Payment to eligible members in June 2024 of £385 million (H1 2023/24: £344 million).

- Member deposit balances increased by £8.3 billion to £201.7 billion (4 April 2024: £193.4 billion), with our market share of balances increasing to 9.6% (4 April 2024: 9.5%).

- Mortgage balances increased to £210.8 billion (4 April 2024: £204.5 billion), with our market share of balances increasing to 12.6% (4 April 2024: 12.3%).

- Underlying administrative expenses increased by £39 million to £1,154 million (H1 2023/24: £1,115 million).

- Credit impairment charges were lower at £7 million (H1 2023/24: £54 million), reflecting the resilience of our lending, whilst continuing to hold provisions for economic uncertainty and affordability pressures on borrowers. Mortgage arrears have remained broadly stable and remain well below the market average.

- As at 30 September 2024, CET1 and leverage ratios increased to 28.4% and 6.7% (4 April 2024: 27.1% and 6.5%) respectively.

Following the acquisition of Virgin Money

- As at 1 October 2024, the combined Group CET1 ratio was 19.6% and combined Group leverage ratio was 5.4%. This reflects the larger combined balance sheet and the impact of a gain on acquisition of £2.3 billion resulting from the difference between the fair value of net assets acquired and the purchase consideration of £2.8 billion.

Underlying profit before tax:
£959m
(H1 2023/24: £1,262m)

Statutory profit before tax:
£568m
(H1 2023/24: £989m)

Leverage ratio
6.7%
(4 April 2024: 6.5%)

Financial review (continued)

The results are prepared in accordance with International Financial Reporting Standards (IFRSs). Results presented on an underlying basis represent management's view of underlying performance. A reconciliation of underlying results to the statutory results, along with associated ratios, is shown below.

Income statement

Reconciliation of statutory to underlying results						
	Half year to 30 September 2024			Half year to 30 September 2023		
	Statutory basis	**Adjustments**	**Underlying basis**	Statutory basis	Adjustments	Underlying basis
	£m	**£m**	**£m**	£m	£m	£m
Net interest income	**2,076**	**-**	**2,076**	2,337	-	2,337
Net other income (note i)	**73**	**(20)**	**53**	183	(71)	112
Total income	**2,149**	**(20)**	**2,129**	2,520	(71)	2,449
Administrative expenses (note i)	**(1,180)**	**26**	**(1,154)**	(1,115)	-	(1,115)
Impairment charge on loans and advances to customers	**(7)**	**-**	**(7)**	(54)	-	(54)
Provisions for liabilities and charges	**(9)**	**-**	**(9)**	(18)	-	(18)
Profit before member reward payments and tax	**953**	**6**	**959**	1,333	(71)	1,262
Member reward payments (note i)	**(385)**	**385**	**-**	(344)	344	-
Profit before tax	**568**	**391**	**959**	989	273	1,262
Taxation	**(147)**	**-**	**(147)**	(267)	-	(267)
Profit after tax	**421**	**391**	**812**	722	273	995
Total costs (administrative expenses)	**(1,180)**	**26**	**(1,154)**	1,115	-	1,115
Total income	**2,149**	**(20)**	**2,129**	2,520	(71)	2,449
Cost to income ratio	**54.9%**		**54.2%**	44.2%		45.5%

Note:
i. Adjustments are made to exclude the following items from underlying profit before tax as management does not consider them to be representative of underlying business performance:
- Gains or losses from derivatives and hedge accounting, which are presented within net other income;
- Transaction-related costs arising from the acquisition of Virgin Money UK plc, which are presented within administrative expenses; and
- Member reward payments, representing discretionary payments to eligible members of the Society which may be determined by the Board from time to time, depending on the financial strength of the Society.

Total income and net interest margin

Net interest income decreased by £261 million to £2,076 million (H1 2023/24: £2,337 million), with net interest margin decreasing to 1.50% (H1 2023/24: 1.66%). The decrease in net interest income is primarily driven by the timing of changes in Bank rate and continued reduction in overall mortgage margins.

Net interest margin:
1.50%
(H1 2023/24: 1.66%)

Net other income has reduced by £59 million to £53 million (H1 2023/24: £112 million), predominantly reflecting lower gains from the disposal of treasury assets and lower investment income following 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. More information on how we calculate member financial benefit can be found in our Annual Report and Accounts 2024.

Financial review (continued)

For the half year ended 30 September 2024, we delivered member financial benefit of £950 million (H1 2023/24: £885 million). The increase is due to our strong savings rates and mortgage products which seek to provide good value to members.

Member reward payments

The Board approved a Nationwide Fairer Share payment in May 2024 as part of our ongoing commitment to reward our members. During the period, a Nationwide Fairer Share payment of £385 million (H1 2023/24: £344 million) was paid to eligible members who had a qualifying current account plus either qualifying savings or a qualifying mortgage as at 31 March 2024. This payment is in addition to delivering the £950 million of member financial benefit outlined above.

Administrative expenses

Underlying administrative expenses have increased by £39 million to £1,154 million (H1 2023/24: £1,115 million), with inflationary increases partially mitigated by efficiencies within strategic investment programmes and cost reductions as a result of the disposal of the Society's investment advice business in February 2024.

An additional £26 million of administrative expenses have been recognised in H1 2024/25 (H1 2023/24: £nil) which directly relate to the acquisition of Virgin Money. These costs are excluded from underlying profit.

Impairment charge on loans and advances to customers

Impairment charge/(release) (note i)		
	Half year to 30 September 2024	Half year to 30 September 2023
	£m	£m
Residential lending	**(4)**	27
Consumer banking	**13**	22
Retail lending	**9**	49
Commercial	**(2)**	5
Impairment charge	**7**	54

Note:
i. Impairment charge/(release) represents the net amount recognised in the income statement, rather than amounts written off during the period.

The net impairment charge for the period has reduced to £7 million (H1 2023/24: £54 million). In the period, balance sheet provisions have decreased due to reductions in the provisions held for economic uncertainty and associated affordability risks. Residential mortgage arrears have remained broadly stable and remain well below the industry average, with consumer banking arrears reducing slightly. More information regarding critical accounting judgements, and the forward-looking economic information used in impairment calculations, are included in note 8 to the condensed consolidated interim 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 £9 million (H1 2023/24: £18 million) reflects updates to estimates of the amounts that will be paid in relation to these matters.

Taxation

The main UK rate of corporation tax remained at 25% (4 April 2024: 25%) and the banking surcharge remained at 3% (4 April 2024: 3%). The tax charge for the period of £147 million (H1 2023/24: £267 million) represents an effective tax rate of 25.9% (H1 2023/24: 27.0%) and includes the banking surcharge of £11 million (H1 2023/24: £24 million), which arises on Society profits. The effective tax rate is higher than the statutory UK corporation tax rate primarily due to the banking surcharge. Further information is provided in note 9 to the condensed consolidated interim financial statements.

Financial review (continued)

Balance sheet

Assets

Total assets have increased by 3.8% to £282.4 billion at 30 September 2024 (4 April 2024: £271.9 billion). This increase is predominantly due to higher residential mortgage balances.

Assets	30 September 2024		4 April 2024	
	£m	%	£m	%
Cash	**28,800**		23,817	
Residential mortgages (note i)	**210,842**	*95*	204,467	*95*
Consumer banking	**4,293**	*2*	4,263	*2*
Commercial lending	**5,662**	*3*	5,491	*3*
	220,797	*100*	214,221	*100*
Impairment provisions	**(750)**		(781)	
Loans and advances to customers	**220,047**		213,440	
Other financial assets	**30,752**		31,970	
Other non-financial assets	**2,753**		2,690	
Total assets	**282,352**		271,917	

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

186%

(4 April 2024: 191%)

Asset quality	%		%	
Residential mortgages (note i):				
Proportion of residential mortgage accounts more than 3 months in arrears	**0.42**		0.41	
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)	**1.24**		1.36	

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 £5.0 billion increase to £28.8 billion (4 April 2024: £23.8 billion) predominantly due to increases in retail savings balances.

The average Liquidity Coverage Ratio over the 12 months ended 30 September 2024 decreased to 186% (12 months ended 4 April 2024: 191%), reflecting lower average liquid asset balances due to repayments of the Bank of England's Term Funding Scheme with additional incentives for SME's (TFSME). 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.

Financial review (continued)

Residential mortgages

Total gross mortgage lending was higher than in the prior period at £17.6 billion (H1 2023/24: £12.1 billion) and our market share of gross advances increased to 14.1% (H1 2023/24: 10.5%). Net lending in the period was £6.3 billion (H1 2023/24: £0.5 billion), increasing our market share of balances to 12.6%. 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 £166.2 billion (4 April 2024: £161.0 billion) and buy to let and legacy mortgage balances increased slightly to £44.7 billion (4 April 2024: £43.5 billion).

Arrears have remained broadly stable, with cases more than three months in arrears representing 0.42% (4 April 2024: 0.41%) of the total portfolio. The level of arrears remains well below the industry average of 0.93% (4 April 2024: 0.94%). Impairment provision balances have decreased to £317 million (4 April 2024: £321 million).

Consumer banking

Consumer banking balances were £4.3 billion (4 April 2024: £4.3 billion). Consumer banking comprises personal loan balances of £2.4 billion (4 April 2024: £2.4 billion), credit card balances of £1.6 billion (4 April 2024: £1.6 billion) and overdrawn current account balances of £0.3 billion (4 April 2024: £0.3 billion).

Arrears have reduced slightly during the period, with balances more than three months in arrears (excluding charged off accounts) representing 1.24% (4 April 2024: 1.36%) of the total portfolio. Provision balances reduced to £409 million (4 April 2024: £436 million), primarily due to a reduction in the adjustments held for economic uncertainty.

Commercial lending

During the period, commercial lending balances remained broadly stable at £5.7 billion (4 April 2024: £5.5 billion). The overall portfolio includes registered social landlords with balances of £4.7 billion (4 April 2024: £4.4 billion), project finance with balances of £0.5 billion (4 April 2024: £0.5 billion), commercial real estate balances of £0.2 billion (4 April 2024: £0.3 billion) and a fair value adjustment for micro hedged risk of £0.3 billion (4 April 2024: £0.3 billion). Both project finance and commercial real estate books are closed to new lending.

Impairment provision balances remained stable at £24 million (4 April 2024: £24 million).

Other financial assets

Other financial assets of £30.8 billion (4 April 2024: £32.0 billion) comprise investment assets held by Nationwide's Treasury function amounting to £25.5 billion (4 April 2024: £26.5 billion), loans and advances to banks and similar institutions of £1.8 billion (4 April 2024: £2.5 billion), derivatives with positive fair values of £5.3 billion (4 April 2024: £6.3 billion) and negative fair value adjustments for portfolio hedged risk of £(1.8) billion (4 April 2024: £(3.3) 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

Members' interests, equity and liabilities	30 September 2024 £m	4 April 2024 £m
Member deposits	**201,725**	193,366
Debt securities in issue	**34,264**	29,599
Other financial liabilities	**26,520**	29,817
Other liabilities	**1,138**	1,449
Total liabilities	**263,647**	254,231
Members' interests and equity	**18,705**	17,686
Total members' interests, equity and liabilities	**282,352**	271,917

Wholesale funding ratio:
22.0%
(4 April 2024: 22.5%)

Financial review (continued)

Member deposits

Member deposit balances grew by £8.3 billion to £201.7 billion (4 April 2024: £193.4 billion). The increase in deposit balances is due to growth in savings balances of £6.4 billion (H1 2023/24: £5.1 billion) supported by competitive fixed rate products, including the Member Exclusive Bond, and increased levels of accrued and capitalised interest due to higher average savings rates. Credit balances on current accounts increased by £2.0 billion (H1 2023/24: £0.9 billion reduction). Nationwide's market share of deposit balances increased to 9.6%.

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 £34.3 billion (4 April 2024: £29.6 billion), reflecting secured and unsecured wholesale funding issuances during the period. Other financial liabilities decreased to £26.5 billion (4 April 2024: £29.8 billion) primarily due to repayment of £4.0 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 22.0% (2024: 22.5%). Further details are included in the Liquidity and funding risk section of the Risk report.

Members' interests and equity

Members' interests and equity have increased to £18.7 billion (4 April 2024: £17.7 billion) largely as a result of retained profits.

Statement of comprehensive income

Statement of comprehensive income (note i)	Half year to 30 September 2024	Half year to 30 September 2023
	£m	£m
Profit after tax	421	722
Net remeasurement of pension obligations	-	(109)
Net movement in revaluation reserve	-	-
Net movement in cash flow hedge reserve	(30)	(13)
Net movement in other hedging reserve	9	9
Net movement in fair value through other comprehensive income reserve	(42)	4
Total comprehensive income	**358**	613

Note:
i. Movements are shown net of related taxation. Gross movements are set out in the condensed consolidated interim financial statements on page 64.

Financial review (continued)

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 12.8% and 4.3% respectively. The CET1 ratio increased to 28.4% (4 April 2024: 27.1%) and the leverage ratio increased to 6.7% (4 April 2024: 6.5%). 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. In addition, the disclosures are on a consolidated Nationwide Group basis, including all subsidiary entities but excluding the recent acquisition of Virgin Money, which occurred after the balance sheet date.

Capital structure		
	30 September 2024	4 April 2024
	£m	£m
Capital resources		
CET1 capital	**15,087**	14,798
Tier 1 capital	**17,170**	16,134
Total regulatory capital	**18,323**	17,808
Capital requirements		
Risk weighted assets (RWAs)	**53,067**	54,628
Leverage exposure	**255,315**	249,263
UK CRD V capital ratios	**%**	%
CET1 ratio	**28.4**	27.1
Leverage ratio	**6.7**	6.5

The CET1 ratio increased to 28.4% (4 April 2024: 27.1%) as a result of an increase in CET1 capital of £0.3 billion and a decrease in RWAs of £1.6 billion. The CET1 capital resources increase was driven by £0.4 billion profit after tax, partially offset by £0.1 billion of capital distributions. The RWA movement was predominantly driven by a £3.0 billion reduction in mortgage Internal Ratings Based (IRB) temporary model adjustments which were updated to align with Nationwide's latest version of the Hybrid IRB mortgage models. These models have now been approved by the Prudential Regulation Authority. The reduction was partially offset by an increase in RWAs driven by increased residential mortgage balances.

The leverage ratio increased to 6.7% (4 April 2024: 6.5%), with Tier 1 capital increasing by £1.0 billion as a result of the CET1 capital movements referenced above and an issuance of Additional Tier 1 (AT1) capital of £0.7 billion in the period. Partially offsetting the impact of this was an increase in leverage exposure of £6.1 billion, predominantly due to increased residential mortgage balances. Nationwide intends to redeem a £0.6 billion AT1 instrument in December 2024. Excluding the repaid AT1 instrument the leverage ratio would be 6.5%. 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.

As at 1 October 2024, following the acquisition of Virgin Money, the combined group CET1 ratio was 19.6% and the combined group leverage ratio was 5.4%. This reflects the larger combined balance sheet and the impact of a gain on acquisition of £2.3 billion resulting from the difference between the fair value of the net assets acquired and the purchase consideration of £2.8 billion. Excluding the £0.6 billion AT1 instrument being repaid in December, the combined group leverage ratio would be 5.2%.

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

Risk report

Contents

Risk report (continued)

Introduction

This report provides information on developments during the period in relation to the risks Nationwide's business is exposed to, and how those risks are managed. This information supports, and should be read in conjunction with, the material found in the Risk report in the Annual Report and Accounts 2024. Where there has been no change to the approach to managing risks, or there has been no material change to the relevant risk environment from that disclosed at year end, this information has not been repeated.

Nationwide acquired Virgin Money UK plc on 1 October 2024, following regulatory approval. Whilst risks associated with the acquisition and integration have been identified and evaluated as part of our initial assessment, these do not materially alter the overall risk profile set out in the Annual Report and Accounts 2024. Work is underway to enhance existing risk management methodologies to ensure the robust management of risks associated with integration. As both organisations are UK regulated entities with a UK-focused customer base, it is anticipated that there will be close alignment between the risk management structures of the two organisations.

Emerging risks

Emerging risks are managed through the process outlined in the Risk overview section of the Annual Report and Accounts 2024 and remain broadly unchanged from those reported there. The external environment continues to present the most significant threats to the delivery of the Group's strategy. Key developments in the macroeconomic and geopolitical environment since 4 April 2024 are described below:

- Macroeconomic conditions are stable. Recent OECD forecasts for the UK economy show a more positive outlook and the new government has signaled several measures to boost growth in the domestic economy. Bank rate has started to reduce, although persistent core inflation has meant only a modest decrease to date. The higher rates customers are now paying on their mortgages may exacerbate existing pressure on their finances, impacting both the housing market and mortgage trading volumes. Whilst affordability pressures remain, and some customers continue to experience higher interest rates as they renew their mortgages, these factors are adequately reflected in the assumptions used in our provisioning calculations.

- Geopolitical tensions remain, with ongoing conflict in Europe and the Middle East. Any escalations in these conflicts, combined with shifts in domestic public policy, or changes to international governments' priorities and foreign relations, have the potential to put pressure on global supply chains and disrupt markets, further impacting our customers' finances through renewed inflationary pressures and challenging economic conditions more generally.

The following internal and external risks, which were highlighted in the Annual Report and Accounts 2024, have not materially changed since 4 April 2024:

- Climate change
- Cyber
- Emergent technologies
- Technology and resilience

Risk report (continued)

Principal risks and uncertainties

Nationwide operates an Enterprise Risk Management Framework (ERMF), which ensures it remains safe and secure for its customers. The principal risks set out below are the key risks relevant to Nationwide's business model and achievement of its strategic objectives.

The principal risk categories and their definitions remain unchanged from those set out in the Annual Report and Accounts 2024 and are as follows:

- Credit risk
- Liquidity and funding risk
- Capital risk
- Market risk
- Pension risk
- Business risk
- Operational and conduct risk
- Model risk

Information on key developments in relation to the principal risks above are included within this report, except for pension, business, operational and conduct and model risk, where there have been no significant developments in the period.

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 investment portfolios

Further detail regarding the scope of Nationwide's credit risks and how they are managed, together with information on the calculation of impairment provisions based on expected credit losses (ECLs), is included within the Annual Report and Accounts 2024.

Developments in the period

During the period to 30 September 2024, the UK has seen Bank rate reduce by 25 basis points but remain elevated, whilst the rate of inflation has reduced towards the Bank of England's 2% target. The cost of borrowing has reduced, which has slightly eased affordability pressures and prompted a recovery in the housing market, with 3.2% annual house price growth to September 2024. Average house prices are now around 2% below the all-time high recorded in summer 2022.

Residential mortgage arrears have remained broadly stable and remain well below the industry average. Consumer banking arrears have reduced slightly and remain at historically low levels.

Provisions have decreased to £750 million (4 April 2024: £781 million) and include a modelled adjustment for economic uncertainty totalling £105 million (4 April 2024: £145 million). This modelled adjustment captures the affordability risks caused by recent inflation and elevated mortgage interest rates, combined with adjustments to model inputs relating to improvements in borrower credit quality which are expected to reverse.

Outlook

The Group expects modest growth in the UK economy, with inflation close to its target level in the years ahead. House prices are expected to continue to grow steadily, whilst Bank rate is forecast to be reduced gradually over the next 18 months, with a 25-basis points reduction already made in November 2024. The outlook remains uncertain, given ongoing heightened geopolitical tensions and the emerging policies of the new UK Government. 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 in the long run.

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 30 September 2024 was £295 billion (4 April 2024: £283 billion).

Credit risk largely arises from loans and advances to customers, which account for 80% (4 April 2024: 80%) of Nationwide's total credit risk exposure. Within this, the exposure relates primarily to residential mortgages, which account for 95% (4 April 2024: 95%) of total loans and advances to customers. Nationwide's residential mortgage portfolios comprise high-quality assets with low levels of credit losses.

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						
30 September 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	210,804	(317)	210,487	14,081	224,568	76
Consumer banking	4,293	(409)	3,884	31	3,915	1
Commercial lending	5,344	(24)	5,320	1,644	6,964	3
Fair value adjustment for micro hedged risk (note ii)	316	-	316	-	316	-
	220,757	(750)	220,007	15,756	235,763	80
FVTPL loans and advances to customers:						
Residential mortgages (note iii)	38	-	38	-	38	-
Commercial lending	2	-	2	-	2	-
	40	-	40	-	40	-
Other items:						
Cash	28,800	-	28,800	-	28,800	10
Loans and advances to banks and similar institutions	1,772	-	1,772	-	1,772	-
Investment securities – FVOCI	25,477	-	25,477	-	25,477	9
Investment securities – Amortised cost	-	-	-	-	-	-
Investment securities – FVTPL	4	-	4	5	9	-
Derivative financial instruments	5,331	-	5,331	-	5,331	2
Fair value adjustment for portfolio hedged risk (note ii)	(1,832)	-	(1,832)	-	(1,832)	(1)
	59,552	-	59,552	5	59,557	20
Total	280,349	(750)	279,599	15,761	295,360	100

Risk report (continued)

Credit risk – Overview (continued)

Maximum exposure to credit risk 4 April 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

Notes:
i. In addition to the amounts shown above, Nationwide has revocable commitments of £10,467 million (4 April 2024: £10,394 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 £0.5 million (4 April 2024: £0.3 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.

Risk report (continued)

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 and direct channels. 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 remained broadly stable, with the proportion of cases more than 3 months in arrears marginally increasing to 0.42% (4 April 2024: 0.41%). This remains well below the industry average of 0.93% (UKF).

Mortgage lending has been strong during the period, with residential mortgage balances increasing to £210.8 billion (4 April 2024: £204.5 billion).

Residential mortgage gross balances				
	30 September 2024		4 April 2024	
	£m	**%**	£m	%
Owner-occupied	**166,128**	**79**	160,941	79
Buy to let and legacy:				
Buy to let (note i)	**43,616**	**21**	42,321	21
Legacy (note ii)	**1,060**	**-**	1,165	-
	44,676	**21**	43,486	21
Amortised cost loans and advances to customers	**210,804**	**100**	204,427	100
FVTPL loans and advances to customers	**38**		40	
Total residential mortgages	**210,842**		204,467	

Notes:
i. Buy to let mortgages include £42,941 million (4 April 2024: £41,577 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.

Risk report (continued)

Credit risk – Residential mortgages (continued)

Impairment (release)/charge and write-offs for the period		
	Half year to 30 September 2024	Half year to 30 September 2023
	£m	£m
Owner-occupied	3	14
Buy to let and legacy	(7)	13
Total impairment (release)/charge	(4)	27
	%	%
Impairment charge as a % of average gross balance	-	0.01
	£m	£m
Gross write-offs	4	4

Balance sheet provisions have decreased to £317 million (4 April 2024: £321 million). This includes a modelled adjustment totalling £52 million (4 April 2024: £72 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 condensed consolidated interim financial statements. The impairment release of £4 million (H1 2023/24: £27 million charge) is favourable to the prior year impairment charge, due to an increase in balance sheet provisions during H1 2023/24, which was 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								
30 September 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	154,648	10,764	9,658	779	327	716	-	166,128
Buy to let and legacy	20,883	23,153	22,632	330	191	533	107	44,676
Total	175,531	33,917	32,290	1,109	518	1,249	107	210,804
Provisions								
Owner-occupied	8	42	27	7	8	43	-	93
Buy to let and legacy	18	142	123	9	10	64	-	224
Total	26	184	150	16	18	107	-	317
Provisions as a % of total balance	%	%	%	%	%	%	%	%
Owner-occupied	0.01	0.39	0.28	0.84	2.50	5.99	-	0.06
Buy to let and legacy	0.08	0.61	0.54	2.80	5.16	12.05	-	0.50
Total	0.01	0.54	0.46	1.43	3.48	8.58	-	0.15

Risk report (continued)

Credit risk – Residential mortgages (continued)

Residential mortgages staging analysis								
4 April 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

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 £4 million (4 April 2024: £5 million).

Total residential mortgage provisions have decreased to £317 million (4 April 2024: £321 million). A reduction in the adjustments held for economic uncertainty has been partially offset by the impact of a model refinement, which has increased the sensitivity of provisions to economic assumptions.

Stage 2 balances have decreased to £33.9 billion (4 April 2024: £35.6 billion), which includes £9.0 billion (4 April 2024: £12.8 billion) of balances where the PD has been uplifted to recognise the increased risk of default in a period of economic uncertainty.

Credit performance continues to be strong. Stage 3 loans in the residential mortgage portfolio equate to 0.6% (4 April 2024: 0.6%) of the total residential mortgage exposure. Of the total £1,249 million (4 April 2024: £1,233 million) stage 3 loans, £844 million (4 April 2024: £800 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; £146 million (4 April 2024: £164 million) of the stage 3 balances in forbearance are in this probation period.

Risk report (continued)

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 30 September 2024 to that at the start of the reporting period.

Reconciliation of net movements in residential mortgage 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 2024	167,495	22	35,586	197	1,346	102	204,427	321
Stage transfers:								
Transfers from stage 1 to stage 2	(9,346)	(2)	9,346	2	-	-	-	-
Transfers to stage 3	(62)	-	(297)	(9)	359	9	-	-
Transfers from stage 2 to stage 1	9,880	27	(9,880)	(27)	-	-	-	-
Transfers from stage 3	38	-	142	6	(180)	(6)	-	-
Net remeasurement of ECL arising from transfer of stage	-	(25)	-	22	-	11	-	8
Net movement arising from transfer of stage	510	-	(689)	(6)	179	14	-	8
New assets originated or purchased (note ii)	16,809	2	895	11	-	-	17,704	13
Net impact of further lending and repayments	(3,405)	-	(270)	(1)	(5)	(2)	(3,680)	(3)
Changes in risk parameters in relation to credit quality	-	3	-	(5)	-	13	-	11
Other items impacting income statement (including recoveries)	-	-	-	-	-	(4)	-	(4)
Redemptions	(5,878)	(1)	(1,605)	(12)	(143)	(16)	(7,626)	(29)
Income statement charge for the period								(4)
Decrease due to write-offs	-	-	-	-	(21)	(4)	(21)	(4)
Other provision movements	-	-	-	-	-	4	-	4
At 30 September 2024	175,531	26	33,917	184	1,356	107	210,804	317
Net carrying amount		175,505		33,733		1,249		210,487

Notes:
i. Gross balances of credit impaired loans include £107 million (4 April 2024: £113 million) of POCI loans, which are presented net of lifetime ECL on transition to IFRS 9 of £4 million (4 April 2024: £5 million).
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 condensed consolidated interim financial statements.

Risk report (continued)

Credit risk – Residential mortgages (continued)

Reason for residential mortgages being reported in stage 2 (note i)

30 September 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)	**327**	**8**	**2.50**	**191**	**10**	**5.16**	**518**	**18**	**3.48**
Increase in PD since origination (less than 30 DPD)	**10,232**	**34**	**0.33**	**21,393**	**114**	**0.53**	**31,625**	**148**	**0.47**
Qualitative criteria:									
Forbearance (less than 30 DPD)	**163**	**-**	**0.02**	**2**	**-**	**1.34**	**165**	**-**	**0.03**
Interest only – significant risk of inability to refinance at maturity (less than 30 DPD)	**-**	**-**	**-**	**1,562**	**18**	**1.13**	**1,562**	**18**	**1.13**
Other qualitative criteria	**42**	**-**	**0.02**	**5**	**-**	**0.34**	**47**	**-**	**0.05**
Total stage 2 gross balances	**10,764**	**42**	**0.39**	**23,153**	**142**	**0.61**	**33,917**	**184**	**0.54**

Reason for residential mortgages being reported in stage 2 (note i)

4 April 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

Note:

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

Loans which are reported within stage 2 are those which have experienced a significant increase in credit risk since origination. The Annual Report and Accounts 2024 sets out the main criteria used to determine whether a significant increase in credit risk has occurred since origination. There have been no changes to the criteria during the period.

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									
30 September 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%	**140,016**	**3,241**	**24**	**143,281**	**5**	**4**	**-**	**9**	**0.01**
0.15 to < 0.25%	**13,322**	**1,768**	**5**	**15,095**	**2**	**5**	**-**	**7**	**0.05**
0.25 to < 0.50%	**13,359**	**6,556**	**9**	**19,924**	**9**	**15**	**-**	**24**	**0.12**
0.50 to < 0.75%	**4,194**	**3,401**	**8**	**7,603**	**2**	**9**	**-**	**11**	**0.15**
0.75 to < 2.50%	**4,262**	**10,586**	**42**	**14,890**	**4**	**42**	**-**	**46**	**0.31**
2.50 to < 10.00%	**328**	**5,436**	**54**	**5,818**	**3**	**45**	**1**	**49**	**0.83**
10.00 to < 100%	**50**	**2,929**	**188**	**3,167**	**1**	**64**	**8**	**73**	**2.31**
100% (default)	**-**	**-**	**1,026**	**1,026**	**-**	**-**	**98**	**98**	**9.51**
Total	**175,531**	**33,917**	**1,356**	**210,804**	**26**	**184**	**107**	**317**	**0.15**

Loan balance and provisions by PD									
4 April 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

Note:
i. Includes POCI loans of £107 million (4 April 2024: £113 million).

At 30 September 2024, 95% (4 April 2024: 94%) of the portfolio had a 12-month IFRS 9 PD of less than 2.5%, reflecting the high quality of the residential mortgage portfolio.

Risk report (continued)

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)	Half year to 30 September 2024 %	Half year to 30 September 2023 %
Owner-occupied:		
First time buyers	**40**	32
Home movers	**29**	29
Remortgages	**15**	25
Other	**-**	1
Total owner-occupied	**84**	87
Buy to let:		
Buy to let new purchases	**5**	5
Buy to let remortgages	**11**	8
Total buy to let	**16**	13
Total new business	**100**	100

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

Gross lending increased during the period, primarily driven by the growth in lending to first time buyers, which represented 40% (H1 2023/24: 32%) of the total.

Risk report (continued)

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)	Half year to 30 September 2024	Half year to 30 September 2023
	%	%
0% to 60%	**24**	26
60% to 75%	**28**	29
75% to 80%	**7**	9
80% to 85%	**12**	14
85% to 90%	**23**	17
90% to 95%	**6**	5
Over 95%	**-**	-
Total	**100**	100

Average LTV of new business (by value) (note i)	Half year to 30 September 2024	Half year to 30 September 2023
	%	%
Owner-occupied	**74**	72
Buy to let	**64**	62
Group	**73**	71

Average LTV of loan stock (by value) (note ii)	30 September 2024	4 April 2024
	%	%
Owner-occupied	**55**	55
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 period.

New business average LTVs have marginally increased to 73% across residential lending (H1 2023/24: 71%) due to our support for first time buyers who typically borrow at higher LTVs and for whom the cost of borrowing has reduced, increasing available loan sizes. Consequently, there has been an increase in the proportion of lending at between 85% and 90% LTV to 23% (H1 2023/24: 17%) and at between 90% and 95% LTV to 6% (H1 2023/24: 5%). Tighter credit criteria remain in place for higher LTV lending and the maximum LTV at origination remains at 95% for owner occupied and 80% for buy to let mortgages.

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										
30 September 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%	25,195	14,733	12,292	9,307	7,776	4,426	2,623	1,229	77,581	0.05
50% to 60%	12,211	7,491	6,694	4,683	3,865	2,322	1,346	523	39,135	0.10
60% to 70%	13,949	7,589	6,565	5,068	3,942	2,416	1,189	396	41,114	0.12
70% to 80%	10,305	5,268	4,650	3,238	2,501	1,618	903	283	28,766	0.15
80% to 90%	5,746	3,711	3,251	2,561	1,916	1,245	734	172	19,336	0.12
90% to 100%	735	866	415	554	451	253	172	21	3,467	0.25
	68,141	39,658	33,867	25,411	20,451	12,280	6,967	2,624	209,399	0.10
Not fully collateralised										
Over 100% LTV	6	5	7	2	4	19	1	5	49	19.83
Collateral value	5	5	6	2	3	16	1	5	43	
Negative equity	1	-	1	-	1	3	-	-	6	
Total stage 1 and 2 loans	68,147	39,663	33,874	25,413	20,455	12,299	6,968	2,629	209,448	0.10
Stage 3 and POCI loans										
Fully collateralised										
LTV ratio:										
Up to 50%	252	102	84	66	53	21	19	11	608	3.77
50% to 60%	93	58	52	35	30	13	12	5	298	6.38
60% to 70%	66	41	51	21	16	13	9	4	221	7.62
70% to 80%	48	19	29	11	9	10	3	6	135	13.22
80% to 90%	13	7	15	6	1	3	2	4	51	24.35
90% to 100%	6	4	6	-	2	1	1	3	23	28.20
	478	231	237	139	111	61	46	33	1,336	7.14
Not fully collateralised										
Over 100% LTV	2	3	6	2	1	2	-	4	20	54.44
Collateral value	2	2	4	1	1	2	-	3	15	
Negative equity	-	1	2	1	-	-	-	1	5	
Total stage 3 and POCI loans	480	234	243	141	112	63	46	37	1,356	7.84
Total residential mortgages	68,627	39,897	34,117	25,554	20,567	12,362	7,014	2,666	210,804	0.15
Total geographical concentrations	33%	19%	16%	12%	10%	6%	3%	1%	100%	

Risk report (continued)

Credit risk – Residential mortgages (continued)

Residential mortgage gross balances by LTV and region										
4 April 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%	

In addition to balances held at amortised cost shown in the table above, £38 million (4 April 2024: £40 million) of residential mortgages are held at FVTPL. These have an average LTV of 34% (4 April 2024: 34%). The largest geographical concentration within the FVTPL balances is also in Greater London, at 64% (4 April 2024: 63%) of total FVTPL balances.

Risk report (continued)

Credit risk – Residential mortgages (continued)

Arrears

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

Number of cases more than 3 months in arrears as % of total book (note i)		
	30 September 2024	4 April 2024
	%	%
Owner-occupied	**0.37**	0.36
Buy to let and legacy	**0.60**	0.60
Total	**0.42**	0.41
UK Finance (UKF) industry average	**0.93**	0.94

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

The proportion of cases more than 3 months in arrears across all residential lending has remained broadly stable at 0.42% (4 April 2024: 0.41%) and 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% (4 April 2024: 0.23%) of cases more than 3 months in arrears.

Risk report (continued)

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								
	30 September 2024				4 April 2024			
	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	**164,144**	**43,708**	**207,852**	**98.6**	159,036	42,524	201,560	98.6
Past due 0 to 1 month	**1,082**	**404**	**1,486**	**0.7**	1,080	418	1,498	0.7
Past due 1 to 3 months	**388**	**221**	**609**	**0.3**	352	207	559	0.3
Past due 3 to 6 months	**228**	**116**	**344**	**0.2**	213	121	334	0.2
Past due 6 to 12 months	**175**	**95**	**270**	**0.1**	173	101	274	0.1
Past due over 12 months	**130**	**88**	**218**	**0.1**	110	79	189	0.1
Possessions	**19**	**44**	**63**	**-**	17	36	53	-
Total residential mortgages	**166,166**	**44,676**	**210,842**	**100**	160,981	43,486	204,467	100

The balance of cases past due by more than 3 months has increased to £895 million (4 April 2024: £850 million). However, the increased level remains well below the levels expected in our provisioning calculations.

Interest only mortgages

At 30 September 2024, interest only balances of £5,995 million (4 April 2024: £6,240 million) account for 4% (4 April 2024: 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, 75% 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, £40,702 million (4 April 2024: £39,619 million) relates to interest only balances, representing 91% (4 April 2024: 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 £31 million (4 April 2024: £35 million).

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 Annual Report and Accounts 2024 sets out further details of concession events included within forbearance.

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)	30 September 2024			4 April 2024		
	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)	**94**	**128**	**222**	97	140	237
Interest only concessions	**329**	**17**	**346**	360	20	380
Capitalisation	**82**	**15**	**97**	76	17	93
Capitalisation following notification of death of borrower	**73**	**117**	**190**	79	118	197
Term extensions (within term)	**52**	**17**	**69**	48	13	61
Permanent interest only conversions	**1**	**32**	**33**	1	31	32
Total forbearance (note iii)	**631**	**326**	**957**	661	339	1,000
Of which stage 2	**211**	**69**	**280**	206	66	272
Of which stage 3	**298**	**245**	**543**	320	263	583
	%	**%**	**%**	%	%	%
Total forbearance as a % of total gross balances	**0.4**	**0.7**	**0.5**	0.4	0.8	0.5
	£m	**£m**	**£m**	£m	£m	£m
Impairment provisions on forborne loans	**16**	**29**	**45**	15	29	44

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.

Total balances subject to forbearance have reduced to £957 million (4 April 2024: £1,000 million), largely due to a reduction in interest only concessions.

The average LTV for forborne accounts is 47% (4 April 2024: 47%). In addition to the amortised cost balances above, £3 million (4 April 2024: £3 million) of FVTPL balances are also forborne.

Risk report (continued)

Credit risk – Consumer banking

Summary

The consumer banking portfolio comprises balances on unsecured retail banking products: overdrawn current accounts, personal loans and credit cards. During the period, total balances have increased slightly to £4,293 million (4 April 2024: £4,263 million).

Arrears levels have remained low during the period. Excluding charged off accounts, balances more than 3 months in arrears represent 1.24% (4 April 2024: 1.36%) of the portfolio. The consumer banking portfolio has been resilient to recent affordability pressures, with arrears rates currently remaining below the levels expected in our provisioning calculations. 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				
	30 September 2024		4 April 2024	
	£m	**%**	£m	%
Overdrawn current accounts	**299**	**7**	347	8
Personal loans	**2,362**	**55**	2,353	55
Credit cards	**1,632**	**38**	1,563	37
Total consumer banking	**4,293**	**100**	4,263	100

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

Impairment charge/(release) and write-offs for the period		
	Half year to 30 September 2024	Half year to 30 September 2023
	£m	£m
Overdrawn current accounts	**8**	9
Personal loans	**21**	13
Credit cards	**(16)**	-
Total impairment charge	**13**	22
	%	%
Impairment charge as a % of average gross balance	**0.30**	0.51
	£m	£m
Overdrawn current accounts	**7**	7
Personal loans	**21**	20
Credit cards	**14**	16
Total gross write-offs	**42**	43

The consumer banking impairment charge decreased in the period to £13 million (H1 2023/24: £22 million). The lower charge is a result of balance sheet provisions reducing by £27 million in the period (H1 2023/24: £19 million reduction), primarily within the credit card portfolio due to a reduction in the modelled adjustment held to reflect economic uncertainty. Overdrawn current accounts and personal loans balance sheet provisions have remained broadly unchanged in the period, with an impairment charge comparable to the prior year.

Risk report (continued)

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	30 September 2024				4 April 2024			
	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	**136**	**122**	**41**	**299**	187	120	40	347
Personal loans	**1,576**	**657**	**129**	**2,362**	1,274	950	129	2,353
Credit cards	**1,199**	**351**	**82**	**1,632**	1,099	380	84	1,563
Total	**2,911**	**1,130**	**252**	**4,293**	2,560	1,450	253	4,263
Provisions								
Overdrawn current accounts	**4**	**22**	**37**	**63**	5	23	36	64
Personal loans	**12**	**54**	**114**	**180**	10	54	113	177
Credit cards	**16**	**78**	**72**	**166**	16	105	74	195
Total	**32**	**154**	**223**	**409**	31	182	223	436
Provisions as a % of total balance	**%**	**%**	**%**	**%**	%	%	%	%
Overdrawn current accounts	**2.83**	**18.26**	**90.35**	**21.15**	2.81	18.89	90.00	18.39
Personal loans	**0.75**	**8.28**	**88.00**	**7.62**	0.76	5.82	86.93	7.54
Credit cards	**1.32**	**22.21**	**88.29**	**10.19**	1.43	27.52	88.26	12.46
Total	**1.08**	**13.68**	**88.48**	**9.54**	1.20	12.58	87.86	10.23

Balance sheet provisions continue to include a modelled adjustment held to reflect ongoing economic uncertainty, including the risks related to borrow affordability. The impact of this adjustment totals £53 million (4 April 2024: £73 million) and has reduced during the period due to a combination of wage growth and a lower rate of inflation. This change has primarily impacted stage 2 credit card provisions. A reduction in this adjustment for personal loans has been offset by the impact of a PD model recalibration during the period. Further information is included in note 8 to the condensed consolidated interim financial statements.

The stage 2 balances of £1,130 million (4 April 2024: £1,450 million), include £318 million (4 April 2024: £473 million) of balances where the PD has been uplifted by the model adjustment to reflect economic uncertainty. The reduction in balances impacted by this PD uplift, combined with an update to the personal loans 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 remaining stable at 5.9% (4 April 2024: 5.9%). 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 5.7% (4 April 2024: 6.5%) of gross balances.

Risk report (continued)

Credit risk – Consumer banking (continued)

The table below summarises the movements in, and stage allocation 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 30 September 2024 to that at the start of the reporting period.

Reconciliation of net movements in consumer banking balances and impairment provisions

	Non-credit impaired				Credit impaired			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Stage 1		Stage 2		Stage 3			
	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2024	2,560	31	1,450	182	253	223	4,263	436
Stage transfers:								
Transfers from stage 1 to stage 2	(302)	(6)	302	6	-	-	-	-
Transfers to stage 3	(8)	-	(41)	(18)	49	18	-	-
Transfers from stage 2 to stage 1	559	56	(559)	(56)	-	-	-	-
Transfers from stage 3	-	-	3	2	(3)	(2)	-	-
Net remeasurement of ECL arising from transfer of stage	-	(45)	-	48	-	19	-	22
Net movement arising from transfer of stage	249	5	(295)	(18)	46	35	-	22
New assets originated or purchased (note i)	633	8	119	9	1	1	753	18
Net impact of further lending and repayments	(351)	(8)	(47)	(13)	(6)	(2)	(404)	(23)
Changes in risk parameters in relation to credit quality	-	(3)	-	(3)	-	8	-	2
Other items impacting income statement (including recoveries)	-	-	-	-	-	(2)	-	(2)
Redemptions	(180)	(1)	(97)	(3)	-	-	(277)	(4)
Income statement charge for the period								13
Decrease due to write-offs	-	-	-	-	(42)	(42)	(42)	(42)
Other provision movements	-	-	-	-	-	2	-	2
At 30 September 2024	2,911	32	1,130	154	252	223	4,293	409
Net carrying amount		2,879		976		29		3,884

Note:
i. 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 condensed consolidated interim financial statements.

Risk report (continued)

Credit risk – Consumer banking (continued)

Reason for consumer banking balances being reported in stage 2 (note i)												
30 September 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**	**2**	**60**	**11**	**6**	**54**	**5**	**3**	**70**	**20**	**11**	**59**
Increase in PD since origination (less than 30 DPD)	**102**	**19**	**18**	**642**	**48**	**8**	**319**	**70**	**22**	**1,063**	**137**	**13**
Qualitative criteria:												
Forbearance (less than 30 DPD) (note iii)	**1**	**-**	**11**	**-**	**-**	**7**	**-**	**-**	**11**	**1**	**-**	**10**
Other qualitative criteria (less than 30 DPD)	**15**	**1**	**6**	**4**	**-**	**3**	**27**	**5**	**20**	**46**	**6**	**14**
Total stage 2 gross balances	**122**	**22**	**18**	**657**	**54**	**8**	**351**	**78**	**22**	**1,130**	**154**	**14**

Reason for consumer banking balances being reported in stage 2 (note i)												
4 April 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

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 for which the 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 £1,130 million (4 April 2024: £1,450 million) stage 2 balances, only 2% (4 April 2024: 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 £318 million (4 April 2024: £473 million) of loans where the PD has been uplifted to recognise the increased risk of default in a period of economic uncertainty. The impact of this uplift in PD has resulted in these loans breaching existing quantitative PD thresholds.

The Annual Report and Accounts 2024 sets out the main criteria used to determine whether a significant increase in credit risk has occurred since origination. There have been no changes to the criteria during the period.

Risk report (continued)

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

30 September 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%	682	30	-	712	2	2	-	4	0.48
0.15 to < 0.25%	357	19	-	376	1	1	-	2	0.60
0.25 to < 0.50%	476	74	-	550	2	3	-	5	0.90
0.50 to < 0.75%	280	74	-	354	2	2	-	4	1.22
0.75 to < 2.50%	689	287	-	976	8	16	-	24	2.46
2.50 to < 10.00%	401	347	1	749	13	42	-	55	7.35
10.00 to < 100%	26	299	3	328	4	88	1	93	28.58
100% (default)	-	-	248	248	-	-	222	222	89.54
Total	2,911	1,130	252	4,293	32	154	223	409	9.54

Consumer banking gross balances and provisions by PD

4 April 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

The credit quality of the consumer banking portfolio has remained strong. 87% (4 April 2024: 87%) 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	30 September 2024					4 April 2024				
	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	**244**	**2,177**	**1,533**	**3,954**	**92.1**	292	2,164	1,460	3,916	91.9
Past due 0 to 1 month	**11**	**50**	**17**	**78**	**1.8**	13	53	18	84	2.0
Past due 1 to 3 months	**5**	**15**	**9**	**29**	**0.7**	5	16	9	30	0.7
Past due 3 to 6 months	**6**	**10**	**5**	**21**	**0.5**	8	12	6	26	0.6
Past due 6 to 12 months	**4**	**11**	**1**	**16**	**0.4**	4	9	1	14	0.3
Past due over 12 months	**2**	**12**	**-**	**14**	**0.3**	2	13	-	15	0.3
Charged off (note i)	**27**	**87**	**67**	**181**	**4.2**	23	86	69	178	4.2
Total	**299**	**2,362**	**1,632**	**4,293**	**100.0**	347	2,353	1,563	4,263	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 amount to £51 million (4 April 2024: £55 million), representing 1.24% (4 April 2024: 1.36%) of these balances. Arrears balances of less than three months have decreased to £107 million (4 April 2024: £114 million).

Risk report (continued)

Credit risk – Consumer banking (continued)

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 Annual Report and Accounts 2024 sets out further details of concession events included in forbearance.

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)								
	30 September 2024				4 April 2024			
	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	**3**	**-**	**11**	**14**	4	-	11	15
Interest suppressed payment concession	**25**	**26**	**8**	**59**	26	28	8	62
Balance re-aged/re-written	**-**	**1**	**2**	**3**	-	2	2	4
Total forbearance (note ii)	**28**	**27**	**21**	**76**	30	30	21	81
Of which stage 2	**14**	**2**	**10**	**26**	16	2	12	30
Of which stage 3	**9**	**25**	**10**	**44**	9	27	9	45
	%	**%**	**%**	**%**	%	%	%	%
Total forbearance as a % of total gross balances	**9.4**	**1.1**	**1.3**	**1.8**	8.6	1.3	1.3	1.9
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Impairment provisions on forborne loans	**12**	**22**	**9**	**43**	12	24	10	46

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

Risk report (continued)

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	30 September 2024	4 April 2024
	£m	£m
Registered social landlords (note i)	4,666	4,386
Project finance (note ii)	475	496
Commercial real estate (CRE)	203	257
Commercial balances at amortised cost	5,344	5,139
Fair value adjustment for micro hedged risk (note iii)	316	350
Commercial balances – FVTPL (note iv)	2	2
Total	5,662	5,491

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 relate to loans to registered social landlords.

Impairment (release)/charge and write-offs for the period	Half year to 30 September 2024	Half year to 30 September 2023
	£m	£m
Total impairment (release)/charge	(2)	5
Gross write-offs	-	3

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

Risk report (continued)

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	30 September 2024				4 April 2024			
	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	**4,472**	**194**	**-**	**4,666**	4,182	204	-	4,386
Project finance	**381**	**40**	**54**	**475**	402	42	52	496
CRE	**170**	**22**	**11**	**203**	221	21	15	257
Total	**5,023**	**256**	**65**	**5,344**	4,805	267	67	5,139
Provisions								
Registered social landlords	**1**	**-**	**-**	**1**	1	-	-	1
Project finance	**-**	**2**	**16**	**18**	-	2	15	17
CRE	**-**	**-**	**5**	**5**	-	-	6	6
Total	**1**	**2**	**21**	**24**	1	2	21	24
Provisions as a % of total balance	%	%	%	%	%	%	%	%
Registered social landlords	**0.01**	**0.13**	**-**	**0.02**	0.01	0.13	-	0.02
Project finance	**0.03**	**3.81**	**29.95**	**3.72**	0.03	4.21	30.39	3.57
CRE	**0.31**	**0.25**	**40.08**	**2.57**	0.25	0.33	35.69	2.33
Total	**0.02**	**0.72**	**31.76**	**0.44**	0.03	0.79	31.58	0.48

The credit quality of the commercial loans remains stable. Overall, 94% (4 April 2024: 94%) of balances are in stage 1. Of the stage 2 loans, which represent 4.8% (4 April 2024: 5.2%) of total balances, £3 million (4 April 2024: £1 million) were in arrears by 30 days or more.

Stage 2 exposures are subject to increased monitoring and supported via forbearance measures where appropriate. The project finance stage 3 balance and provision are associated with an 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.

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.

Risk grades for the project finance portfolio are based upon the IRB supervisory slotting approach for specialised lending exposures, with 83% (4 April 2024: 84%) 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. 86% of the CRE balances are rated as strong, good, or satisfactory (4 April 2024: 88%).

CRE risk profile

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 39% (4 April 2024: 47%) of total balances, with a weighted average LTV of 32% (4 April 2024: 34%).

The LTV distribution of CRE balances has remained stable, with 92% (4 April 2024: 91%) of the portfolio having an LTV of 75% or less.

CRE balances with arrears have reduced to £9 million (4 April 2024: £14 million). Of these, £5 million (4 April 2024: £9 million) have arrears greater than 3 months and relate to loans that are in recovery or are being actively managed.

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)	30 September 2024	4 April 2024
	£m	£m
Modifications:		
Payment concession	**73**	7
Extension at maturity	**17**	14
Breach of covenant	**89**	163
Total	**179**	184
Total impairment provision on forborne loans	**22**	23

Notes:
i. Balances include the fair value adjustment for micro hedged risk.
ii. Loans where more than one concession event has occurred are reported under the latest event.

Total forborne balances (excluding FVTPL) have reduced to £179 million (4 April 2024: £184 million), comprising registered social landlord balances of £41 million (4 April 2024: £41 million), project finance balances of £111 million (4 April 2024: £112 million) and CRE lending of £27 million (4 April 2024: £31 million). A £68 million project finance exposure has moved from the breach of covenant to payment concession category during the period.

Credit risk – Treasury assets

Summary

The treasury portfolio is held primarily for liquidity management and, in the case of derivatives, for market risk management. As at 30 September 2024 treasury assets represented 21.7% (4 April 2024: 21.7%) of total assets. There are no exposures to emerging markets, hedge funds or credit default swaps. The table below shows the classification of treasury asset balances.

Treasury asset balances	Classification	30 September 2024 £m	4 April 2024 £m
Cash	Amortised cost	**28,800**	23,817
Loans and advances to banks and similar institutions	Amortised cost	**1,772**	2,478
Investment securities (note i)	FVOCI	**25,477**	26,522
Investment securities (note i)	FVTPL	**4**	6
Investment securities (note ii)	Amortised cost	**-**	4
Liquidity and investment portfolio		**56,053**	52,827
Derivative instruments (note iii)	FVTPL	**5,331**	6,290
Treasury assets		**61,384**	59,117

Notes:

i. Investment securities at FVOCI include £57 million (4 April 2024: £57 million) and investment securities at FVTPL include £4 million (4 April 2024: £6 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.

ii. Investment securities at amortised cost totalled £0.1 million at 30 September 2024.

iii. Derivatives are classified as assets where their fair value is positive and liabilities where their fair value is negative. As at 30 September 2024, derivative liabilities were £1,675 million (4 April 2024: £1,451 million).

Investment activity remains focused on high-quality liquid assets, including assets eligible for central bank operations. Derivatives are used to economically hedge financial risks inherent in core lending and funding activities and are not used for trading or speculative purposes.

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 institutions and are collateralised using market standard documentation.

There were no impairment losses for the period ended 30 September 2024 (H1 2023/24: £nil). All treasury assets within the Group's liquidity portfolio are classified as stage 1, reflecting the strong and stable credit quality of treasury assets.

Risk report (continued)

Credit risk – Treasury assets (continued)

Liquidity and investment portfolio

The liquidity and investment portfolio of £56,053 million (4 April 2024: £52,827 million) comprises liquid assets and other securities as set out below.

Liquidity and investment portfolio by credit rating (note i)										
30 September 2024		**AAA**	**AA**	**A**	**Other**	**UK**	**US & Canada**	**Europe**	**Japan**	**Other**
	£m	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Liquid assets:										
Cash and reserves at central banks	**28,800**	**-**	**100**	**-**	**-**	**100**	**-**	**-**	**-**	**-**
Government bonds (note ii)	**18,029**	**5**	**81**	**14**	**-**	**36**	**36**	**15**	**13**	**-**
Supranational bonds	**3,154**	**40**	**60**	**-**	**-**	**-**	**-**	**-**	**-**	**100**
Covered bonds	**2,922**	**100**	**-**	**-**	**-**	**43**	**31**	**18**	**-**	**8**
Residential mortgage backed securities (RMBS)	**662**	**100**	**-**	**-**	**-**	**55**	**-**	**45**	**-**	**-**
Other asset backed securities	**195**	**100**	**-**	**-**	**-**	**100**	**-**	**-**	**-**	**-**
Liquid assets total	**53,762**	**11**	**84**	**5**	**-**	**69**	**14**	**7**	**4**	**6**
Other securities (note iii):										
RMBS FVOCI	**458**	**100**	**-**	**-**	**-**	**100**	**-**	**-**	**-**	**-**
RMBS amortised cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other investments (note iv)	**61**	**-**	**-**	**-**	**100**	**100**	**-**	**-**	**-**	**-**
Other securities total	**519**	**88**	**-**	**-**	**12**	**100**	**-**	**-**	**-**	**-**
Loans and advances to banks and similar institutions	**1,772**	**-**	**69**	**26**	**5**	**72**	**21**	**7**	**-**	**-**
Total	**56,053**	**11**	**83**	**6**	**-**	**69**	**14**	**7**	**4**	**6**
4 April 2024	£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

Notes:
i. Ratings used are obtained from S&P Global, Moody's or Fitch. For loans and advances to banks and similar institutions, internal ratings are used.
ii. Includes 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 £4 million (4 April 2024: £6 million).

Risk report (continued)

Credit risk – Treasury assets (continued)

Country exposures

This table summarises non-UK exposure.

Country exposures						
30 September 2024	**Government Bonds**	**Mortgage backed securities**	**Covered bonds**	**Supranational bonds**	**Loans and advances to banks and similar institutions**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Austria	588	-	-	-	-	588
Belgium	454	-	-	-	-	454
Denmark	45	-	9	-	-	54
Finland	379	-	23	-	-	402
France	1,068	-	178	-	41	1,287
Germany	127	-	81	-	81	289
Netherlands	32	299	-	-	-	331
Norway	-	-	131	-	-	131
Sweden	-	-	107	-	-	107
Total Europe	2,693	299	529	-	122	3,643
Australia	21	-	175	-	-	196
Canada	2,722	-	921	-	-	3,643
Japan	2,274	-	-	-	-	2,274
Singapore	-	-	44	-	-	44
USA	3,763	-	-	-	369	4,132
Supranational entities (note i)	-	-	-	3,154	-	3,154
Total	11,473	299	1,669	3,154	491	17,086

Risk report (continued)

Credit risk – Treasury assets (continued)

Country exposures						
4 April 2024	Government Bonds	Mortgage backed securities	Covered bonds	Supranational bonds	Loans and advances to banks and similar institutions	Total
	£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 i)	-	-	-	3,093	-	3,093
Total	11,700	236	1,594	3,093	484	17,107

Note:
i. 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 as at 30 September 2024 was £5.3 billion (4 April 2024: £6.3 billion) and the fair value of derivative liabilities was £1.7 billion (4 April 2024: £1.5 billion). Lower derivative balances reflect decreases in interest rates in the period.

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 allows 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 legal 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 £1.5 billion (4 April 2024: £1.3 billion) were available and £3.8 billion (4 April 2024: £5.0 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						
	30 September 2024			4 April 2024		
Counterparty credit quality	**AA**	**A**	**Total**	AA	A	Total
	£m	**£m**	**£m**	£m	£m	£m
Derivative assets	**623**	**4,708**	**5,331**	584	5,706	6,290
Netting benefits	**(212)**	**(1,260)**	**(1,472)**	(156)	(1,109)	(1,265)
Net current credit exposure	**411**	**3,448**	**3,859**	428	4,597	5,025
Collateral (cash)	**(411)**	**(3,432)**	**(3,843)**	(422)	(4,587)	(5,009)
Net derivative credit exposure	**-**	**16**	**16**	6	10	16

Risk report (continued)

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 external stakeholder confidence. Funding risk is the risk that Nationwide is unable to maintain diverse funding sources in wholesale and retail markets and manage excessive concentrations of funding types.

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. Further details on the management of liquidity and funding risk are included within the Risk report in the Annual Report and Accounts 2024.

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 186% over the 12 months ended 30 September 2024 (4 April 2024: 191%). The decrease was primarily due to lower average liquid asset balances, driven by repayments to the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME). Liquidity continues to be managed against internal risk appetite which is more prudent than regulatory requirements.

Nationwide's 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 30 September 2024 was 151% (4 April 2024: 151%), 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)	**30 September 2024 £bn**	4 April 2024 £bn	**Members' interests, equity and liabilities**	**30 September 2024 £bn**	4 April 2024 £bn
Retail mortgages	**210.5**	204.1	Retail funding	**201.7**	193.4
Treasury assets (including liquidity portfolio)	**56.1**	52.8	Wholesale funding	**51.3**	50.5
Commercial lending	**5.6**	5.5	Other liabilities	**2.9**	2.9
Consumer lending	**3.9**	3.8	Capital and reserves (note ii)	**26.5**	25.1
Other assets	**6.3**	5.7			
Total	**282.4**	271.9	**Total**	**282.4**	271.9

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

At 30 September 2024, Nationwide's loan to deposit ratio, which represents loans and advances to customers divided by the total of shares and other deposits, was 106.2% (4 April 2024: 107.9%). Included within shares and other deposits, which are reported in the retail and wholesale funding categories above, is £39 billion of deposits (4 April 2024: £37 billion) that exceed the £85,000 per customer Financial Services Compensation Scheme (FSCS) limit.

Risk report (continued)

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 that enough contingent funding capacity is retained in the event of a stress.

Wholesale funding has increased by £0.8 billion to £51.3 billion during the period due to secured and unsecured wholesale funding issuances, partially offset by the repayment of £3.9 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 30 September 2024 was 22.0% (4 April 2024: 22.5%).

The table below sets out wholesale funding by currency.

Wholesale funding by currency	**30 September 2024**						4 April 2024					
	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	**1.3**	**0.6**	**0.1**	**-**	**2.0**	**4**	0.1	1.7	0.1	-	1.9	4
Deposits	**9.7**	**-**	**-**	**-**	**9.7**	**19**	9.7	-	-	-	9.7	19
Certificates of deposit	**3.0**	**-**	**-**	**-**	**3.0**	**6**	1.5	-	-	-	1.5	3
Commercial Paper	**-**	**-**	**1.7**	**-**	**1.7**	**3**	-	-	-	-	-	-
Covered bonds	**5.7**	**7.6**	**1.1**	**1.3**	**15.7**	**30**	5.7	7.4	1.2	1.2	15.5	31
Medium term notes	**1.4**	**5.8**	**3.5**	**1.2**	**11.9**	**23**	1.5	5.9	2.9	1.3	11.6	23
Securitisations	**2.4**	**-**	**-**	**-**	**2.4**	**5**	1.9	-	0.1	-	2.0	4
Term Funding Scheme with additional incentives for SMEs (TFSME)	**5.4**	**-**	**-**	**-**	**5.4**	**11**	9.3	-	-	-	9.3	18
Other (note i)	**-**	**(0.5)**	**-**	**-**	**(0.5)**	**(1)**	-	(0.8)	(0.2)	-	(1.0)	(2)
Total	**28.9**	**13.5**	**6.4**	**2.5**	**51.3**	**100**	29.7	14.2	4.1	2.5	50.5	100

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

Risk report (continued)

Liquidity and funding risk (continued)

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

Wholesale funding – residual maturity 30 September 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	**2.0**	**-**	**-**	**-**	**2.0**	**-**	**-**	**2.0**
Deposits	**6.8**	**1.3**	**1.4**	**0.2**	**9.7**	**-**	**-**	**9.7**
Certificates of deposit	**3.0**	**-**	**-**	**-**	**3.0**	**-**	**-**	**3.0**
Commercial Paper	**1.7**	**-**	**-**	**-**	**1.7**	**-**	**-**	**1.7**
Covered bonds	**-**	**0.1**	**0.7**	**0.2**	**1.0**	**2.9**	**11.8**	**15.7**
Medium term notes	**-**	**-**	**0.8**	**2.8**	**3.6**	**0.8**	**7.5**	**11.9**
Securitisations	**0.1**	**-**	**-**	**-**	**0.1**	**0.3**	**2.0**	**2.4**
TFSME	**0.1**	**-**	**-**	**5.3**	**5.4**	**-**	**-**	**5.4**
Other (note i)	**-**	**-**	**-**	**-**	**-**	**-**	**(0.5)**	**(0.5)**
Total	**13.7**	**1.4**	**2.9**	**8.5**	**26.5**	**4.0**	**20.8**	**51.3**
Of which secured	**2.2**	**0.1**	**0.7**	**5.5**	**8.5**	**3.2**	**13.4**	**25.1**
Of which unsecured	**11.5**	**1.3**	**2.2**	**3.0**	**18.0**	**0.8**	**7.4**	**26.2**
% of total	**26.7**	**2.7**	**5.7**	**16.6**	**51.7**	**7.8**	**40.5**	**100**

Wholesale funding – residual maturity 4 April 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
Commercial Paper	-	-	-	-	-	-	-	-
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

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

At 30 September 2024, cash, government bonds and supranational bonds included in the liquid asset buffer represented 176% (4 April 2024: 220%) of wholesale funding maturing in less than one year, assuming no rollovers.

Risk report (continued)

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 repurchase (repo) agreements, and excludes securities encumbered through repo agreements and for other purposes.

Liquid assets	30 September 2024						4 April 2024					
	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	**28.7**	**-**	**-**	**-**	**0.1**	**28.8**	23.8	-	-	-	-	23.8
Government bonds (note ii)	**4.4**	**2.8**	**4.6**	**1.8**	**1.2**	**14.8**	6.8	2.5	5.0	1.7	1.0	17.0
Supranational bonds	**0.1**	**2.3**	**0.5**	**-**	**-**	**2.9**	0.1	1.6	0.4	-	-	2.1
Covered bonds	**0.8**	**2.0**	**0.1**	**-**	**-**	**2.9**	0.9	1.8	0.2	-	-	2.9
Residential mortgage backed securities (RMBS) (note iii)	**0.8**	**0.3**	**-**	**-**	**-**	**1.1**	0.9	0.3	-	-	-	1.2
Asset-backed securities and other securities	**0.2**	**-**	**-**	**-**	**-**	**0.2**	0.1	-	-	-	-	0.1
Total	**35.0**	**7.4**	**5.2**	**1.8**	**1.3**	**50.7**	32.6	6.2	5.6	1.7	1.0	47.1

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 £53.5 billion for the 12 months ended 30 September 2024 (4 April 2024: £56.1 billion). Further details can be found in the Group's interim Pillar 3 disclosure 2024/25 at **nationwide.co.uk**

Nationwide has met its most recent Environmental, Social and Governance (ESG) asset investment target of £2 billion. Nationwide's internal definition of ESG assets remains restricted to bonds issued by multilateral development banks, and green, social or sustainable-labelled bonds issued by selected governments.

Risk report (continued)

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) 30 September 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	28,800	-	-	-	-	-	-	-	28,800
Loans and advances to banks and similar institutions	1,643	-	-	-	-	-	-	129	1,772
Investment securities	-	233	433	622	367	1,766	9,184	12,876	25,481
Derivative financial instruments	-	14	265	103	551	1,405	1,175	1,818	5,331
Fair value adjustment for portfolio hedged risk	(42)	(41)	(129)	(66)	(83)	(483)	(815)	(173)	(1,832)
Loans and advances to customers	2,744	1,315	1,923	1,926	1,890	7,657	22,507	180,085	220,047
Total financial assets	33,145	1,521	2,492	2,585	2,725	10,345	32,051	194,735	279,599
Financial liabilities									
Shares	146,226	7,736	8,610	14,461	14,809	8,062	942	879	201,725
Deposits from banks and similar institutions	6,202	1	-	5,270	-	-	-	-	11,473
Of which repo	1,968	-	-	-	-	-	-	-	1,968
Of which TFSME	67	-	-	5,270	-	-	-	-	5,337
Other deposits	2,599	1,324	1,426	93	61	41	5	-	5,549
Fair value adjustment for portfolio hedged risk	8	9	9	15	17	5	-	-	63
Secured funding – ABS and covered bonds	102	68	708	54	260	3,223	7,915	5,492	17,822
Senior unsecured funding	4,726	49	773	427	2,263	778	7,120	306	16,442
Derivative financial instruments	16	-	71	17	125	103	869	474	1,675
Subordinated liabilities	37	37	18	8	6	1,729	3,298	2,453	7,586
Subscribed capital (note iii)	45	-	1	-	-	-	-	128	174
Total financial liabilities	159,961	9,224	11,616	20,345	17,541	13,941	20,149	9,732	262,509
Off-balance sheet commitments (note iv)	15,761	-	-	-	-	-	-	-	15,761
Net liquidity difference	(142,577)	(7,703)	(9,124)	(17,760)	(14,816)	(3,596)	11,902	185,003	1,329
Cumulative liquidity difference	(142,577)	(150,280)	(159,404)	(177,164)	(191,980)	(195,576)	(183,674)	1,329	-

Risk report (continued)

Liquidity and funding risk (continued)

Residual maturity (note i) 4 April 2024	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	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	-

Notes:

i. The analysis excludes certain non-financial assets (including property, plant and equipment, intangible assets, other assets, current tax assets, deferred tax assets and accrued income and prepaid expenses) and non-financial liabilities (including provisions for liabilities and charges, accruals and deferred income, current tax liabilities, deferred tax liabilities and other liabilities). The retirement benefit surplus and lease liabilities have also been excluded.

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 behaviour means 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. In the six months to 30 September 2024, a reduction in deposits from banks and similar institutions is primarily due to the early repayment of TFSME drawings.

Risk report (continued)

Liquidity and funding risk (continued)

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 and from participation in the Bank of England's TFSME. Further information is included in the Annual Report and Accounts 2024.

Certain unencumbered assets are readily available to secure funding or meet collateral requirements. These include owner-occupied mortgages, cash and securities held in the liquid asset buffer. Other unencumbered assets, such as non-owner-occupied 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.

At 30 September 2024, Nationwide had £33.8 billion (4 April 2024: £36.1 billion) of externally encumbered assets with counterparties other than central banks. In addition, £80.8 billion (4 April 2024: £68.7 billion) of prepositioned and encumbered assets were held at central banks and £95.3 billion (4 April 2024: £97.2 billion) of assets were readily available for encumbrance. The increase in assets prepositioned and encumbered at central banks reflects additional mortgage pools being pledged and a release of assets encumbered against TFSME.

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 S&P Global 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
S&P Global	**A+**	**A-1**	**BBB+**	**BBB**	**March 2024**	**Stable**
Moody's	**A1**	**P-1**	**A3**	**Baa1**	**September 2024**	**Stable**
Fitch	**A+**	**F1**	**A**	**BBB+**	**November 2024**	**Stable**

Nationwide's credit ratings were affirmed and outlook confirmed by S&P Global in March 2024, Moody's in September 2024 and Fitch in November 2024.

Capital risk

Capital risk is the risk that Nationwide fails to maintain sufficient capital to absorb losses throughout a full economic cycle and to maintain the confidence of current and prospective investors, members, the Board and regulators. Capital is held to protect members, 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) and on an end point basis with IFRS 9 transitional arrangements applied. In addition, the disclosures are on a consolidated Nationwide Group basis, including all subsidiary entities but excluding the recent acquisition of Virgin Money.

Capital ratios and requirements		
	30 September 2024	4 April 2024
Capital ratios	**%**	%
CET1 ratio	**28.4**	27.1
Tier 1 ratio	**32.4**	29.5
Total regulatory capital ratio	**34.5**	32.6
Leverage ratio	**6.7**	6.5
Capital requirements	**£m**	£m
Risk weighted assets (RWAs)	**53,067**	54,628
Leverage exposure	**255,315**	249,263

Risk-based capital ratios remain in excess of regulatory requirements, with the CET1 ratio at 28.4% (4 April 2024: 27.1%) which is above Nationwide's CET1 capital requirement of 12.8%. The CET1 capital requirement includes a 7.3% minimum Pillar 1 and Pillar 2 requirement and the UK CRD V combined buffer requirements of 5.5% of RWAs.

The CET1 ratio increased to 28.4% (4 April 2024: 27.1%) as a result of an increase in CET1 capital of £0.3 billion and a reduction in RWAs of £1.6 billion. The CET1 capital resources increase was driven by £0.4 billion profit after tax, partially offset by £0.1 billion of capital distributions. The RWA movement was predominantly driven by a £3.0 billion reduction in mortgage Internal Ratings Based (IRB) temporary model adjustments which were updated to align with Nationwide's latest version of the Hybrid IRB mortgage models. These models have now been approved by the Prudential Regulation Authority (PRA). This reduction was partially offset by an increase in RWAs driven by increased residential mortgage balances.

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 increased to 6.7% (4 April 2024: 6.5%), with Tier 1 capital increasing by £1.0 billion as a result of the CET1 capital movements referenced above and an issuance of Additional Tier 1 (AT1) capital of £0.7 billion in the period. Partially offsetting the impact of this was an increase in leverage exposure of £6.1 billion, predominantly due to increased residential mortgage balances. Nationwide intends to redeem a £0.6 billion AT1 instrument in December 2024. Excluding this AT1 instrument, the leverage ratio would be 6.5%.

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 and a 0.35% additional leverage ratio buffer.

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. The risk of excessive leverage is managed through regular monitoring and reporting of leverage, which forms part of risk appetite.

Further details on the leverage exposure can be found in the Group's interim Pillar 3 Disclosure 2024-25 at **nationwide.co.uk**

Risk report (continued)

Capital risk (continued)

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

Total regulatory capital		
	30 September 2024	4 April 2024
	£m	£m
General reserve	**15,455**	15,119
Core capital deferred shares (CCDS) (note i)	**1,334**	1,334
Revaluation reserve	**34**	36
Fair value through other comprehensive income (FVOCI) reserve	**(79)**	(38)
Cash flow hedge and other hedging reserves	**55**	76
Regulatory adjustments and deductions:		
Cash flow hedge and other hedging reserves (note ii)	**(55)**	(76)
Direct holdings of CET1 instruments (note i)	**(177)**	(177)
Foreseeable distributions (note iii)	**(64)**	(63)
Prudent valuation adjustment (note iv)	**(67)**	(73)
Own credit and debit valuation adjustments (note v)	**(9)**	(11)
Intangible assets (note vi)	**(787)**	(812)
Goodwill (note vi)	**(12)**	(12)
Defined benefit pension fund asset (note vi)	**(464)**	(454)
Excess of regulatory expected losses over impairment provisions (note vii)	**(77)**	(51)
IFRS 9 transitional arrangements (note viii)	**-**	-
Total regulatory adjustments and deductions	**(1,712)**	(1,729)
CET1 capital	**15,087**	14,798
Other equity instruments (Additional Tier 1)	**2,083**	1,336
Tier 1 capital	**17,170**	16,134
Dated subordinated debt (note ix)	**1,127**	1,650
Excess of impairment provisions over regulatory expected losses (note vii)	**26**	24
IFRS 9 transitional arrangements (note viii)	**-**	-
Tier 2 capital	**1,153**	1,674
Total regulatory capital	**18,323**	17,808

Notes:

i. The CCDS amount does not include deductions for the Group's repurchase exercises. 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 on 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.

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 condensed 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, prescribes 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 (amounting to 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 30 September 2024, total MREL resources, which include total regulatory capital and eligible liabilities, were in excess of this requirement at 9.8% (4 April 2024: 9.4%) of leverage exposure.

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 CRR, as the exposure is below the threshold of 2% of own funds.

Risk weighted assets	30 September 2024			4 April 2024		
	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	**36,079**	**2,188**	**38,267**	37,373	2,188	39,561
Retail unsecured lending	**4,849**	**1,270**	**6,119**	4,750	1,270	6,020
Commercial loans	**1,799**	**77**	**1,876**	1,818	77	1,895
Treasury	**1,406**	**266**	**1,672**	1,736	266	2,002
Counterparty credit risk (note iii)	**700**	**-**	**700**	777	-	777
Other (note iv)	**1,736**	**2,697**	**4,433**	1,676	2,697	4,373
Total	**46,569**	**6,498**	**53,067**	48,130	6,498	54,628

Notes:
i. Includes credit risk exposures, securitisations, counterparty credit risk exposures and exposures below the thresholds for deduction which 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 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 and other assets.

RWAs decreased by £1.6 billion predominantly due to a £1.3 billion reduction in retail mortgage RWAs. The RWA movement was mainly driven by a reduction in mortgage IRB temporary model adjustments. The adjustments were updated to align with Nationwide's latest version of the Hybrid IRB mortgage models, which have now been approved by the PRA. This reduction was partially offset by an increase in RWAs driven by increased residential mortgage balances. There was a further £0.3 billion reduction in RWAs across other portfolios.

In line with 4 April 2024, a model adjustment continues to be included within RWAs to ensure outcomes are consistent with revised IRB regulations in force from 1 January 2022. The impact of this is a £21.2 billion increase in RWAs (4 April 2024: £23.3 billion), mainly relating to retail mortgages. The Hybrid IRB mortgage models are expected to be implemented in the second half of the financial year. However, given the update already made to mortgage IRB temporary model adjustments noted above, no further RWA impact upon implementation is expected.

More detailed analysis of RWAs is included in the Group's interim Pillar 3 Disclosure 2024-25 at **nationwide.co.uk**

Capital risk (continued)

Stress testing

The most recent Annual Cyclical Scenario (ACS) undertaken by the Bank of England was in September 2022. Nationwide's low point CET1 ratio through the scenario was 20.3% before strategic management actions. This was in excess of that of peers, showing Nationwide is well capitalised and positioned to meet stressed economic conditions. The leverage ratio low point was 5.6%, remaining in excess of the 3.6% regulatory requirement at that time.

On 10 October 2023, the Bank of England confirmed it intended to run a desk-based stress test exercise in 2024, rather than an ACS, which will use Bank of England models and expertise to test the UK banking system's resilience to multiple adverse macroeconomic scenarios. The results of the desk-based stress test will be published by the end of 2024.

Regulatory developments

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 12 September 2024, the Bank of England published its near-final rules of the Basel 3.1 standards, following the consultation paper released on 30 November 2022, with a revised implementation date of 1 January 2026. Although materially similar to the original Basel reforms, the near-final rules include interpretations and some divergences from Basel standards in relation to market, counterparty credit, and operational risks, as well as credit risk and the output floor.

The rules include a phased introduction of the RWA standardised output floor until fully implemented by 2030. The day-one impact of Basel 3.1 on the combined group's CET1 ratio, including Virgin Money, is expected to be immaterial, based on Nationwide's initial interpretation of the near-final rules. The Basel 3.1 RWA standardised output floor is expected to become binding for the combined group's risk-based capital assessment towards the end of the implementation period. The exact impact of Basel 3.1 on the combined group position, and the point where the output floor becomes binding, will be influenced by Nationwide's final interpretation of the rules and the evolution of the combined group balance sheet.

Nationwide's one-year general prior permission (GPP) to repurchase CCDS up to the equivalent of 2% of CET1 capital resources granted by the PRA expires in January 2025. Nationwide has applied to renew the GPP, which subject to approval, will allow Nationwide to offer to repurchase up to 2% of CET1 capital resources (£302 million at 30 September 2024) during 2025 at the Board's discretion. This does not mean further repurchase exercises will necessarily follow.

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

Market risk

Market risk is the risk that the net value of, or net income arising from, the Group's assets and liabilities is impacted by market prices or rate changes, primarily 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 increase 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, currency risk and product option risk.

The UK economy continues to experience modest growth, evidenced by GDP expanding by approximately 0.3% between March and August 2024 (using monthly GDP estimates). Growth was mainly driven by a rise in the services sector, with the manufacturing sector dragging down the headline figure. UK consumer price inflation eased to 1.7% in September 2024, dipping below the Bank of England's 2% target for the first time since 2021. With inflation trending closer to target levels, the Monetary Policy Committee voted to cut interest rates from 5.25% to 5% in August 2024, with a further cut to 4.75% since the period end. Nationwide has some inflation exposure (to UK, EU and US inflation indices) from inflation-linked bonds. This risk is managed within tight limits.

Sterling strengthened against both the dollar (by 5.8%) and euro (by 2.6%) over the 6-month period from March to September 2024. The movements had an immaterial impact on earnings as foreign currency exposures are hedged.

Whilst economic conditions within the UK have an impact on the Group, market risk is closely managed to ensure it remains within risk appetite. Further information on market risk appetite, risk management, structural interest rate risk and reporting measures is included within the Risk report in the Annual Report and Accounts 2024.

Net Interest Income sensitivity (NII)

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 the 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 asset and liability maturities and changes to the balance sheet mix. In practice, earnings changes from actual interest rate movements will differ from those calculated in the sensitivity analysis because interest rate changes may not be passed through in full to those assets and liabilities that do not have a contractual link to Bank rate.

Potential adverse impact on annual pre-tax future earnings		
	30 September 2024 £m	4 April 2024 £m
+100 basis point shift	**57**	(16)
+25 basis point shift	**16**	(2)
-25 basis point shift	**(31)**	(9)
-100 basis point shift	**(136)**	(47)

The sensitivities reflect that changes in rates are fully passed through in these scenarios, and product margins held static. The sensitivities also include the impact of balance sheet hedging and take-up risk in the mortgage pipeline. Whilst the NII sensitivities have increased in the period, they remain low in absolute terms and reflect Nationwide's prudent management of interest rate risk.

Condensed consolidated interim financial statements

Contents

Condensed consolidated income statement

(Unaudited)

	Note	**Half year to 30 September 2024 £m**	Half year to 30 September 2023 £m
Interest receivable and similar income:			
Calculated using the effective interest rate method	3	**7,001**	6,676
Other	3	**30**	36
Total interest receivable and similar income	3	**7,031**	6,712
Interest expense and similar charges	4	**(4,955)**	(4,375)
Net interest income		**2,076**	2,337
Fee and commission income		**199**	214
Fee and commission expense		**(160)**	(148)
Other operating income	5	**14**	46
Gains from derivatives and hedge accounting	6	**20**	71
Total income		**2,149**	2,520
Administrative expenses	7	**(1,180)**	(1,115)
Impairment charge on loans and advances to customers	8	**(7)**	(54)
Provisions for liabilities and charges		**(9)**	(18)
Profit before member reward payments and tax		**953**	1,333
Member reward payments		**(385)**	(344)
Profit before tax		**568**	989
Taxation	9	**(147)**	(267)
Profit after tax		**421**	722

The notes on pages 68 to 91 form part of these condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income

(Unaudited)

	Note	Half year to 30 September 2024 £m	Half year to 30 September 2023 £m
Profit after tax		**421**	722
Other comprehensive (expense)/income			
Items that will not be reclassified to the income statement			
Retirement benefit obligations:			
Remeasurement of net retirement benefit asset	14	-	(167)
Taxation		-	58
		-	(109)
Fair value through other comprehensive income reserve:			
Revaluation (losses)/gains on equity instruments at fair value through other comprehensive income		**(4)**	5
Taxation		-	(2)
		(4)	3
		(4)	(106)
Items that may subsequently be reclassified to the income statement			
Cash flow hedge reserve:			
Hedging net (losses)/gains arising during the period		**(33)**	6
Amount transferred to income statement		**(8)**	(24)
Taxation		**11**	5
		(30)	(13)
Other hedging reserve:			
Hedging net gains arising during the period		**10**	22
Amounts transferred to income statement		**2**	(9)
Taxation		**(3)**	(4)
		9	9
Fair value through other comprehensive income reserve:			
Revaluation (losses)/gains on debt instruments at fair value through other comprehensive income		**(38)**	49
Amount transferred to income statement		**(14)**	(48)
Taxation		**14**	-
		(38)	1
		(59)	(3)
Total other comprehensive expense		**(63)**	(109)
Total comprehensive income		**358**	613

The notes on pages 68 to 91 form part of these condensed consolidated interim financial statements.

Condensed consolidated balance sheet

(Unaudited)

	Note	30 September 2024 £m	4 April 2024 £m
Assets			
Cash		**28,800**	23,817
Loans and advances to banks and similar institutions		**1,772**	2,478
Investment securities		**25,481**	26,532
Derivative financial instruments		**5,331**	6,290
Fair value adjustment for portfolio hedged risk		**(1,832)**	(3,330)
Loans and advances to customers	10	**220,047**	213,440
Intangible assets		**820**	848
Property, plant and equipment		**614**	656
Accrued income and prepaid expenses		**299**	294
Deferred tax		**130**	109
Current tax assets		**34**	54
Other assets		**236**	122
Retirement benefit asset	14	**620**	607
Total assets		**282,352**	271,917
Liabilities			
Shares		**201,725**	193,366
Deposits from banks and similar institutions		**11,473**	16,388
Other deposits		**5,549**	4,530
Fair value adjustment for portfolio hedged risk		**63**	50
Debt securities in issue		**34,264**	29,599
Derivative financial instruments		**1,675**	1,451
Other liabilities		**521**	689
Provisions for liabilities and charges		**135**	149
Accruals and deferred income		**275**	405
Subordinated liabilities		**7,586**	7,225
Subscribed capital		**174**	173
Deferred tax		**202**	206
Current tax liabilities		**5**	-
Total liabilities		**263,647**	254,231
Members' interests and equity			
Core capital deferred shares		**1,157**	1,157
Other equity instruments		**2,083**	1,336
General reserve		**15,455**	15,119
Revaluation reserve		**34**	36
Cash flow hedge reserve		**97**	127
Other hedging reserve		**(42)**	(51)
Fair value through other comprehensive income reserve		**(79)**	(38)
Total members' interests and equity		**18,705**	17,686
Total members' interests, equity and liabilities		**282,352**	271,917

The notes on pages 68 to 91 form part of these condensed consolidated interim financial statements.

Condensed consolidated statement of movements in members' interests and equity

(Unaudited)

For the period ended 30 September 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 2024	1,157	1,336	15,119	36	127	(51)	(38)	17,686
Profit for the period	-	-	421	-	-	-	-	421
Net remeasurements of retirement benefit obligations	-	-	-	-	-	-	-	-
Net movement in cash flow hedge reserve	-	-	-	-	(30)	-	-	(30)
Net movement in other hedging reserve	-	-	-	-	-	9	-	9
Net movement in FVOCI reserve	-	-	-	-	-	-	(42)	(42)
Total comprehensive income	-	-	421	-	(30)	9	(42)	358
Reserve transfer	-	-	1	(2)	-	-	1	-
Issuance of Additional Tier 1 capital	-	747	-	-	-	-	-	747
Repurchase of core capital deferred shares	-	-	-	-	-	-	-	-
Distribution to the holders of core capital deferred shares	-	-	(47)	-	-	-	-	(47)
Distribution to the holders of Additional Tier 1 capital	-	-	(39)	-	-	-	-	(39)
At 30 September 2024	**1,157**	**2,083**	**15,455**	**34**	**97**	**(42)**	**(79)**	**18,705**

For the period ended 30 September 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 2023	1,233	1,336	14,184	38	176	(47)	(14)	16,906
Profit for the period	-	-	722	-	-	-	-	722
Net remeasurements of retirement benefit obligations	-	-	(109)	-	-	-	-	(109)
Net movement in cash flow hedge reserve	-	-	-	-	(13)	-	-	(13)
Net movement in other hedging reserve	-	-	-	-	-	9	-	9
Net movement in FVOCI reserve	-	-	-	-	-	-	4	4
Total comprehensive income	-	-	613	-	(13)	9	4	613
Reserve transfer	-	-	1	(1)	-	-	-	-
Repurchase of core capital deferred shares	(76)	-	-	-	-	-	-	(76)
Distribution to the holders of core capital deferred shares	-	-	(50)	-	-	-	-	(50)
Distribution to the holders of Additional Tier 1 capital	-	-	(39)	-	-	-	-	(39)
At 30 September 2023	1,157	1,336	14,709	37	163	(38)	(10)	17,354

The notes on pages 68 to 91 form part of these condensed consolidated interim financial statements.

Condensed consolidated cash flow statement

(Unaudited)

	Note	**Half year to 30 September 2024 £m**	Half year to 30 September 2023 £m
Cash flows generated from/(used in) operating activities			
Profit before tax		**568**	989
Adjustments for:			
Non-cash items included in profit before tax	16	**616**	382
Changes in operating assets and liabilities	16	**2,064**	2,036
Taxation		**(126)**	(252)
Net cash flows generated from operating activities		**3,122**	3,155
Cash flows generated from investing activities			
Purchase of investment securities		**(4,179)**	(4,097)
Sale and maturity of investment securities		**5,282**	5,037
Purchase of property, plant and equipment		**(32)**	(37)
Sale of property, plant and equipment		**3**	4
Purchase of intangible assets		**(155)**	(154)
Net cash flows generated from investing activities		**919**	753
Cash flows generated from/(used in) financing activities			
Repurchase of core capital deferred shares		**-**	(76)
Distributions paid to the holders of core capital deferred shares		**(47)**	(50)
Distributions paid to the holders of Additional Tier 1 capital		**(39)**	(39)
Issue of Additional Tier 1 capital		**747**	-
Issue of subordinated liabilities		**1,264**	373
Redemption of subordinated liabilities		**(889)**	(764)
Interest paid on subordinated liabilities		**(261)**	(217)
Interest paid on subscribed capital		**(6)**	(5)
Repayment of lease liabilities		**(17)**	(16)
Net cash flows generated from/(used in) financing activities		**752**	(794)
Effect of exchange rate changes on cash and cash equivalents		**(136)**	(61)
Net increase in cash and cash equivalents		**4,657**	3,053
Cash and cash equivalents at start of period		**24,491**	25,955
Cash and cash equivalents at end of period	16	**29,148**	29,008

The notes on pages 68 to 91 form part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. General information and reporting period

Nationwide Building Society ('the Society') and its subsidiaries (together, 'the Group') provide financial services to retail and commercial customers within the United Kingdom.

Nationwide is a building society incorporated and domiciled in the United Kingdom. The address of its registered office is Nationwide Building Society, Nationwide House, Pipers Way, Swindon, SN38 1NW.

There were no material changes in the composition of the Group in the half year to 30 September 2024. Subsequent to the balance sheet date, on 1 October 2024, the Group acquired Virgin Money UK plc. Further information is included in note 17.

These condensed consolidated interim financial statements have been prepared as at 30 September 2024 and show the financial performance for the period from, and including, 5 April 2024 to this date. They were approved for issue on 26 November 2024. These condensed consolidated interim financial statements have been reviewed, not audited.

The Society's year end date has been changed to 31 March. The Group's next Annual Report and Accounts will be prepared for the period from 5 April 2024 to 31 March 2025.

2. Basis of preparation

The condensed consolidated interim financial statements of the Group for the half year ended 30 September 2024 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and UK-adopted International Accounting Standard (IAS) 34 'Interim Financial Reporting'. The condensed consolidated interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 4 April 2024, which were prepared in accordance 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, UK-adopted international accounting standards and International Financial Reporting Standards (IFRSs) adopted by the European Union.

Terminology used in these condensed consolidated interim financial statements is consistent with that used in the Annual Report and Accounts 2024. Copies of the Annual Report and Accounts 2024 and Glossary are available on the Group's website at **nationwide.co.uk**

Accounting policies

The accounting policies adopted by the Group in the preparation of these condensed consolidated interim financial statements are consistent with those disclosed in the Annual Report and Accounts 2024.

Judgements in applying accounting policies and critical accounting estimates

Judgements have to be made in applying the Group's accounting policies, which affect the amounts recognised in these condensed consolidated interim financial statements. In addition, estimates and assumptions are made that could affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates.

Details of the significant judgements and estimates which are relevant to the Group, including any changes from those disclosed in the Annual Report and Accounts 2024, are disclosed in the relevant notes as follows:

- impairment charge and provisions on loans and advances to customers (note 8); and
- retirement benefit obligations (note 14).

Going concern

The Group's business activities and financial position, the factors likely to affect its future development and performance, its objectives and policies in managing the financial risks to which it is exposed, and its capital, funding and liquidity positions are set out in the Financial review and the Risk report.

The directors have assessed the Group's ability to continue as a going concern, with reference to current and anticipated market conditions, including the impact of climate-related matters and the acquisition of Virgin Money UK plc on 1 October 2024. 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 condensed consolidated interim financial statements and that it is therefore appropriate to adopt the going concern basis.

Notes to the condensed consolidated interim financial statements (continued)

3. Interest receivable and similar income

	Half year to 30 September 2024 £m	Half year to 30 September 2023 £m
On financial assets measured at amortised cost:		
Residential mortgages	**3,736**	2,955
Other loans	**374**	339
Other liquid assets, including reserves at central banks	**816**	997
Investment securities	**-**	1
On investment securities measured at FVOCI	**265**	237
Net income on financial instruments hedging assets in a qualifying hedge accounting relationship	**1,810**	2,147
Total interest receivable and similar income calculated using the effective interest rate method	**7,001**	6,676
Interest on net defined benefit pension surplus	**15**	22
Other interest and similar income (note i)	**15**	14
Total other interest receivable and similar income	**30**	36
Total	**7,031**	6,712

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

4. Interest expense and similar charges

	Half year to 30 September 2024 £m	Half year to 30 September 2023 £m
On shares held by individuals	**3,016**	2,253
On subscribed capital	**5**	5
On deposits and other borrowings:		
Subordinated liabilities	**159**	124
Deposits from banks and similar institutions and other deposits	**567**	935
Debt securities in issue	**699**	548
Net expense on financial instruments hedging liabilities	**509**	510
Total	**4,955**	4,375

Notes to the condensed consolidated interim financial statements (continued)

5. Other operating income

	Half year to 30 September 2024 £m	Half year to 30 September 2023 £m
Gains on disposal of FVOCI investment securities	**14**	49
Losses on financial assets measured at FVTPL	**(2)**	(3)
Other income	**2**	-
Total	**14**	46

There were no gains or losses on disposal of financial assets measured at amortised cost in the period ended 30 September 2024 (H1 2023/24: £nil).

6. Gains from derivatives and hedge accounting

As a part of its risk management strategy, the Group uses derivatives to economically hedge financial assets and liabilities. 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. In addition, 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.

	Half year to 30 September 2024 £m	Half year to 30 September 2023 £m
Gains from fair value hedge accounting (note i)	**26**	43
Losses from cash flow hedge accounting	**(1)**	-
Fair value (losses)/gains from other derivatives (note ii)	**(3)**	30
Foreign exchange retranslation (note iii)	**(2)**	(2)
Total	**20**	71

Notes:

i. Includes gains 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.

Gains from fair value hedge accounting include the impact of updating the hedge accounting amortisation methodology used for macro hedges. This updated methodology applies a more refined EIR approach, to reduce volatility in a high-interest rate environment by improving the phasing of amortisation. The impact of this has been to reduce gains in H1 2024/25 by £35 million compared to the previous approach.

Notes to the condensed consolidated interim financial statements (continued)

7. Administrative expenses

	Half year to 30 September 2024 £m	Half year to 30 September 2023 £m
Employee costs:		
Wages, salaries and bonuses	**368**	361
Social security costs	**41**	41
Pension costs	**86**	86
	495	488
Other administrative expenses	**434**	399
	929	887
Depreciation, amortisation and impairment	**251**	228
Total	**1,180**	1,115

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

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

Impairment charge/(release)	**Half year to 30 September 2024 £m**	Half year to 30 September 2023 £m
Owner-occupied mortgages	**3**	14
Buy to let and legacy residential mortgages	**(7)**	13
Consumer banking	**13**	22
Commercial lending	**(2)**	5
Total	**7**	54

Impairment provisions	**30 September 2024 £m**	4 April 2024 £m
Owner-occupied mortgages	**93**	90
Buy to let and legacy residential mortgages	**224**	231
Consumer banking	**409**	436
Commercial lending	**24**	24
Total	**750**	781

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 adjustments made in modelling provisions; these currently include PD uplifts relating to the current economic uncertainty and LGD uplifts for property valuation risk.

The Group has considered the potential impact of climate change on impairment provisions and, consistent with 4 April 2024, has concluded that it is currently not material. The Group will continue to monitor this risk.

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 Annual Report and Accounts 2024. 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.

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.

Notes to the condensed consolidated interim financial statements (continued)

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 Society's financial planning process. The upside and downside scenarios are reasonably likely favourable and adverse alternatives to the base case, and the severe downside scenario is aligned with the Society's internal stress testing.

Probability weightings for each scenario are reviewed quarterly and updated to reflect economic conditions as they evolve. The probability weightings applied to the scenarios were unchanged over the period and are shown in the table below.

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

Notes to the condensed consolidated interim financial statements (continued)

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

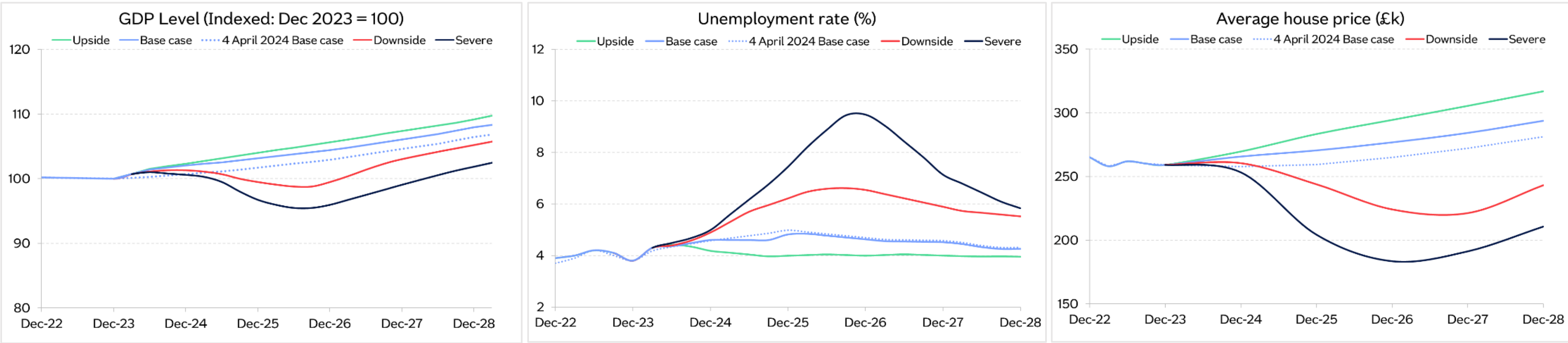
Critical accounting estimates and judgements (continued)

In the base case scenario at 30 September 2024, modest growth in GDP of 2.0% is expected during 2024, following a period of stagnation in the previous few years. In this scenario, unemployment is forecast to increase to 4.8% (4 April 2024: 5.0%) by the end of 2025. By contrast, in the downside scenario, GDP reflects a significant UK recession and the peak unemployment increases to 6.6% (4 April 2024: 6.7%), whilst the severe downside scenario unemployment peak of 9.5% (4 April 2024: 9.5%) corresponds with a severe and longer-lasting economic downturn.

As a result of continued economic uncertainty, the house price forecasts used within the provision calculations cover a wide range of outcomes. House prices are now expected to increase in the base case scenario by 2.5% during 2024 and a further 1.8% during 2025. The downside scenario continues to assume a significant fall in both 2025 and 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 29.5% from the end of 2023 to the low point in early 2027.

Bank rate is assumed to have peaked at 5.25% (4 April 2024: 5.25%) in the base case scenario and is now expected to continue to reduce to 4.75% during 2024 and 3.0% by the end of 2028. Inflation in this scenario is expected to reduce to the Bank of England target rate of 2.0% by the end of 2025. In the downside scenario, the recession results in Bank rate remaining at low levels from 2025 onwards, in order to stimulate economic demand. By contrast the severe downside scenario includes a sustained high level of inflation, which requires an increase in Bank rate to 8.5%.

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



Notes to the condensed consolidated interim financial statements (continued)

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			
30 September 2024	%	%	%	%	%	%	%	%	%
GDP growth									
Upside scenario	(0.2)	2.3	1.6	1.6	1.6	1.7	1.8	9.2	0.7
Base case scenario	(0.2)	2.0	1.1	1.2	1.6	1.8	1.5	8.0	0.7
Downside scenario	(0.2)	1.3	(1.8)	(0.0)	3.5	2.1	1.0	5.2	(1.2)
Severe downside scenario	(0.2)	0.6	(3.8)	(0.8)	3.2	2.8	0.4	1.9	(4.5)
Probability weighted	(0.2)	1.6	(0.5)	0.6	2.4	2.0			
Unemployment									
Upside scenario	3.8	4.2	4.0	4.0	4.0	4.0	4.1	4.4	4.0
Base case scenario	3.8	4.6	4.8	4.6	4.5	4.3	4.5	4.8	4.3
Downside scenario	3.8	4.9	6.2	6.5	5.9	5.5	5.7	6.6	4.3
Severe downside scenario	3.8	5.0	7.4	9.5	7.1	5.8	6.9	9.5	4.3
Probability weighted	3.8	4.7	5.5	5.9	5.3	4.8			
HPI growth									
Upside scenario	(2.3)	4.1	5.1	3.9	3.8	3.8	4.1	22.5	0.6
Base case scenario	(2.3)	2.5	1.8	2.3	2.7	3.3	2.5	13.7	0.6
Downside scenario	(2.3)	0.5	(6.3)	(8.0)	(1.3)	9.8	(1.3)	2.3	(14.7)
Severe downside scenario	(2.3)	(2.2)	(19.4)	(10.1)	4.3	10.1	(4.1)	2.3	(29.5)
Probability weighted	(2.3)	1.4	(3.5)	(2.5)	1.8	6.3			
Bank rate									
Upside scenario	5.3	4.8	4.0	4.0	4.0	4.0	4.3	5.3	4.0
Base case scenario	5.3	4.8	3.8	3.3	3.3	3.0	3.8	5.3	3.0
Downside scenario	5.3	5.0	2.0	0.5	0.5	0.5	2.0	5.3	0.5
Severe downside scenario	5.3	5.5	8.5	5.0	4.3	3.8	5.6	8.5	3.8
Probability weighted	5.3	4.9	4.0	2.8	2.7	2.5			
Consumer price inflation									
Upside scenario	3.9	1.7	1.8	2.0	2.0	2.0	2.0	3.2	1.5
Base case scenario	3.9	2.7	2.0	1.7	2.0	2.0	2.1	3.2	1.6
Downside scenario	3.9	2.0	0.3	1.0	1.7	2.0	1.5	3.2	0.3
Severe downside scenario	3.9	5.0	8.0	3.0	2.0	2.0	4.0	8.0	1.9
Probability weighted	3.9	2.7	2.4	1.7	1.9	2.0			

Notes to the condensed consolidated interim financial statements (continued)

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 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)
Probability weighted	(0.2)	0.0	(0.5)	1.7	2.3	1.9			
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
Probability weighted	3.8	4.9	5.9	5.6	5.1	4.8			
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)
Probability weighted	(2.3)	(3.5)	(4.5)	0.9	4.3	5.3			
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
Probability weighted	5.3	5.2	3.8	2.7	2.7	2.6			
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
Probability weighted	3.9	3.1	1.5	1.7	1.9	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 are 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 provisions to different economic scenarios, the table below shows the expected credit loss (ECL) if 100% weighting is applied to each scenario:

ECL under 100% weighted scenarios	Upside scenario	Base case scenario	Downside scenario	Severe downside scenario	Reported provisions	Proportion of balances in stage 2 under 100% weighted scenarios: Upside scenario	Base case scenario	Downside scenario	Severe downside scenario	Reported stage 2	Reported stage 3 (note i)
30 September 2024	**£m**	**£m**	**£m**	**£m**	**£m**	%	%	%	%	%	%
Residential mortgages	**219**	**217**	**248**	**837**	**317**	**13.4**	**12.2**	**10.6**	**28.6**	**16.1**	**0.6**
Consumer banking – credit cards	**161**	**159**	**163**	**220**	**166**	**21.3**	**20.9**	**19.5**	**22.4**	**21.5**	**5.0**
Consumer banking – personal loans and overdrafts	**230**	**234**	**244**	**282**	**243**	**28.2**	**28.2**	**28.0**	**34.8**	**29.3**	**6.4**
Commercial lending	**24**	**24**	**24**	**24**	**24**	**4.8**	**4.8**	**4.8**	**4.8**	**4.8**	**1.2**
Total	**634**	**634**	**679**	**1,363**	**750**						
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						

Note:
i. The allocation of loans to stage 3 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 provisions represents 118% (4 April 2024: 119%) of the base case scenario ECL, primarily due to the impact of increased ECL in the severe downside scenario. The increased ECL 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 stage 2 proportions 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 provisions. 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 30 September 2024 of changes to the probability weightings applied to the economic scenarios:

Sensitivity to key forward looking assumptions	Increase in provisions
	£m
10% increase in the probability of the downside scenario (reducing the upside by a corresponding 10%)	**5**
5% increase in the probability of the severe downside scenario (reducing the downside by a corresponding 5%)	**34**

Notes to the condensed consolidated interim financial statements (continued)

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

Critical accounting estimates and judgements (continued)

The table below shows the adjustments made to modelled provisions in relation to the significant areas of estimation uncertainty for the retail portfolios (residential mortgages and consumer banking), with further details provided below.

Significant adjustments made in modelling provisions	30 September 2024				4 April 2024			
	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	52	31	22	105	72	44	29	145
LGD uplift for property valuation risks	17	-	-	17	19	-	-	19
Total	69	31	22	122	91	44	29	164
Of which:								
Stage 1	7	4	3	14	7	6	3	16
Stage 2	56	27	19	102	76	38	26	140
Stage 3	6	-	-	6	8	-	-	8

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 a reduced level of arrears. An adjustment is made to reflect the cumulative effect of these combined risks by increasing the PD.

At 30 September 2024 the overall PD uplift adjustment for economic uncertainty increased provisions by £105 million (4 April 2024: £145 million). During the period, the resilience of both mortgage and consumer banking portfolios, combined with improved real wages and lower mortgage interest rate assumptions, have resulted in a reduction in the PD uplift applied for both portfolios.

The uplift in PD has resulted in loans breaching existing quantitative criteria for transfer to stage 2. At 30 September 2024, approximately £9.0 billion (4 April 2024: £12.8 billion) of residential mortgages and £318 million (4 April 2024: £473 million) of consumer banking balances are in stage 2 as a result of the PD uplift.

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 £17 million (4 April 2024: £19 million).

Notes to the condensed consolidated interim financial statements (continued)

9. Taxation

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	Half year to 30 September 2024	Half year to 30 September 2023
	£m	£m
Profit before tax:	568	989
Tax calculated at a tax rate of 25% (H1 2023/24: 25%)	142	247
Adjustments with respect to prior period	(1)	-
Tax credit on distribution to the holders of Additional Tier 1 capital	(8)	(10)
Banking surcharge	11	24
Expenses not deductible for tax purposes	3	5
Effect of deferred tax provided at different tax rates	-	1
Tax charge	**147**	267

The main rate of UK corporation tax remained as 25%, the annual banking surcharge allowance remained at £100 million, and the banking surcharge rate remained at 3%. These rates have been reflected in the current tax and deferred tax balances recognised in these financial statements.

On 17 November 2022 the UK Government confirmed its intention to implement the G20-OECD Inclusive Framework Pillar 2 rules in the UK, including a Qualified Domestic Minimum Top-Up Tax rule. This legislation, enacted on 11 July 2023, seeks to ensure that UK-headquartered multinational enterprises pay a minimum tax rate of 15% on UK and overseas profits arising after 31 December 2023. The Group is within the scope of the legislation; however, as the UK rate of corporation tax is 25%, and the Group's business is UK-based, the impact of these rules on the Group is not expected to be significant. The IAS 12 exemption to recognise and disclose information about deferred tax assets and liabilities related to Pillar 2 income taxes has been applied.

10. Loans and advances to customers

	30 September 2024						4 April 2024					
	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	166,128	(93)	-	166,035	38	166,073	160,941	(90)	-	160,851	40	160,891
Buy to let and legacy residential mortgages	44,676	(224)	-	44,452	-	44,452	43,486	(231)	-	43,255	-	43,255
Consumer banking	4,293	(409)	-	3,884	-	3,884	4,263	(436)	-	3,827	-	3,827
Commercial lending	5,344	(24)	316	5,636	2	5,638	5,139	(24)	350	5,465	2	5,467
Total	**220,441**	**(750)**	**316**	**220,007**	**40**	**220,047**	213,829	(781)	350	213,398	42	213,440

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.

Notes to the condensed consolidated interim financial statements (continued)

10. Loans and advances to customers (continued)

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

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 2024	174,860	54	37,303	381	1,666	346	213,829	781
Stage transfers:								
Transfers from stage 1 to stage 2	(9,654)	(8)	9,654	8	-	-	-	-
Transfers to stage 3	(70)	-	(337)	(27)	407	27	-	-
Transfers from stage 2 to stage 1	10,443	83	(10,443)	(83)	-	-	-	-
Transfers from stage 3	39	1	144	8	(183)	(9)	-	-
Net remeasurement of ECL arising from transfer of stage	-	(70)	-	70	-	30	-	30
Net movement arising from transfer of stage (note ii)	758	6	(982)	(24)	224	48	-	30
New assets originated or purchased (note iii)	18,104	11	1,019	21	2	1	19,125	33
Net impact of further lending and repayments (note iv)	(3,798)	(9)	(326)	(14)	(13)	(5)	(4,137)	(28)
Changes in risk parameters in relation to credit quality (note v)	-	(1)	-	(10)	-	23	-	12
Other items impacting income statement (including recoveries)	-	-	-	-	-	(8)	-	(8)
Redemptions (note vi)	(6,459)	(2)	(1,711)	(14)	(143)	(16)	(8,313)	(32)
Income statement charge for the period								7
Decrease due to write-offs	-	-	-	-	(63)	(46)	(63)	(46)
Other provision movements	-	-	-	-	-	8	-	8
At 30 September 2024	183,465	59	35,303	340	1,673	351	220,441	750
Net carrying amount		183,406		34,963		1,322		219,691

Notes to the condensed consolidated interim financial statements (continued)

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	(16,549)	(5)	16,549	5	-	-	-	-
Transfers to stage 3	(79)	-	(368)	(25)	447	25	-	-
Transfers from stage 2 to stage 1	10,806	65	(10,806)	(65)	-	-	-	-
Transfers from stage 3	29	-	127	6	(156)	(6)	-	-
Net remeasurement of ECL arising from transfer of stage	-	(55)	-	88	-	30	-	63
Net movement arising from transfer of stage (note ii)	(5,793)	5	5,502	9	291	49	-	63
New assets originated or purchased (note iii)	12,255	5	695	17	2	1	12,952	23
Net impact of further lending and repayments (note iv)	(3,476)	(8)	(503)	(16)	(9)	-	(3,988)	(24)
Changes in risk parameters in relation to credit quality (note v)	-	(8)	-	(5)	-	28	-	15
Other items impacting income statement (including recoveries)	-	-	-	-	-	(4)	-	(4)
Redemptions (note vi)	(6,423)	(2)	(1,712)	(10)	(128)	(7)	(8,263)	(19)
Income statement charge for the period								54
Decrease due to write-offs	-	-	-	-	(66)	(49)	(66)	(49)
Other provision movements	-	-	-	-	-	4	-	4
At 30 September 2023	168,621	42	41,439	405	1,592	327	211,652	774
Net carrying amount		168,579		41,034		1,265		210,878

Notes:

i. Gross balances of credit impaired loans include £107 million (4 April 2024: £113 million) of purchased or originated credit impaired (POCI) loans, which are presented net of lifetime ECL on transition to IFRS 9 of £4 million (4 April 2024: £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 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.

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 period less the opening gross balance for the period. The provisions value is calculated as the change in exposure at default (EAD) multiplied by opening provision coverage for the period.

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 period.

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

Notes to the condensed consolidated interim financial statements (continued)

11. Fair value hierarchy of financial assets and liabilities held at fair value

IFRS 13 requires an entity to classify assets and liabilities held at fair value, and those not measured at fair value but for which the fair value is disclosed, according to a hierarchy that reflects the significance of observable market inputs in calculating those fair values. The three levels of the fair value hierarchy are defined in note 1 of the Annual Report and Accounts 2024.

Details of those financial assets and liabilities not measured at fair value are included in note 12.

The following table shows the Group's financial assets and liabilities that are held at fair value by fair value hierarchy, balance sheet classification and product type.

	30 September 2024				4 April 2024			
	Fair values based on				Fair values based on			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets								
Government, government related entities and supranational investments	21,183	-	-	21,183	22,173	-	-	22,173
Other debt investment securities	2,922	1,315	3	4,240	2,980	1,312	3	4,295
Investments in equity shares	-	-	58	58	-	-	60	60
Total investment securities (note i)	24,105	1,315	61	25,481	25,153	1,312	63	26,528
Interest rate swaps	-	3,347	-	3,347	-	4,103	-	4,103
Cross currency interest rate swaps	-	1,740	-	1,740	-	1,761	-	1,761
Foreign exchange swaps	-	20	-	20	-	31	-	31
Inflation swaps	-	188	36	224	-	200	195	395
Total derivative financial instruments	-	5,295	36	5,331	-	6,095	195	6,290
Loans and advances to customers	-	-	40	40	-	-	42	42
Total financial assets	24,105	6,610	137	30,852	25,153	7,407	300	32,860
Financial liabilities								
Interest rate swaps	-	(391)	-	(391)	-	(543)	-	(543)
Cross currency interest rate swaps	-	(1,168)	-	(1,168)	-	(839)	-	(839)
Foreign exchange swaps	-	(10)	-	(10)	-	(2)	-	(2)
Inflation swaps	-	(69)	(35)	(104)	-	(62)	(3)	(65)
Swaptions	-	-	(2)	(2)	-	-	(2)	(2)
Total derivative financial instruments	-	(1,638)	(37)	(1,675)	-	(1,446)	(5)	(1,451)
Total financial liabilities	-	(1,638)	(37)	(1,675)	-	(1,446)	(5)	(1,451)

Note:
i. Investment securities shown here exclude £0.1 million (4 April 2024: £4 million) of investment securities held at amortised cost.

Notes to the condensed consolidated interim financial statements (continued)

11. Fair value hierarchy of financial assets and liabilities held at fair value (continued)

Transfers between fair value hierarchies

Instruments move between fair value hierarchies primarily due to increases or decreases in market activity or changes to the significance of unobservable inputs to valuation, and are recognised at the date of the event or change in circumstances which caused the transfer. There were no transfers between the Level 1 and Level 2 portfolios during the current or prior period.

Level 1 and Level 2 portfolios

The Group's Level 1 portfolio comprises government and other highly-rated securities for which traded prices are readily available. Asset valuations for Level 2 investment securities are sourced from consensus pricing or other observable market prices. None of the Level 2 investment securities are valued from models. Level 2 derivative assets and liabilities are valued using observable market data for all significant valuation inputs.

Level 3 portfolio

The Group's Level 3 portfolio primarily consists of:

- certain loans and advances to customers, including a closed portfolio of residential mortgages;
- certain investment securities, including investments made in Fintech companies; and
- inflation swaps and swaptions.

The table below sets out movements in the Level 3 portfolio, including transfers in and out of Level 3.

Movements in Level 3 portfolio	**Half year to 30 September 2024**				Half year to 30 September 2023			
	Investment securities	**Derivative financial assets**	**Derivative financial liabilities**	**Loans and advances to customers**	Investment securities	Derivative financial assets	Derivative financial liabilities	Loans and advances to customers
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
At 5 April	63	195	(5)	42	54	157	(11)	100
Gains/(losses) recognised in the income statement, within:								
Net interest income	**-**	**25**	**(7)**	**1**	-	27	-	3
(Losses)/gains from derivatives and hedge accounting (note i)	**-**	**(149)**	**36**	**-**	-	185	7	-
Other operating income	**(3)**	**36**	**4**	**1**	-	4	-	(3)
(Losses)/gains recognised in other comprehensive income, within:								
Fair value through other comprehensive income reserve	**(4)**	**-**	**-**	**-**	5	-	-	-
Additions	**5**	**-**	**-**	**-**	6	-	-	-
Disposals	**-**	**(35)**	**(4)**	**-**	-	(4)	-	-
Settlements/repayments	**-**	**(36)**	**(61)**	**(4)**	-	(81)	-	(57)
At 30 September	**61**	**36**	**(37)**	**40**	65	288	(4)	43
Unrealised (losses)/gains recognised in the income statement attributable to assets and liabilities held at the end of the period	**(3)**	**(102)**	**38**	**1**	-	192	7	(3)

Note:
i. Includes foreign exchange revaluation gains/(losses).

11. Fair value hierarchy of financial assets and liabilities held at fair value (continued)

Level 3 portfolio sensitivity analysis of valuations using unobservable inputs

The fair value of financial instruments is, in certain circumstances, measured using valuation techniques based on market prices that are not observable in an active market or significant unobservable market inputs. Reasonable alternative assumptions can be applied for sensitivity analysis, taking account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historic data. The following table shows the sensitivity of the Level 3 fair values to reasonable alternative assumptions (as set out in the table of significant unobservable inputs below) and the resultant impact of such changes in fair value on the income statement or other comprehensive income.

Sensitivity of Level 3 fair values										
	30 September 2024					4 April 2024				
		Income statement		Other comprehensive income			Income statement		Other comprehensive income	
	Fair value	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes	Fair value	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Investment securities	61	1	(1)	14	(14)	63	2	(2)	14	(14)
Net derivative financial instruments	(1)	14	(14)	-	-	190	29	(29)	-	-
Loans and advances to customers	40	2	(2)	-	-	42	2	(2)	-	-
Total	100	17	(17)	14	(14)	295	33	(33)	14	(14)

Alternative assumptions are considered for each product and varied according to the quality of the data and variability of the underlying market. The following table discloses the significant unobservable inputs underlying the above alternative assumptions for assets and liabilities recognised at fair value and classified as Level 3, along with the range of values for those significant unobservable inputs. Where sensitivities are described, the inverse relationship will also generally apply.

Significant unobservable inputs															
	30 September 2024							4 April 2024							
	Total assets	Total liabilities	Valuation technique	Significant unobservable inputs	Range (note i)		Units	Total assets	Total liabilities	Valuation technique	Significant unobservable inputs	Range (note i)		Units
	£m	£m						£m	£m					
Investment securities	61	-	Internal assessment	Various (note ii)	-	-	£	63	-	Internal assessment	Various (note ii)	-	-	£
Derivative financial instruments	36	(37)	Discounted cash flows	Seasonality	0.01	0.64	%	195	(5)	Discounted cash flows	Seasonality	0.02	0.99	%
Loans and advances to customers	40	-	Discounted cash flows	Discount rate	4.51	6.51	%	42	-	Discounted cash flows	Discount rate	5.23	7.23	%

Notes:

i. The range represents the values of the highest and lowest levels used in the calculation of favourable and unfavourable changes as presented in the table of sensitivities above.

ii. Given the wide range of investments and variety of inputs to modelled values, which may include inputs such as observed market prices, discount rates or probability weightings of expected outcomes, the Group does not disclose ranges as they are not meaningful without reference to individual underlying investments, which would be impracticable. Some of the significant unobservable inputs used in the fair value measurement of investment securities may be interdependent.

Notes to the condensed consolidated interim financial statements (continued)

12. Fair value of financial assets and liabilities measured at amortised cost

Valuation methodologies employed in calculating the fair value of financial assets and liabilities measured at amortised cost are consistent with those disclosed in the Annual Report and Accounts 2024.

The following table summarises the carrying value and fair value of financial assets and liabilities measured at amortised cost on the Group's balance sheet.

Fair value of financial assets and liabilities (note i)				
	30 September 2024		4 April 2024	
	Carrying value	**Fair value**	Carrying value	Fair value
	£m	**£m**	£m	£m
Financial assets				
Loans and advances to banks and similar institutions	**1,772**	**1,772**	2,478	2,478
Investment securities	**-**	**-**	4	4
Loans and advances to customers:				
Residential mortgages	**210,487**	**207,292**	204,106	198,123
Consumer banking	**3,884**	**3,820**	3,827	3,737
Commercial lending	**5,636**	**5,229**	5,465	4,981
Total	**221,779**	**218,113**	215,880	209,323
Financial liabilities				
Shares	**201,725**	**201,801**	193,366	193,333
Deposits from banks and similar institutions	**11,473**	**11,473**	16,388	16,388
Other deposits	**5,549**	**5,549**	4,530	4,531
Debt securities in issue	**34,264**	**34,599**	29,599	29,937
Subordinated liabilities	**7,586**	**7,723**	7,225	7,365
Subscribed capital	**174**	**173**	173	173
Total	**260,771**	**261,318**	251,281	251,727

Note:
i. The table above excludes cash and other financial assets and liabilities such as accruals, trade receivables, trade payables, and settlement balances which are short-term in nature and for which fair value approximates carrying value.

Notes to the condensed consolidated interim financial statements (continued)

13. Contingent liabilities and contingent assets

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.

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

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

The Group holds provisions of £100 million (4 April 2024: £97 million) in relation to a matter which is subject to ongoing litigation against Allen & Overy and Bank of New York Mellon. The Group continues to expect 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.

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 continues to operate two defined contribution schemes and a number of defined benefit pension arrangements, the most significant being the Nationwide Pension Fund (the Fund). Further details are set out in note 30 of the Annual Report and Accounts 2024.

Defined benefit pension schemes

Retirement benefit obligations on the balance sheet	30 September 2024 £m	4 April 2024 £m
Fair value of fund assets	**4,582**	4,679
Present value of funded obligations	**(3,959)**	(4,069)
Present value of unfunded obligations	**(3)**	(3)
Surplus	**620**	607

Notes to the condensed consolidated interim financial statements (continued)

14. Retirement benefit obligations (continued)

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

Movements in net defined benefit asset	Half year to 30 September 2024 £m	Half year to 30 September 2023 £m
At 5 April	607	946
Interest on net defined benefit asset	**15**	22
Return on assets less than discount rate (note i)	**(118)**	(727)
Contributions by employer	**-**	1
Administrative expenses	**(2)**	(2)
Actuarial gains on defined benefit obligations (note i)	**118**	560
At 30 September	**620**	800

Note:
i. The net impact before tax on the surplus of return on assets and actuarial gains of £nil (H1 2023/24: £167 million) is recognised in other comprehensive income.

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 period. Additionally, there have been no employer deficit contributions required into the Fund (H1 2023/24: £nil) and there are no such contributions scheduled in the period ending 31 March 2025 or future years under the current Schedule of Contributions. Employer deficit contributions of less than £1 million (H1 2023/24: £1 million) were made in respect of the Group's defined benefit scheme in its Nationwide (Isle of Man) Limited subsidiary.

The £118 million (H1 2023/24: £727 million) loss relating to the return on assets less than the discount rate is primarily driven by decreases in the value of UK government bonds. The £118 million (H1 2023/24: £560 million) actuarial gain on defined benefit obligations is primarily driven by an increase in the discount rate.

Critical accounting estimates and judgements

The key assumptions used to calculate the defined benefit obligation, and which represent significant sources of estimation uncertainty, are the discount rate, inflation assumptions and mortality assumptions, as shown below:

Financial assumptions	30 September 2024 %	4 April 2024 %
Discount rate	**5.10**	4.95
Future pension increases (maximum 5%)	**2.95**	3.00
Retail price index (RPI) inflation	**3.05**	3.10
Consumer price index (CPI) inflation	**2.45**	2.50

Assumptions for inflation within the table above reflect the long-term average across the remaining duration of the scheme. Mortality rates used in calculating pension liabilities are based on standard mortality tables which allow for future improvements in life expectancies and are adapted to represent the Fund's membership.

Notes to the condensed consolidated interim financial statements (continued)

15. Related party transactions

There were no related party transactions during the period ended 30 September 2024 which were significant to the Group's financial position or performance. Full details of the Group's related party transactions for the year ended 4 April 2024 can be found in note 35 of the Annual Report and Accounts 2024.

16. Notes to the condensed consolidated cash flow statement

	Half year to 30 September 2024 £m	Half year to 30 September 2023 £m
Non-cash items included in profit before tax		
Net (decrease)/increase in impairment provisions	**(31)**	9
Net decrease in provisions for liabilities and charges	**(14)**	(35)
Amortisation and net (gains)/losses on investment securities	**177**	45
Write down of inventory	**-**	2
Depreciation, amortisation and impairment	**251**	228
Profit on sale of property, plant and equipment	**(1)**	(1)
Net credit in respect of retirement benefit obligations	**(13)**	(20)
Interest on subordinated liabilities	**261**	220
Interest on subscribed capital	**6**	5
Gains from derivatives and hedge accounting	**(20)**	(71)
Total	**616**	382
Changes in operating assets and liabilities		
Loans and advances to banks and similar institutions	**368**	(289)
Net derivative financial instruments	**(822)**	49
Loans and advances to customers	**(6,610)**	(578)
Other operating assets	**(141)**	3
Shares	**8,359**	4,188
Deposits from banks and similar institutions, customers and others	**(3,834)**	(3,419)
Debt securities in issue	**5,020**	2,063
Contributions to defined benefit pension scheme	**-**	(1)
Other operating liabilities	**(276)**	20
Total	**2,064**	2,036
Cash and cash equivalents		
Cash	**28,800**	28,676
Loans and advances to banks and similar institutions repayable in 3 months or less	**348**	332
Total	**29,148**	29,008

The Group is required to maintain balances with the Bank of England which, at 30 September 2024, amounted to £1,048 million (30 September 2023: £2,257 million). These balances are included within loans and advances to banks and similar institutions on the balance sheet and are not included in the cash and cash equivalents in the cash flow statement as they are not liquid in nature. The Group also excludes from cash and cash equivalents cash collateral and other deposit balances relating to derivative activities totalling £377 million (30 September 2023: £578 million).

Notes to the condensed consolidated interim financial statements (continued)

17. Events after the balance sheet date – acquisition of Virgin Money UK plc

On 1 October 2024 the Society acquired 100% of the ordinary share capital of Virgin Money UK plc by means of a court-sanctioned scheme of arrangement under Part 26 of the UK Companies Act 2006. Together with its subsidiaries, Virgin Money UK plc undertakes banking and other financial services related activities in the UK. The Board of the Society believes that the acquisition of Virgin Money UK plc is in the best interests of the Society and its present and future members. The combination of the two complementary businesses will create the second largest provider of mortgages and savings in the UK. The table below sets out the fair values of the identifiable net assets and liabilities acquired.

	Book value as at 1 October 2024 £m	Fair value adjustments £m	Fair value as at 1 October 2024 £m
Assets			
Cash (note i)	10,695	-	10,695
Loans and advances to banks and similar institutions	519	-	519
Investment securities	6,089	-	6,089
Derivative financial instruments	44	-	44
Loans and advances to customers	71,278	59	71,337
Intangible assets	151	617	768
Property, plant and equipment	192	(8)	184
Accrued income and prepaid expenses	94	-	94
Deferred tax	219	(125)	94
Other assets	73	-	73
Retirement benefit asset	429	-	429
Total assets	89,783	543	90,326
Liabilities			
Deposits from banks and similar institutions	3,035	-	3,035
Other deposits	69,816	(5)	69,811
Debt securities in issue	5,807	48	5,855
Derivative financial instruments	191	-	191
Other liabilities	1,822	-	1,822
Provisions for liabilities and charges	38	-	38
Accruals and deferred income	133	-	133
Subordinated liabilities	3,348	90	3,438
Deferred tax	107	-	107
Current tax liabilities	5	-	5
Total liabilities	84,302	133	84,435
Net assets	5,481	410	5,891
Fair value of net assets before non-controlling interests			5,891
Fair value of non-controlling interests (note ii)			(759)
Fair value of net assets acquired			5,132
Cash paid for ordinary shares (note iii)			2,819
Deferred consideration for employee share plans (note iv)			13
Total consideration			2,832
Gain on acquisition			2,300

17. Events after the balance sheet date – acquisition of Virgin Money UK plc (continued)

Notes:
i. Included within cash is £811 million of payment system collateral held with the Bank of England. The equivalent balance for the Society is classified within loans and advances to banks and similar institutions.
ii. At the acquisition date, Virgin Money Group plc had in issue Fixed Rate resettable AT1 securities issued on the London Stock Exchange ('LSE'). In accordance with IAS 32, these were classified as equity instruments. The Society did not acquire the AT1 securities which remained in issue to third parties, and as such these represent non-controlling interests which have been recognised at fair value by reference to the traded market prices on the LSE.
iii. 1,296,472,686 ordinary shares in Virgin Money UK plc were acquired on 1 October 2024 at a price of 218 pence per share, resulting in £2,826 million of consideration settled in cash. This included £7 million for shares held by an Employee Benefit Trust ('EBT') consolidated into the Virgin Money UK plc group, and which will be within the Nationwide group on acquisition. This amount is deducted from the total, to show the consideration paid external to the Group of £2,819 million.
iv. Included within total consideration are shares to be issued in the future relating to the settlement of outstanding Virgin Money UK plc employee share awards which became fully vested upon the court sanction date of the scheme of arrangement. The Society will be required to redeem the shares from the employees in cash at a fixed price of 218 pence per share at the end of the award deferral periods (subject to customary malus and clawback provisions).

Intangibles recognised on acquisition included a core deposit intangible of £360 million which relates to the value derived from access to a stable source of low cost on-demand deposit funding when compared to the marginal cost of alternative funding. This asset has been valued using the income approach, specifically the 'cost of savings method' which compares the cost of the existing on-demand deposits (including the cost of servicing them) to the marginal cost of alternative funds from a mix of diversified funding sources available to market participants. The intangible asset represents the present value of the cost savings expected to be realised over the remaining useful life of the deposits.

An intangible asset of £288 million has been recognised relating to purchased credit card relationships, reflecting the value that is expected to be generated from existing credit card customers who will continue to borrow using their credit cards into the future. This has been valued using a discounted cash flow approach to determine the present value of cash flows attributable to future spending.

For assets and liabilities held at amortised cost, suitable valuation techniques were used to assess fair value.

The fair value of loans and advances to customers, of £71,337 million, was calculated using a discounted cash flow methodology, at an individual loan level or segmented according to vintage and product groupings where appropriate. The gross contractual amount of the loans and advances receivable from customers was £71,630 million. The best estimate of the amounts not expected to be collected was £437 million.

On demand customer deposits were valued based on book value, with a core deposit intangible separately recognised as detailed above. Interest-bearing term deposits were valued using a discounted cash flow approach. For debt instruments in issue, the fair value was taken directly from quoted market prices.

The fair value measurement of identifiable assets acquired and liabilities assumed may be adjusted following management's finalisation of its acquisition date fair value estimates if new information about facts and circumstances existing on the date of the acquisition is obtained, as allowed by IFRS 3 'Business combinations' for a maximum of one year from the acquisition date. Fair value adjustments will be amortised or depreciated over the remaining life of the underlying items, where appropriate. The adjustment on the deferred tax asset will reduce as it is utilised.

Gain on acquisition

As the fair value of the identifiable net assets acquired was greater than the total consideration paid, negative goodwill arises as a result of the acquisition. This represents a gain on acquisition of £2.3 billion, which will be presented separately in the consolidated income statement for the period ended 31 March 2025.

The price paid by the Society to acquire the outstanding shares of Virgin Money UK plc of 218 pence per share, plus the 2 pence per share dividend paid to shareholders as part of Virgin Money UK plc's ordinary dividend calendar, represented a 38 per cent premium to the closing share price on 6 March 2024, the day immediately prior to the offer period. Although representing a premium on the traded share price, the total consideration of £2.8 billion was significantly lower than the fair value of net assets acquired of £5.1 billion. The fair value of net assets acquired was determined in accordance with the principles of IFRS 13 'Fair value measurement', based on a market-participant view of the fair value of assets acquired and liabilities assumed.

Notes to the condensed consolidated interim financial statements (continued)

17. Events after the balance sheet date – acquisition of Virgin Money UK plc (continued)

Acquisition costs

Acquisition costs of £38 million have been incurred by the Society in relation to the acquisition. Of this, £26 million was recognised within administrative expenses in the consolidated interim income statement in the period ended 30 September 2024, with £2 million having previously been recognised in the year ended 4 April 2024. £10 million of costs, which were incurred upon completion, have been recognised on 1 October 2024.

Transactions recognised subsequent to the acquisition

On 1 October 2024, Virgin Money UK plc and Virgin Enterprises Limited ('VEL') executed a Deed of Amendment and Restatement to the Trade Mark License Deed of Agreement originally dated 1 October 2014, as amended, restated and novated on 25 July 2016 and 18 June 2018. Pursuant to this Deed of Amendment and Restatement, the agreement will terminate after a four-year period, followed by a two-year cessation period, and Virgin Money UK plc has agreed to make payments to VEL totalling £250 million in addition to annual royalties during the remaining four-year term. These costs will be recognised within administrative expenses in the consolidated income statement, with the £250 million payment to be recognised in the period ended 31 March 2025 and the annual royalties recognised over the periods to which they relate.

Responsibility statement

The directors listed below (being all the directors of Nationwide Building Society) confirm that, to the best of their knowledge:

- The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting'.
- The Interim Results include a fair review of the information required by Disclosure Guidance and Transparency Rules 4.2.7R and 4.2.8R, namely:
  - An indication of important events that have occurred in the period covered by these accounts and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining period of the financial year; and
  - Material related party transactions in the period covered by these accounts and any material changes in the related party transactions described in the Annual Report and Accounts 2024.

Signed on behalf of the Board by

Muir Mathieson
Chief Financial Officer

26 November 2024

Board of directors

Chairman
Kevin Parry

Executive directors
Debbie Crosbie
Muir Mathieson

Non-executive directors
Anand Aithal
Tracey Graham
Albert Hitchcock
Alan Keir
Debbie Klein
Sally Orton
Tamara Rajah
Gillian Riley
Phil Rivett

Independent review report to Nationwide Building Society

Conclusion

We have been engaged by Nationwide Building Society ('the Society') and its subsidiaries (together, 'the Group') to review the condensed consolidated interim financial statements in the Interim Results for the period ended 30 September 2024, which comprise the condensed consolidated balance sheet as at 30 September 2024 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of movements in members' interests and equity and condensed consolidated cash flow statement for the period then ended and explanatory notes. We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements in the Interim Results for the period ended 30 September 2024 are not prepared, in all material respects, in accordance with UK-adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards. The condensed consolidated interim financial statements included in the Interim Results have been prepared in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting'.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with the ISRE; however, future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the Interim Results in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the Interim Results, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the Interim Results, we are responsible for expressing to the Group a conclusion on the condensed consolidated interim financial statements in the Interim Results. Our conclusion, including our Conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report.

Independent review report to Nationwide Building Society (continued)

Use of our report

This report is made solely to the Group in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
26 November 2024

Other information

The Interim Results are unaudited and do not constitute statutory accounts within the meaning of the Building Societies Act 1986.

The financial information for the year ended 4 April 2024 has been extracted from the Annual Report and Accounts 2024. The Annual Report and Accounts 2024 has been filed with the Financial Conduct Authority and the Prudential Regulation Authority. The independent auditor's report on the Annual Report and Accounts 2024 was unqualified.

Nationwide has continued to adopt the UK Finance Code for Financial Reporting Disclosure ('the Code') in its Annual Report and Accounts 2024. The Code sets out five disclosure principles together with supporting guidance. These principles have been applied, as appropriate, in the context of the Interim Results.

A copy of the Interim Results is available on the website of Nationwide Building Society. 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.

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