

# Pillar 3 Disclosures

Q1 2024-25 | 30 June 2024

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# 1 Executive Summary

## 1.1 Introduction

Nationwide's Pillar 3 disclosure Q1 2024-25 provides an update on the capital and liquidity position disclosed in Nationwide's annual Pillar 3 disclosure 2024 for the period ended 30 June 2024. The information has been prepared in accordance with the UK Prudential Regulation Authority (PRA) Rulebook with Annex conventions aligned to the 'Disclosure (CRR)' part of the Rulebook. Capital and leverage ratios reported include profits for the quarter that have been externally verified. For the basis of preparation and disclosure framework, refer to [Nationwide's Pillar 3 disclosure 2024](#).

The capital resources 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, unless otherwise stated.

In March 2024, Nationwide confirmed an offer to buy Virgin Money. Virgin Money shareholders have voted in favour of the acquisition, with completion expected in the final three months of 2024, subject to regulatory approval. As the acquisition has not yet completed, there is no impact on the Pillar 3 disclosures for the period ended 30 June 2024.

## 1.2 Summary of key metrics

Nationwide's capital position remains strong, with both the Common Equity Tier 1 (CET1) ratio and leverage ratio comfortably above regulatory capital requirements of 12.9% and 4.3% respectively. The CET1 capital requirement includes a 7.4% minimum Pillar 1 and Pillar 2 requirement and the UK CRD V combined buffer requirements of 5.5% of risk weighted assets (RWAs). The CET1 ratio decreased to 26.8% (4 April 2024: 27.1%). The leverage ratio decreased to 6.2% (4 April 2024: 6.5%).

The reduction in CET1 ratio is a result of an increase in RWAs of £0.5 billion, with CET1 capital resources remaining flat. The profit after tax for the period was offset by capital distributions and other CET1 regulatory deductions. Profit after tax is net of Nationwide's Fairer Share payment of £385 million to eligible members. RWAs increased predominantly due to an increase in residential mortgage balances and off-balance-sheet mortgage commitments.

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 decreased to 6.2% (4 April 2024: 6.5%), with Tier 1 capital remaining flat in line with CET1 capital movements above, and an increase in leverage exposure of £12.7 billion. The increase in leverage exposure was primarily driven by an increase in residential mortgage balances and repurchase agreements.

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.

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 (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 June 2024, total MREL resources, which include total regulatory capital and eligible liabilities, were in excess of the requirement at 8.8% (4 April 2024: 9.4%) of leverage exposure.

Nationwide's Liquidity Coverage Ratio (LCR), which ensures sufficient high-quality liquid assets are held to survive a short-term severe but plausible liquidity stress, averaged 192% over the 12 months ended 30 June 2024 (4 April 2024: 191%). The Net Stable Funding Ratio (NSFR), which assesses the stability of funding relative to the liquidity of assets, averaged 152% for the four quarters ended 30 June 2024 (4 April 2024: 151%), which is in excess of the 100% minimum requirement. Nationwide continues to manage its liquidity against internal risk appetite which is more prudent than regulatory requirements. Further detail is included in Annex XIII (Liquidity requirements).

### 1.3 Stress Testing

The Bank of England returned to the Annual Cyclical Scenario (ACS) Stress Test framework in September 2022. The 2022 ACS tested the resilience of the UK banking system to deep simultaneous recessions in the UK and global economies, large falls in asset prices and higher global interest rates, and a separate stress of misconduct costs.

Nationwide's low point CET1 ratio through the scenario was 20.3% before strategic management actions. This was in excess of 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 its intention 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.

### 1.4 Future regulatory developments

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

The reforms may lead to an increase in Nationwide's RWAs relative to the current position, mainly due to the application of the standardised RWA output floor. The expected implementation date is 1 July 2025, with a phased introduction of the standardised RWA output floor until fully implemented by 2030. Based on Nationwide's latest interpretation of the draft rules, there will not be a material day-one impact on Nationwide's CET1 ratio. However, if Nationwide's CET1 ratio was restated to an endpoint position, reflecting full implementation of the standardised RWA output floor, it would reduce to a low-to-mid 20% range compared to the 26.8% reported at 30 June 2024.

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

## 2 Annex I | Key metrics and overview of risk-weighted exposure amounts

### 2.1 UK KM1 - Key metrics template

UK KM1 - Key metrics template - Consolidated						
£m		a	b	c	d	e
		30 Jun 24	04 Apr 24	31 Dec 23	30 Sep 23	30 Jun 23
	<b>Available own funds (amounts)</b>					
1	Common Equity Tier 1 (CET1) capital	14,800	14,798	14,496	14,322	13,909
2	Tier 1 capital	16,136	16,134	15,832	15,658	15,245
3	Total capital	17,334	17,808	17,568	17,428	17,030
	<b>Risk-weighted exposure amounts</b>					
4	Total risk-weighted exposure amount	55,137	54,628	54,174	52,311	51,806
	<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>					
5	Common Equity Tier 1 ratio (%)	26.8	27.1	26.8	27.4	26.8
6	Tier 1 ratio (%)	29.3	29.5	29.2	29.9	29.4
7	Total capital ratio (%)	31.4	32.6	32.4	33.3	32.9
	<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>					
UK 7a	Additional CET1 SREP requirements (%)	2.9	2.9	2.9	2.5	2.5
UK 7b	Additional AT1 SREP requirements (%)	1.0	1.0	1.0	0.8	0.8
UK 7c	Additional T2 SREP requirements (%)	1.3	1.2	1.2	1.1	1.1
UK 7d	Total SREP own funds requirements (%)	13.1	13.1	13.1	12.5	12.5
	<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>					
8	Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	2.0	2.0	2.0	2.0	1.0
UK 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
UK 10a	Other Systemically Important Institution buffer	1.0	1.0	1.0	1.0	1.0
11	Combined buffer requirement (%)	5.5	5.5	5.5	5.5	4.5
UK 11a	Overall capital requirements (%)	18.6	18.6	18.6	18.0	17.0
12	CET1 available after meeting the total SREP own funds requirements (%) <sup>2</sup>	18.3	19.5	19.3	20.4	19.8
	<b>Leverage ratio</b>					
13	Total exposure measure excluding claims on central banks	261,947	249,263	253,708	245,767	245,825
14	Leverage ratio excluding claims on central banks (%)	6.2	6.5	6.2	6.4	6.2
	<b>Additional leverage ratio disclosure requirements</b>					
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	6.2	6.5	6.2	6.4	6.2
14b	Leverage ratio including claims on central banks (%)	5.6	5.9	5.4	5.7	5.2
14c	Average leverage ratio excluding claims on central banks (%)	6.3	6.3	6.2	6.2	6.1
14d	Average leverage ratio including claims on central banks (%)	5.7	5.6	5.5	5.3	5.2
14e	Countercyclical leverage ratio buffer (%)	0.7	0.7	0.7	0.7	0.4
	<b>Liquidity Coverage Ratio<sup>1</sup></b>					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	54,361	56,061	56,563	56,353	55,171
UK 16a	Cash outflows - Total weighted value	30,591	31,514	31,402	31,614	32,051
UK 16b	Cash inflows - Total weighted value	2,170	1,987	1,862	1,896	1,935
16	Total net cash outflows (adjusted value)	28,421	29,527	29,540	29,718	30,116
17	Liquidity coverage ratio (%)	192	191	192	191	184
	<b>Net Stable Funding Ratio<sup>1</sup></b>					
18	Total available stable funding	245,427	245,157	244,972	245,053	244,855
19	Total required stable funding	161,795	162,366	163,138	163,935	165,278
20	NSFR ratio (%)	152	151	150	149	148

Notes:

<sup>1</sup>The Liquidity Coverage and Net Stable Funding Ratios are calculated as a simple average of twelve month and four quarter end observations respectively

<sup>2</sup>The CET1 available after meeting the total SREP own funds requirements decreased in the period due the confirmed €1 billion redemption of Tier 2 capital on 25 July 2024. This led to CET1 capital being consumed to meet Tier 2 regulatory capital requirements at 30 June 2024

## 2.2 IFRS 9 / Article 468 - Impact of IFRS 9 transitional arrangements & temporary treatment in accordance with CRR Article 468

<b>IFRS9 - Key metrics template</b>						
<i>£m</i>		a	b	c	d	e
		30 Jun 24	04 Apr 24	31 Dec 23	30 Sep 23	30 Jun 23
<b>Available own funds (amounts)</b>						
1	CET1 if IFRS 9 transitional arrangements had not been applied	14,800	14,798	14,496	14,322	13,909
2	CET1 capital without applying the temporary treatment of gains and losses measured at fair value through OCI	14,800	14,798	14,496	14,322	13,909
3	Tier 1 if IFRS 9 transitional arrangements had not been applied	16,136	16,134	15,832	15,658	15,245
4	Tier 1 capital without applying the temporary treatment of gains and losses measured at fair value through OCI	16,136	16,134	15,832	15,658	15,245
5	Total capital if IFRS 9 transitional arrangements had not been applied	17,334	17,808	17,568	17,428	17,030
6	Total capital without applying the temporary treatment of gains and losses measured at fair value through OCI	17,334	17,808	17,568	17,428	17,030
<b>Risk-weighted exposure amounts</b>						
7	Total risk weighted assets if IFRS 9 transitional arrangements had not been applied	55,137	54,628	54,174	52,311	51,806
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>						
8	CET1 ratio if IFRS 9 transitional arrangements had not been applied (%)	26.8	27.1	26.8	27.4	26.8
9	CET1 ratio without applying the temporary treatment of gains and losses measured at fair value through OCI (%)	26.8	27.1	26.8	27.4	26.8
10	Tier 1 ratio if IFRS 9 transitional arrangements had not been applied (%)	29.3	29.5	29.2	29.9	29.4
11	Tier 1 ratio without applying the temporary treatment of gains and losses measured at fair value through OCI (%)	29.3	29.5	29.2	29.9	29.4
12	Total regulatory capital ratio if IFRS 9 transitional arrangements had not been applied (%)	31.4	32.6	32.4	33.3	32.9
13	Total regulatory capital without applying the temporary treatment of gains and losses measured at fair value through OCI (%)	31.4	32.6	32.4	33.3	32.9
<b>Leverage ratio</b>						
14	Leverage ratio exposure measure if IFRS 9 transitional arrangements had not been applied	261,947	249,263	253,708	245,767	245,825
15	Leverage ratio if IFRS 9 transitional arrangements had not been applied (%)	6.2	6.5	6.2	6.4	6.2
16	Leverage ratio without applying the temporary treatment of gains and losses measured at fair value through OCI (%)	6.2	6.5	6.2	6.4	6.2

## 2.3 UK KM2 - Key metrics template – MREL (at resolution group level)

<b>UK KM2 - Key metrics template - MREL (at resolution group level)</b>						
<i>£m</i>		a	b	c	d	e
		30 Jun 24	04 Apr 24	31 Dec 23	30 Sep 23	30 Jun 23
1	Total own funds and eligible liabilities available	23,115	23,511	23,313	22,139	22,039
2	Total risk weighted assets	55,137	54,628	54,174	52,311	51,806
3	Total own funds and eligible liabilities available as a percentage of total risk weighted assets (%)	41.9	43.0	43.0	42.3	42.5
4	UK leverage exposure ratio measure	261,947	249,263	253,708	245,767	245,825
5	Total own funds and eligible liabilities available as a percentage of UK leverage exposure ratio measure (%)	8.8	9.4	9.2	9.0	9.0

2.4 UK OV1 - Overview of risk weighted exposure amounts<sup>1</sup>

UK OV1 – Overview of risk weighted exposure amounts				
		a	b	c
		Group		
		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
£m		30 Jun 24	04 Apr 24	30 Jun 24
1	<b>Credit risk (excluding CCR)</b>	47,731	47,169	3,818
2	Of which the standardised approach	3,818	3,742	305
3	Of which the foundation IRB (FIRB) approach	3,273	3,327	262
4	Of which slotting approach	467	473	37
UK 4a	Of which equities under the simple riskweighted approach	245	233	20
5	Of which the advanced IRB (AIRB) approach	39,928	39,394	3,194
6	<b>Counterparty credit risk - CCR</b>	744	777	60
7	Of which the standardised approach	244	273	20
8	Of which internal model method (IMM)	–	–	–
UK 8a	Of which exposures to a CCP	150	137	12
UK 8b	Of which credit valuation adjustment - CVA	336	362	27
9	Of which other CCR	14	5	1
15	<b>Settlement risk</b>	–	–	–
16	<b>Securitisation exposures in the non-trading book (after the cap)</b>	164	184	13
17	Of which SEC-IRBA approach	–	–	–
18	Of which SEC-ERBA (including IAA)	164	184	13
19	Of which SEC-SA approach	–	–	–
UK 19a	Of which 1250%/ deduction	–	–	–
20	<b>Position, foreign exchange and commodities risks (Market risk)<sup>2</sup></b>	–	–	–
21	Of which the standardised approach	–	–	–
22	Of which IMA	–	–	–
UK 22a	<b>Large exposures</b>	–	–	–
23	<b>Operational risk</b>	6,498	6,498	520
UK 23a	Of which basic indicator approach	–	–	–
UK 23b	Of which standardised approach	6,498	6,498	520
UK 23c	Of which advanced measurement approach	–	–	–
24	<b>Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)</b>	302	293	24
29	<b>Total</b>	55,137	54,628	4,411

Notes:

<sup>1</sup> Specific rows of this table have not been presented as they are not applicable in the UK<sup>2</sup> Nationwide's Pillar 1 capital requirement for market risk is currently zero (as Nationwide does not have a trading book and FX exposures are below the threshold of 2% of total own funds capital requirements) and hence no figures are disclosed



## 3 Annex XIII | Liquidity requirements

### 3.1 UK LIQB – Qualitative information on LCR, which complements template UK LIQ1

#### (a) Main drivers of LCR results

Nationwide's LCR is driven by a combination of the size of the liquid asset buffer, modelled stressed retail net outflows, wholesale funding requirements from upcoming maturities and collateral outflows that could arise in a stress. As Nationwide is predominantly retail funded, retail deposit outflows continue to be the largest contributor to net outflows in the LCR.

#### (b) Explanations on the changes in the LCR over time

The 12-month average LCR has remained broadly stable. Liquid asset balances declined owing to the repayment of some of Nationwide's drawings from the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME) offset by growth in exempt term deposits. Net cash outflow requirements also declined with lower requirements for wholesale funding and derivative exposure, and other collateral outflows, partly offset by higher requirements for contingent funding obligations.

#### (c) Explanations on the actual concentration of funding sources

Nationwide is predominantly retail deposit funded and also has a wholesale funding platform which 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.

#### (d) High-level description of the composition of the institution's liquidity buffer

Nationwide's liquid assets, which predominantly comprise reserves held at central banks and highly rated debt securities issued or guaranteed by a restricted range of governments, central banks and supnationals, are held and managed centrally by its Treasury function. The assets held in the liquid asset buffer are primarily sterling, US dollar and Euro.

#### (e) Derivative exposures and potential collateral calls

The Society only uses derivatives to manage and mitigate exposures to market risks, and not for trading or speculative purposes. The LCR net cash outflows related to derivative transactions primarily reflect the risk of potential additional collateral outflows due to adverse market rate changes. Credit ratings downgrades by external credit rating agencies could also lead to collateral outflows which are considered when determining LCR outflows.

#### (f) Currency mismatch in the LCR

Liquid assets are primarily denominated in sterling, US dollar or Euro, with the currency mix of the liquid asset buffer being subject to internal risk limits and policy requirements. This ensures that no undue level of currency mismatch arises between the currency composition of the liquid asset buffer and currency profile of stressed outflows in the LCR.

#### (g) Other items in the LCR calculation that are not captured in the LCR disclosure template

There are no other relevant items.

## 3.2 UK LIQ1 – Quantitative information of LCR

## UK LIQ1 - Quantitative information of LCR

£m		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on (DD Month YYYY)	30 Jun 24	04 Apr 24	31 Dec 23	30 Sep 23	30 Jun 24	04 Apr 24	31 Dec 23	30 Sep 23
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	<b>Total high-quality liquid assets (HQLA)</b>					<b>54,361</b>	56,061	56,563	56,353
<b>CASH - OUTFLOWS</b>									
2	Retail deposits and deposits from small business customers, of which:	<b>194,446</b>	192,440	191,030	189,105	<b>11,364</b>	11,311	11,472	11,711
3	<i>Stable deposits</i>	<b>132,059</b>	133,057	133,876	135,193	<b>6,603</b>	6,653	6,694	6,760
4	<i>Less stable deposits</i>	<b>38,331</b>	37,333	37,817	38,657	<b>4,750</b>	4,645	4,763	4,935
5	Unsecured wholesale funding	<b>8,578</b>	9,654	9,415	9,142	<b>7,954</b>	9,016	8,766	8,457
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	–	–	–	–	–	–	–	–
7	<i>Non-operational deposits (all counterparties)</i>	<b>2,405</b>	2,614	2,767	2,855	<b>1,781</b>	1,976	2,118	2,170
8	<i>Unsecured debt</i>	<b>6,173</b>	7,040	6,648	6,287	<b>6,173</b>	7,040	6,648	6,287
9	Secured wholesale funding					<b>90</b>	105	107	103
10	Additional requirements	<b>12,069</b>	12,261	12,551	13,006	<b>8,281</b>	8,386	8,540	8,738
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	<b>8,143</b>	8,394	8,507	8,926	<b>7,681</b>	7,819	7,832	8,095
12	<i>Outflows related to loss of funding on debt products</i>	<b>255</b>	231	374	304	<b>255</b>	231	374	304
13	<i>Credit and liquidity facilities</i>	<b>3,671</b>	3,636	3,670	3,776	<b>345</b>	336	334	339
14	Other contractual funding obligations	<b>226</b>	262	255	251	<b>65</b>	101	101	102
15	Other contingent funding obligations	<b>19,189</b>	18,270	17,613	17,606	<b>2,837</b>	2,595	2,416	2,503
16	<b>TOTAL CASH OUTFLOWS</b>					<b>30,591</b>	31,514	31,402	31,614

## UK LIQ1 - Quantitative information of LCR (cont.)

£m		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
Quarter ending on (DD Month YYYY)		30 Jun 24	04 Apr 24	31 Dec 23	30 Sep 23	30 Jun 24	04 Apr 24	31 Dec 23	30 Sep 23
<b>CASH - INFLOWS</b>									
17	Secured lending (e.g. reverse repos)	3,247	1,530	1,518	985	210	152	138	131
18	Inflows from fully performing exposures	1,955	1,884	1,836	1,865	1,601	1,524	1,478	1,499
19	Other cash inflows	359	311	246	266	359	311	246	266
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
UK-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	<b>TOTAL CASH INFLOWS</b>	<b>5,561</b>	3,725	3,600	3,116	<b>2,170</b>	1,987	1,862	1,896
UK-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
UK-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
UK-20c	Inflows subject to 75% cap	5,561	3,725	3,600	3,116	2,170	1,987	1,862	1,896
<b>TOTAL ADJUSTED VALUE</b>									
UK-21	LIQUIDITY BUFFER					54,361	56,061	56,563	56,353
22	TOTAL NET CASH OUTFLOWS					28,421	29,527	29,540	29,718
23	<b>LIQUIDITY COVERAGE RATIO</b>					<b>192</b>	191	192	191

## 4 Annex XXI | IRB approach to credit risk

### 4.1 UK CR8 - RWEA flow statements of credit risk exposures under the IRB approach

#### UK CR8 – RWEA flow statements of credit risk exposures under the IRB approach

<i>£m</i>	a Risk weighted exposure amount
1 <b>Risk weighted exposure amount at 04 April 2024</b>	<b>43,427</b>
2 Asset size (+/-)	<b>1,058</b>
3 Asset quality (+/-)	<b>(572)</b>
4 Model updates (+/-)	–
5 Methodology and policy (+/-)	–
6 Acquisitions and disposals (+/-)	–
7 Foreign exchange movements (+/-)	–
8 Other (+/-)	–
9 <b>Risk weighted exposure amount at 30 June 2024</b>	<b>43,913</b>

RWAs in relation to loans risk weighted under the IRB approach increased in the period due to an increase in asset size partially offset by an improvement in asset quality. The asset size increase was due to an increase in residential mortgage balances and off-balance-sheet mortgage commitments. The reduction in RWAs, shown above, was driven by an improvement in asset quality largely due to product mix.



**Nationwide Building Society**

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