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21 May 2026
LEI Number: 549300XFX12G42QIKN82

Nationwide Building Society
Preliminary Results Announcement for the year ended 31 March 2026

Nationwide Building Society today released its Preliminary Results Announcement for the year ended 31 March 2026.

The Preliminary Results Announcement is attached

The document has also been submitted in unedited full text to the Financial Conduct Authority's National Storage Mechanism and will shortly be available for inspection at: https://data.fca.org.uk/#/nsm/nationalstoragemechanism

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Nationwide Building Society Preliminary Results Announcement

For the year ended 31 March 2026

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Introduction

Basis of reporting and comparatives

The year ended 31 March 2026 represents the period from 1 April 2025 to 31 March 2026 and includes a full year of Virgin Money results. The comparative period represents the 361-day period from 5 April 2024 to 31 March 2025 and includes six months of Virgin Money results, from 1 October 2024, the date of acquisition.

Alternative performance measures

The Group uses a number of alternative performance measures in presenting business and financial performance. In addition to statutory results, underlying measures, such as underlying profit before tax, are used to assist with like-for-like comparisons of performance across periods. Underlying profit before tax 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. Alternative performance measures are presented within the Financial review on pages 8 to 16.

Forward-looking statements

This document contains certain forward-looking statements. By their nature, all forward-looking statements involve risk and uncertainty because they are based on assumptions, expectations, valuations, targets, estimates and/or forecasts about the Group, its business and the environment in which it operates. These include, 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 Group, risks relating to sustainability and climate change, the policies and actions of regulatory authorities, the impact of tax or other legislation and regulations, developments with the UK's relationship with the EU, Eurozone instability, the Russia-Ukraine war, the conflict in the Middle East, and any UK or global cost of living crisis or recession.

Although the Group believes that these forward-looking statements are reasonable, it gives no assurance that they will prove to be accurate. 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 statements. No member of the Group or their respective directors, employees, agents, advisers or affiliates give any representation, warranty or assurance that any such plans, goals and expectations will be realised or that actual results will not be materially lower than those anticipated. Consequently, readers should not place reliance on these forward-looking statements.

The information in this document is subject to change and no undertaking or commitment to update such information, whether as a result of new information, future events or otherwise, is given.

This document does not constitute or form part of any public or private offer, invitation or solicitation of any offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or instruments 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.

Certain industry, market and competitive position data contained in this document comes from official or third-party sources. There is no guarantee of the accuracy or completeness of such data. While the Group reasonably believes that each of these publications, studies and surveys has been prepared by a reputable source, no member of the Group or their respective directors, officers, employees, agents, advisers or affiliates have independently verified the data. In addition, certain industry, market and competitive position data contained in this document comes from the Group's own internal research and estimates based on the knowledge and experience of the Group's management in the markets in which the Group operates. While the Group reasonably believes that such research and estimates are reasonable and reliable, they, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness, and are subject to change. Accordingly, undue reliance should not be placed on any of the industry, market or competitive position data contained in this document.

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Results highlights

Nationwide was number one for growth in mortgages, retail deposits and personal current accounts[1]

- Delivered £1.8bn in member value, including a third Fairer Share payment of £0.4bn.
- Opened over one million personal current accounts and remained the UK's most switched-to provider.
- Number one for customer satisfaction among our peer group for 14 years running[2].
- Underlying profit before tax increased by 9%, supported by a more robust and diversified balance sheet.
- Integration of Virgin Money well underway, following the transfer of the majority of its business to Nationwide in April 2026.
- On track to launch our first-ever Nationwide-branded mainstream business banking products in the first half of 2027.

Dame Debbie Crosbie DBE, Group Chief Executive Officer, Nationwide Building Society, said:

"More people than ever are choosing Nationwide. Our growth in mortgages, retail deposits and personal current accounts is leading the market. And we delivered all this while continuing to set the standard for customer service and member value.

"This, combined with our standout branch network and mutual model, paves the way for even more value for our customers and members in the years ahead."

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Group Chief Executive Officer review

Business and trading highlights for the year ended 31 March 2026

Number one for growth across our core business, including over one million new personal current account openings

- Remained the UK's most switched-to current account provider[3] and increased our market share of current account balances to 10.9%[4] (2025: 10.7%).
- Doubled our student current account openings compared to last year and achieved a 43% (2025: 27%) share of the market[5].
- Market-leading[1] mortgage net lending of £10.3bn (2025: £15.9bn). Market share of balances increased to 16.3% (2025: 16.2%).
- Market-leading[1] growth in retail deposit balances of £10.1bn to £270.8bn, maintaining market share at 12.2% (2025: 12.2%).
- Business deposit balances grew to £22.8bn (2025: £21.1bn), one of the strongest growth rates in the market, including a Virgin Money brand record of 56,000 business current account openings.
- Consumer lending balances increased to £11.6bn (2025: £11.1bn), primarily from growth in credit card balances to £8.1bn (2025: £7.8bn).

Strong financial performance, supported by scale and diversification

- Underlying profit before tax increased by 9% to £2,026m (2025: £1,852m).
- Statutory profit before tax of £1,490m (2025: £2,302m)[6], after the Fairer Share payment. The prior year included a one-off gain following the acquisition of Virgin Money.
- Total underlying income increased to £6,378m (2025: £5,211m), benefitting from a full year of a larger and more diversified balance sheet.
- Underlying net interest margin increased to 1.61% (2025: 1.55%).
- Underlying costs of £4,021m (2025: £3,183m), reflecting the costs of running a larger business following the acquisition, and associated integration spend of £127m.
- Asset quality remained robust, with low and stable arrears rates. Cost of risk of 11 basis points (2025: 7 basis points).
- Peer-leading CET1 ratio of 19.1% (2025: 19.1%), and leverage ratio of 5.3% (2025: 5.2%).

Multi-channel service excellence and £1.8bn delivered in member value

- Delivered £1.8bn (2025: £2.8bn) in member value, including a Fairer Share payment of £0.4bn. The prior year included the one-off Big Nationwide Thank You payment of £0.6bn.
- On average, interest rates on member deposits were 28% higher than the market average.
- Recognised by Forbes as the best bank in the UK 2026, and led the Retail Banking Sector in Britain's Most Admired Companies 2025[7].
- First for customer satisfaction among our peer group for 14 consecutive years[2].
- UK's largest single-brand branch network, with our Branch Promise extended until 2030[8], and responsible for over half of the market's branch-based product openings[9].
- New personal current account openings increased across all customer channels, including by 20% through our branches.
- Best mortgage customer journey as ranked by Which? across 21 lenders.

Significant progress integrating Virgin Money

- Completed the Part VII legal transfer of the majority of Virgin Money's business to Nationwide on 2 April 2026, the largest non-ring-fencing banking business transfer ever made in the UK.
- Virgin Money customers with a personal current account, savings or mortgage are now members of Nationwide[10]; eligible members will qualify for any Fairer Share payments from 2027.
- Completed the planned sale of Virgin Money's investments and pensions subsidiary, simplifying our business.
- Customer migration to the Nationwide brand to commence in 2026.
- On track to launch a Nationwide-branded business banking proposition in the first half of 2027, combining Virgin Money's deep expertise with Nationwide's mutual ethos.

Industry-leading, modern technology infrastructure to drive our growth ambitions

- Now operating a modern core banking platform, increasing the resilience and capability of our systems.
- Adopted AI to support customer outcomes, including call summarisation and personalisation. Customer experience scores increased to 89.9[11] (2025: 89.2).
- Delivered multiple enhancements to our personal banking apps, including our Call Checker verification service. Log-ins to our banking apps increased by 9%.
- Like-for-like[12] cost growth remained below inflation, excluding acquisition and integration costs, demonstrating improvements in productivity from investment and innovation.

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Group Chief Executive Officer review (continued)

Making a meaningful impact across society

- Helped 88,000 (2025: 120,000) first time buyers into a home of their own[13]. The prior year included completions brought forward before Stamp Duty changes on 1 April 2025.
- Responsibly increased loan to value maximums on new builds, relaunched interest-only mortgages, and enabled more customers to borrow up to six times their income.
- Committed £21.8m (2025: £18.7m) to charitable activities as part of the 1% of pre-tax profits[14] that we commit to good causes each year.
- Supported over 200,000 people through Nationwide Fairer Futures since launch[15], including booking more than 6,000 free dementia clinics in our branches.
- Supported over 215,000 school children with financial education, through Money Lessons and our Make £5 Grow programme.
- Became a funding partner of the Invest in Women Taskforce, committing to invest £25m in female and mixed gender-led businesses.

Outlook

Nationwide is well placed to support our customers through current economic uncertainty

- The sharp rise in global energy prices in response to developments in the Middle East represents a shock to the global economy.
- In the near term, UK growth is likely to be slower and inflation higher than previously expected, though the long-term impact will depend on the duration of the shock and policy response.
- The outlook for interest rates remains uncertain, and business activity is likely to slow in response to inflationary cost pressures.
- Against this backdrop, households and businesses appear relatively well placed, given employment remains relatively high and household debt-to-income is at its lowest for two decades.
- The housing market and growth in deposits have remained resilient to date, but will be impacted by how the wider economy evolves in response to developments in the Middle East.
- The credit quality of our lending portfolios, and the adequacy of our capital resources, remain strong.
- We are well placed and ready to support our members and customers.

Dame Debbie Crosbie DBE, Group Chief Executive Officer

[1] Peer group includes Barclays, HSBC UK, Lloyds Banking Group, NatWest Group and Santander UK. Peer group for personal current account balances excludes HSBC UK due to data not being available.
[2] Nationwide brand lead as at March 2026: 8.0%pts, significantly larger (based on a 95% confidence level) than the next best peer since March 2013. © Ipsos 2026, Financial Research Survey (FRS), for the 12 months ended 31 March 2013 to the 12 months ended 31 March 2026. The survey contacts 50,000 adults in Great Britain. Interviews were face to face, by phone and online, weighted to the profile of the population. The results are based on a sample of around 13,000 Nationwide customers and around 65,000 peer group customers with a main current account, mortgage or savings, and reflect the percentage of extremely and very satisfied customers minus any dissatisfied customers. The peer group consists of Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB. Prior to April 2017, Lloyds and TSB were combined as Lloyds TSB.
[3] Pay.UK quarterly Current Account Switch Service data, 9 months to December 2025, based on the latest available data. Across Nationwide and Virgin Money, we had the highest gross and net gains in current account switches.
[4] CACI's Current Account and Savings Database, stock credit balances (February 2026 latest available data and March 2025).
[5] Based on Curinos eBenchmarkers comparison of financial services providers and Nationwide analysis, April 2025 to February 2026.
[6] More information on the difference between underlying and statutory profit before tax can be found on page 10.
[7] Provided by Echo Research.
[8] All our 605 Nationwide branches and 91 Virgin Money branches will remain open until at least 1 January 2030. Opening hours may vary. More information can be found on nationwide.co.uk/about-us/branch-promise/
[9] Based on internal data sources and Curinos eBenchmarkers multi-channel analysis, April 2025 to February 2026. Includes sales of retail banking products including current accounts, savings, credit cards, unsecured loans and home insurance. Peer group includes Bank of Scotland, Barclays, First Direct, Halifax, HSBC, Lloyds, Metro Bank, NatWest, RBS, Santander and TSB.
[10] Further information on Virgin Money customers joining Nationwide as members is available at virginmoney.com/nationwide-membership/
[11] Our customer experience score measure is based on the satisfaction score customers of Nationwide-branded products provided when they completed our survey after they interacted with us. The calculation weights the aggregated scores across channels (branches, telephone and digital channels (banking app, internet bank and webchat)) to reflect the way customers interact with us. The score is based on the 12 months ended 31 March 2026. Our customer experience score was revised to an index methodology for the 12 months ended 31 March 2026. Scores for prior years have been restated to allow for direct comparison.
[12] Like-for-like costs compare the Group's costs on a consistent basis. It reflects a full 12 months of Group costs in both periods, with Virgin Money costs annualised in 2024/25 following acquisition on 1 October 2024. The prior period is also adjusted for the shorter accounting period of 361 days.
[13] Our definition of a first time buyer is set out in the Glossary for the Annual Report and Accounts, available at nationwide.co.uk.
[14] The 1% is calculated based on average pre-tax profits over the previous three years.
[15] Based on the number of individual beneficiaries supported, between the launch of Nationwide Fairer Futures in June 2024 and up until March 2026, across three of our charity partnerships: Centrepoint, Action for Children, and Dementia UK. Our partnership with The Royal Marsden Cancer Charity is not included in the measurement as we are funding research studies and clinical trials which, by their nature, contribute towards knowledge advancement, rather than measuring the number of people reached. The measure is tracked with the support of a third party, Chrysalis Research.

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Performance summary

Financial performance				
	2026		2025 (note i)	
	£m	%	£m	%
Underlying profit before tax (note ii)	**2,026**		1,852	
Statutory profit before tax	**1,490**		2,302	
Underlying net interest margin		**1.61**		1.55
Total underlying income	**6,378**		5,211	
Underlying administrative expenses	**4,021**		3,183	
Cost of risk (note iii)		**0.11**		0.07
Member reward payments	**399**		1,000	
Member financial benefit	**1,365**		1,795	

Balance sheet				
	2026		2025	
	£bn	%	£bn	%
Total assets	**382.3**		367.9	
Loans and advances to customers	**311.5**		300.9	
Mortgage balances/*market share*	**286.3**	***16.3***	275.9	*16.2*
Business lending balances	**14.9**		15.1	
Consumer lending balances	**11.6**		11.1	
Total liabilities	**361.0**		347.4	
Retail deposits balance/*market share*	**270.8**	***12.2***	260.7	*12.2*
Non-member business deposits balance/*market share*	**22.8**	***2.4***	21.1	*2.3*

Trading performance				
	2026		2025	
	£bn	%	£bn	%
Residential mortgages				
Gross lending/*market share*	**45.8**	***15.6***	44.7	*16.3*
Net lending	**10.3**		15.9	
Consumer lending				
Personal loans gross lending	**2.2**		1.6	
Credit card balance movement (note iv)	**0.3**		6.2	
Deposit balance movement				
Retail deposits balance movement (note iv)	**10.1**		67.3	
Non-member business deposits balance movement (note iv)	**1.7**		16.9	

Asset quality		
	2026	2025
	%	%
Residential mortgages		
Proportion of accounts more than 3 months in arrears	**0.39**	0.43
Average indexed loan to value (by value)	**58**	56
Average loan to value of new residential mortgages (by value)	**72**	73
Consumer lending		
Proportion of balances more than 3 months in arrears (excluding charged off balances)	**1.10**	1.11

Key ratios		
	2026	2025
	%	%
Common Equity Tier 1 ratio	**19.1**	19.1
Leverage ratio	**5.3**	5.2
Liquidity Coverage Ratio	**169**	174
Funding limit (note v)	**37.5**	37.2

Further details on the information presented in this Performance summary are included in the Financial review on pages 8 to 16 and the Risk report on pages 17 to 69.

Notes:

i. The year ended 31 March 2026 represents the period from 1 April 2025 to 31 March 2026 and includes a full year of Virgin Money results. The comparative period represents the 361-day period from 5 April 2024 to 31 March 2025 and includes six months of Virgin Money results from 1 October 2024, the date of acquisition.
ii. A reconciliation of underlying to statutory profit before tax is included in the Financial review on page 10.
iii. A measure of credit impairment, calculated as the impairment charge for the period divided by average gross lending balances across the period.
iv. Prior year balance movements include balances acquired as part of the Virgin Money acquisition.
v. The funding limit measures the proportion of funding from sources other than member deposits, against the statutory limit of 50%.

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Financial review

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

"We delivered another strong result with £2.0 billion underlying profit, market-leading growth in mortgages, retail deposits and personal current accounts, and sustained momentum in business current accounts and consumer lending. We continued to deliver material value to our members, with £0.4 billion of Fairer Share payments, £1.4 billion in member financial benefit, and leading service with a genuine choice of channel. We maintain a highly robust balance sheet, with a peer-leading CET1 ratio, delivering best-in-class CET1 performance in the Bank of England's latest stress test."

Group financial highlights

The year ended 31 March 2026 represents the period from 1 April 2025 to 31 March 2026 and includes a full year of Virgin Money results. The comparative period represents the 361-day period from 5 April 2024 to 31 March 2025 and includes six months of Virgin Money results from 1 October 2024, the date of acquisition.

Strong financial performance, supported by scale and diversification

- Underlying profit before tax increased to £2,026 million (2025: £1,852 million).
- Statutory profit before tax was £1,490 million (2025: £2,302 million), after taking account of the Nationwide Fairer Share payment. The prior year included a one-off gain and other impacts of the acquisition of Virgin Money on 1 October 2024.
- Total underlying income increased to £6,378 million (2025: £5,211 million), benefitting from a full year of a larger and more diversified balance sheet.
- Underlying net interest margin increased to 1.61% (2025: 1.55%) reflecting the benefits of a more diversified customer proposition and increased structural hedge income. These factors more than offset the continued compression of mortgage and retail deposit margins in a competitive market.
- Underlying administrative expenses were £4,021 million (2025: £3,183 million). The increase primarily reflected the full year costs of running a larger business, as well as integration-related expenditure of £127 million.
- Excluding the costs related to acquisition and integration activity, like-for-like[16] cost growth continued to be below inflation, as a result of sustained productivity improvements.
- Underlying credit impairment charges increased to £331 million (2025: £176 million), reflecting a full year of a larger, more diversified balance sheet, with the cost of risk increasing slightly to 11 basis points (2025: 7 basis points). Arrears rates remained low and stable across our lending portfolios.

Market-leading trading performance

- Market-leading mortgage net lending of £10.3 billion (2025: £15.9 billion), supported by strong customer retention and enhanced propositions, including for first-time buyers.
- Consumer lending balances increased to £11.6 billion (2025: £11.1 billion), primarily driven by growth in credit card balances to £8.1 billion (2025: £7.8 billion). Personal loans gross lending was 32% higher year-on-year, with balances increasing to £3.1 billion (2025: £3.0 billion).
- Business lending balances decreased to £14.9 billion (2025: £15.1 billion) in an increasingly competitive market. We maintained focus on supporting the registered social landlord sector, with social housing lending balances increasing to £4.9 billion (2025: £4.7 billion).
- Market-leading retail deposit balance growth of £10.1 billion, to £270.8 billion (2025: £260.7 billion), was supported by further growth in ISAs and very strong attraction, retention and primacy in personal current accounts.
- Over one million new current accounts opened in the year taking our market share of personal current account balances to 10.9%[17] (2025: 10.7%).
- Continued strong momentum in business deposits, which increased to £22.8 billion (2025: £21.1 billion) and included 56,000 (2025: 24,000) new business current accounts, a record year for new accounts under the Virgin Money brand.

Underlying profit before tax:
£2,026m (2025: £1,852m)
Statutory profit before tax: **£1,490m** (2025: £2,302m)
Underlying net interest margin: **1.61%** (2025: 1.55%)

[16] Like-for-like costs compare the Group's costs on a consistent basis. It reflects a full 12 months of Group costs in both periods, with Virgin Money costs annualised in 2024/25 following acquisition on 1 October 2024. The prior period is also adjusted for the shorter accounting period of 361 days.
[17] CACI's Current Account and Savings Database, Stock Credit Balances (February 2026 latest available data and March 2025).

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Financial review (continued)

Continued to deliver value to our members, including our third Fairer Share payment

- Delivered total member value of £1.8 billion (2025: £2.8 billion). The prior year included the one-off Big Nationwide Thank You member payment of £0.6 billion.
- Member financial benefit decreased to £1.4 billion (2025: £1.8 billion) due to a narrowing of our mortgage and deposit customer rate differentials to the market in a lower Bank of England interest rate environment. Our average member deposit rates were 58 basis points (2025: 72 basis points) higher than the market average over the year.
- Fairer Share payment was £0.4 billion (2025: £0.4 billion).

Robust and low-risk balance sheet, supported by strong levels of liquidity and capital

- The average Liquidity Coverage Ratio over the 12 months ended 31 March 2026 remained significantly above regulatory requirements at 169% (2025: 174%), underpinned by well-diversified sources of funding, including our large retail deposit base.
- Peer-leading CET1 ratio of 19.1% (2025: 19.1%) and a leverage ratio of 5.3% (2025: 5.2%).
- In December 2025 the Bank of England published the results of its Bank Capital Stress Test exercise, projecting Nationwide's CET1 low point at 14.5%, significantly above both regulatory requirements and the peer group average low point of 10.7%, demonstrating the resilience of our balance sheet.

Member value
£1.8bn
(2025: £2.8bn)
CET1 ratio:
19.1%
(2025: 19.1%)
Leverage ratio:
5.3%
(2025: 5.2%)

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Financial review (continued)

The results are prepared in accordance with International Financial Reporting Standards (IFRSs) as set out in note 2 to the consolidated financial statements. Alternative performance measures are used throughout the Financial review. Definitions of these measures can be found in our Glossary at **nationwide.co.uk**

Income statement

Underlying results are shown below, together with a reconciliation to the statutory results. Underlying results exclude certain items, detailed in the notes to the table below, which management do not consider to be representative of underlying business performance.

Reconciliation of underlying to statutory results	2026			2025		
	Underlying basis	**Adjustments**	**Statutory basis**	Underlying basis	Adjustments	Statutory basis
	£m	**£m**	**£m**	£m	£m	£m
Net interest income (note i)	**6,110**	**(34)**	**6,076**	5,031	(39)	4,992
Net other income (note ii)	**268**	**35**	**303**	180	12	192
Gain on the acquisition of Virgin Money	**-**	**-**	**-**	-	2,300	2,300
Total income	**6,378**	**1**	**6,379**	5,211	2,273	7,484
Administrative expenses (note iii)	**(4,021)**	**(138)**	**(4,159)**	(3,183)	(367)	(3,550)
Impairment charge on loans and advances to customers (note iv)	**(331)**	**-**	**(331)**	(176)	(456)	(632)
Profit before member reward payments and tax	**2,026**	**(137)**	**1,889**	1,852	1,450	3,302
Member reward payments (note v)	**-**	**(399)**	**(399)**	-	(1,000)	(1,000)
Profit before tax	**2,026**	**(536)**	**1,490**	1,852	450	2,302
Tax (charge)/credit			**(387)**			36
Profit after tax			**1,103**			2,338

Notes:

i. Underlying net interest income excludes the unwind of fair value adjustments which were recognised on the acquisition of Virgin Money.

ii. Underlying net other income excludes gains or losses from derivatives and hedge accounting.

iii. Underlying administrative expenses exclude certain costs relating to the acquisition of Virgin Money. These comprise £113 million (2025: £56 million) of amortisation relating to acquired intangible assets and £25 million (2025: £275 million) of one-off costs (and related VAT) associated with the amended Trademark License Agreement between Virgin Money UK PLC and Virgin Enterprises Limited. In addition, prior period underlying administrative expenses exclude £36 million of transaction-related costs incurred by the Society in relation to the acquisition.

iv. Excluded from the underlying impairment charge for 2025 are the one-off impacts of recognising IFRS 9 provisions on acquisition of Virgin Money. This included the initial recognition of the 12-month expected loss for all acquired loans, the impact of the first application of staging criteria, and the alignment of key elements of the impairment provision methodology.

v. Member reward payments represent discretionary payments to members of the Society which may be determined by the Board from time to time, depending on the financial strength of the Society. This includes the Nationwide Fairer Share payment of £0.4 billion (2025: £0.4 billion). In 2025, this also included a one-off amount of £0.6 billion for The Big Nationwide Thank You.

Return on assets was 0.29% (2025: 0.72%), calculated as profit after tax divided by mean total assets. Mean total assets increased to £375 billion (2025: £324 billion), reflecting a larger balance sheet following Virgin Money acquisition.

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Financial review (continued)

Total income and net interest margin

Net interest margin	2026						2025 (note i)					
	Underlying basis		**Adjustments**		**Statutory basis**		Underlying basis		Adjustments		Statutory basis	
	£m	**%**	**£m**	**%**	**£m**	**%**	£m	%	£m	%	£m	%
Net interest income	**6,110**		**(34)**		**6,076**		5,031		(39)		4,992	
Average total assets (note ii)	**378,986**				**378,986**		327,130				327,130	
Net interest margin		***1.61***				***1.60***		*1.55*				*1.54*

Notes:
i. For 2025, net interest income was adjusted to account for a shorter 361-day period from 5 April 2024 to 31 March 2025.
ii. Average total assets is a weighted average of monthly closing balances during the year.

Underlying net interest income increased by £1,079 million to £6,110 million (2025: £5,031 million), reflecting the Group's larger and more diversified balance sheet, which benefitted from continued growth in mortgage and consumer lending balances. The net interest margin increased to 1.61% (2025: 1.55%) supported by a stronger contribution from consumer lending and business banking coupled with increased income from the Group's structural hedges, which more than offset a reduction in mortgage and deposit margins.

Underlying net other income increased by £88 million to £268 million (2025: £180 million), driven by a higher contribution from business and credit card products.

Member financial benefit

As a mutual, we seek to maintain our 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. Our members included those customers with a Nationwide-branded current account, savings or mortgage, and did not include customers of Virgin Money or The Mortgage Works. 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. Further information on the components of member financial benefit is set out below.

Interest rate differential

We measure how our average interest rates across our member balances in total compare against the market over the year.

For our two largest member segments, mortgages and retail deposits, we compare the average member interest rate for these portfolios against Bank of England and CACI industry data. A market benchmark based upon the data from CACI and internal Nationwide calculations is used for mortgages, and a Bank of England benchmark is used for retail deposits, both adjusted to exclude Nationwide balances. The differentials derived in this way are then applied to member balances for mortgages and deposits.

For consumer lending, a similar comparison is made. We calculate an interest rate differential based on available market data from the Bank of England and CACI and apply this to the total interest-bearing balances of credit cards and personal loans.

Member incentives and fees

Our member financial benefit measure also includes amounts in relation to incentives and fees that Nationwide offers to members. The calculation includes annual amounts for the following:

- Mortgages: the differential on incentives for members compared to the market.
- FlexPlus current account: the difference between the FlexPlus monthly account fee and the market average monthly account fee for comparable products.

For the year ended 31 March 2026 we delivered member financial benefit of £1.4 billion (2025: £1.8 billion). This reflected the combined impact of market conditions, including lower Bank rate on retail deposit differentials, and a reduced differential on mortgages due to our sustained higher proportion of first time buyer lending versus the market.

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Financial review (continued)

Member reward payments

As part of our ongoing commitment to reward our members the Board announced the third Nationwide Fairer Share payment, paying £0.4 billion (2025: £0.4 billion) in June 2025 to eligible members who had a qualifying current account plus either qualifying savings or a qualifying mortgage as at 31 March 2025. Prior year total member reward payments of £1.0 billion also included the one-off Big Nationwide Thank You payment of £0.6 billion. These payments are in addition to delivering £1.4 billion (2025: £1.8 billion) of member financial benefit outlined above.

Gain on the acquisition of Virgin Money

In the period ended 31 March 2025, we recorded a gain of £2.3 billion on completion of the acquisition, as the fair value of the identifiable net assets acquired was greater than the total consideration paid of £2.8 billion. This is excluded from underlying results.

Administrative expenses

Underlying administrative expenses increased by £838 million to £4,021 million (2025: £3,183 million) reflecting the annual costs of the larger Group and higher integration-related costs. Integration costs in the year totalled £127 million (2025: £36 million) and primarily related to preparing to move customer accounts and services onto a single set of IT systems and the Part VII transfer. Excluding the costs related to acquisition and integration activity, costs remained well controlled, with like-for-like[18] cost growth remaining below inflation.

Impairment charge on loans and advances to customers

Impairment charge (note i)	2026	2025		
	Total – underlying and statutory basis	Total – underlying basis	Acquisition and other adjustments	Total – statutory basis
	£m	£m	£m	£m
Residential lending	**8**	12	21	33
Consumer lending	**269**	138	376	514
Retail lending	**277**	150	397	547
Business lending	**54**	26	59	85
Impairment charge	**331**	176	456	632

Note:
i. Impairment charge represents the net amount recognised in the income statement, rather than amounts written off during the year.

The net impairment charge decreased to £331 million (2025: £632 million). This reduction principally reflects the non-recurrence of acquisition-related impairment charges of £456 million recognised in 2025. Excluding these non-recurring items, the underlying impairment charge increased to £331 million (2025: £176 million), resulting in a cost of risk of 11 basis points (2025: 7 basis points). The increase in the charge mainly reflects the inclusion of a full year of Virgin Money impairments, compared with six months in 2025. Lending arrears have remained broadly stable, with mortgage arrears remaining significantly below the market average.

More information regarding key assumptions and the forward-looking economic information used in impairment calculations is included in note 8 to the consolidated financial statements.

Taxation

The main rate of UK corporation tax remained at 25%, the annual banking surcharge allowance remained at £100 million, and the banking surcharge rate remained at 3%. The Group tax charge for the year of £387 million (2025: £36 million credit) represents an effective tax rate of 26.0% (2025: (1.6)%) which is higher than the statutory UK corporation tax rate of 25% (2025: 25%) due to the banking surcharge of £35 million (2025: £6 million). The effective tax rate for the prior period was low primarily due to the accounting gain which arose upon acquisition of Virgin Money. As this gain was recognised only on consolidation, it was not taxable in any of the individual entities of the Group. Further information on taxation is provided in note 9 to the consolidated financial statements.

[18] Like-for-like costs compare the Group's costs on a consistent basis. It reflects a full 12 months of Group costs in both periods, with Virgin Money costs annualised in 2024/25 following acquisition on 1 October 2024. The prior period is also adjusted for the shorter accounting period of 361 days.

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Financial review (continued)

Balance sheet

Total assets and total equity and liabilities increased to £382.3 billion at 31 March 2026 (2025: £367.9 billion).

Assets	**2026**		2025	
	£m	*%*	£m	*%*
Cash and balances at central banks	**38,411**		29,483	
Residential mortgages (note i)	**286,330**	***91***	275,926	*91*
Consumer lending	**11,578**	***4***	11,107	*4*
Business lending	**14,910**	***5***	15,144	*5*
	312,818	***100***	302,177	*100*
Impairment provisions	**(1,335)**		(1,288)	
Loans and advances to customers	**311,483**		300,889	
Other financial assets	**28,883**		33,178	
Other non-financial assets	**3,551**		4,327	
Total assets	**382,328**		367,877	

12-month average Liquidity Coverage Ratio (note ii):
169%
(2025: 174%)

Asset quality	%		%	
Residential mortgages (note i):				
Proportion of residential mortgage accounts more than 3 months in arrears	**0.39**		0.43	
Average indexed loan to value (by value)	**58**		56	
Consumer lending:				
Proportion of customer balances with amounts past due more than 3 months (excluding charged off balances)	**1.10**		1.11	

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 and balances at central banks

Cash and balances held at central banks increased by £8.9 billion to £38.4 billion (2025: £29.5 billion). The change in cash levels reflects movements in the underlying balance sheet as well as the active management of the mix between cash and investment assets held for liquidity purposes.

Residential mortgages

Residential mortgage balances grew to £286.3 billion (2025: £275.9 billion), increasing our market share to 16.3% (2025: 16.2%).

Total mortgage gross lending in the year increased to £45.8 billion (2025: £44.7 billion), with a market share of gross lending of 15.6% (2025: 16.3%).

Total mortgage net lending was lower than the prior period at £10.3 billion (2025: £15.9 billion). The prior year saw high market volumes in March 2025 ahead of Stamp Duty changes implemented on 1 April 2025. However, our current year net lending was market leading, supported by strong retention volumes, enhanced propositions and our continued support for first time buyers.

Total impairment provision balances on residential mortgage lending remained stable at £352 million (2025: £351 million). Arrears continued to be low and stable, reflecting the quality of our lending, with cases more than three months in arrears representing 0.39% (2025: 0.43%) of the total portfolio.

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Financial review (continued)

Consumer lending

Total consumer lending balances increased to £11.6 billion (2025: £11.1 billion). This comprises credit card balances of £8.1 billion (2025: £7.8 billion), personal loans balances of £3.1 billion (2025: £3.0 billion), and current account overdraft balances of £0.4 billion (2025: £0.3 billion). The £0.3 billion increase in credit card balances was driven by new customers and continued strong activity from existing customers. However, given the strong market growth, our credit card market share decreased to 10.3% (2025: 10.7%). Personal loan gross lending totalled £2.2 billion (2025: £1.6 billion), representing the strongest level of lending in six years. This performance was driven by strong demand for Nationwide-branded loans, supported by a competitive proposition that was further enhanced during the year.

Total impairment provision balances on consumer lending remained stable at £829 million (2025: £824 million). Excluding charged off accounts, balances more than three months in arrears represent 1.10% (2025: 1.11%) of the total portfolio.

Business lending

Business lending balances decreased to £14.9 billion (2025: £15.1 billion), reflecting a competitive market. We maintained our support for registered social landlords through the year, with social housing lending balances increasing to £4.9 billion (2025: £4.7 billion).

Total impairment provision balances on business lending increased to £154 million (2025: £113 million), driven by additional provisions for portfolio risks, as well as increased provisions for impaired loans.

Other financial assets

Other financial assets decreased to £28.9 billion (2025: £33.2 billion). These comprise investment assets held mainly for liquidity purposes of £25.9 billion (2025: £28.7 billion), loans and advances to banks and similar institutions of £1.8 billion (2025: £1.8 billion), derivatives with positive fair values of £3.3 billion (2025: £4.7 billion) and fair value adjustments for portfolio hedged risk of £(2.1) billion (2025: £(2.0) billion). Derivatives largely comprise interest rate and foreign exchange contracts which economically hedge financial risks inherent in our lending and funding activities.

Liquidity Coverage Ratio

The average Liquidity Coverage Ratio over the 12 months ended 31 March 2026 remained significantly ahead of regulatory requirements, at 169% (12 months ended 31 March 2025: 174%). Further details are included in the Liquidity and funding risk section of the Risk report.

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Financial review (continued)

Members' interests, equity and liabilities	2026	2025
	£m	£m
Member deposits	**217,052**	207,428
Non-member retail deposits	**53,771**	53,312
Non-member business deposits	**22,761**	21,087
Debt securities in issue	**54,821**	51,109
Other financial liabilities	**9,736**	10,468
Other liabilities	**2,898**	3,991
Total liabilities	**361,039**	347,395
Members' interests and equity	**21,085**	19,723
Non-controlling interests	**204**	759
Total equity and liabilities	**382,328**	367,877

Funding limit[19]
37.5%
(2025: 37.2%)

Member and non-member retail deposits

Against a competitive deposit market backdrop, member deposits balances grew by £9.6 billion to £217.1 billion (2025: £207.4 billion), which was supported by a strong ISA season, the success of our Member Exclusive Bond, and market-leading attraction of personal current account switchers.

Non-member retail deposits remained stable at £53.8 billion (2025: £53.3 billion). The market share of total retail deposit balances remained at 12.2% (2025: 12.2%).

Personal current account credit balances increased by £1.7 billion to £44.4 billion (2025: £42.7 billion), taking the Group's market share of personal current account balances to 10.9%[20] (2025: 10.7%), as we outperformed the broader market.

Non-member business deposits

Non-member business deposits increased by £1.7 billion to £22.8 billion (2025: £21.1 billion), as balances benefitted from growth in business current accounts and savings. During the year, 56,000 (2025: 24,000) new business current accounts were opened, which was a record year for new accounts under the Virgin Money brand.

Debt securities in issue and other financial liabilities

Debt securities in issue increased to £54.8 billion (2025: £51.1 billion). This relates to wholesale funding but excludes subordinated debt which is included within other financial liabilities. Nationwide's position against the Building Societies Act Funding Limit of 50% remained stable at 37.5% (2025: 37.2%).

Members' interests and equity

Members' interests and equity increased to £21.1 billion (2025: £19.7 billion), with growth largely driven by retained profits.

Non-controlling interests

The Group has a non-controlling interest, represented by Virgin Money UK PLC's AT1 equity instruments, which reduced to £204 million (2025: £759 million), as a portion of the instruments were redeemed during the year.

[19] The funding limit measures the proportion of funding from sources other than member deposits, against the statutory limit of 50%.
[20] CACI's Current Account and Savings Database, Stock Credit Balances (February 2026 latest available data and March 2025).

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Financial review (continued)

Capital structure

The Group's capital position remains strong, with both the Common Equity Tier 1 (CET1) ratio and leverage ratio comfortably above regulatory capital requirements of 12.3% and 4.3% respectively. The CET1 ratio remained at 19.1% and the leverage ratio increased to 5.3% (2025: 5.2%). The capital disclosures included in this report are in line with the PRA Rulebook and the UK Capital Requirements Regulation and Directive (UK CRR and UK CRD V).

Capital structure		
	2026	2025
	£m	£m
Capital resources		
CET1 capital	**16,684**	15,611
Tier 1 capital	**18,862**	17,732
Total regulatory capital	**20,783**	19,489
Capital requirements		
Risk weighted assets (RWAs)	**87,437**	81,871
Leverage exposure	**353,504**	344,018
Capital ratios	**%**	%
CET1 ratio	**19.1**	19.1
Leverage ratio	**5.3**	5.2

The CET1 ratio remained at 19.1% following an increase in CET1 capital of £1.1 billion, offset by an increase in RWAs of £5.6 billion. The CET1 capital resources increase was driven by statutory profit after tax. The RWA increase was predominantly driven by an increase in retail mortgages RWAs. This increase reflected both growth in lending balances and a one-off £3.0 billion increase in the temporary model adjustment applied to Virgin Money's existing Internal Ratings Based (IRB) mortgage models, following regulatory feedback as part of the revised model approval process.

Over time, the Group intends to align modelling approaches across its IRB portfolios. Excluding the one-off temporary model adjustment uplift, the CET1 ratio would have increased, with retained earnings sufficient to support the organic increase in RWAs. Further details on the temporary model adjustment and RWAs are provided in the Capital risk section of the Risk report.

The leverage ratio increased to 5.3% (2025: 5.2%), with Tier 1 capital resources increasing by £1.1 billion as a result of the CET1 capital movements referenced above. This was partially offset by an increase in leverage exposure of £9.5 billion, predominantly due to increased residential mortgage balances. Leverage requirements continue to be the Group's binding Tier 1 capital constraint, as the combination of minimum and regulatory buffer requirements are in excess of the risk-based equivalent.

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

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Risk report

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Risk report

Introduction

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

Risks are managed appropriately across the Group, with no material deficiencies. The Group maintains a strong financial position and remains comfortably above regulatory and internal minima for all key measures of capital and liquidity.

Risks to the Group

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

- Top and emerging risks are specific risks which have the potential to materially impact the Group's financial results and delivery of its strategic objectives and often impact across several principal risks. The most significant of these are described below, together with a summary of actions we are taking to reduce the risk, and the principal risks which are most likely to be impacted.
- Principal risks encompass all of the different types of risk to which the Group is exposed. Further information on these risks can be found on page 19.

Top and emerging risks

Risk	How we mitigate this risk	Related principal risks
Macroeconomic and geopolitical environment ↗ The Group is inherently exposed to fluctuations in UK and global economic conditions. The geopolitical environment remains volatile, with ongoing global conflicts and a range of global tensions exacerbating the uncertainty in the economic environment, leading to slower growth.	• We maintain strong capital and liquidity levels in excess of regulatory minima. We conduct internal and regulatory stress tests to ensure we remain resilient under a range of severe but plausible scenarios and economic outcomes. • We continuously review our credit and provisioning policies, ensuring they remain appropriate for the prevailing economic conditions. We also provide support to customers in financial difficulty. • We only have exposures to highly rated banking counterparties; these consist primarily of fully collateralised derivatives and covered bonds for liquidity management. • Our retail lending is restricted to the UK and we actively control our credit exposures to mitigate the risks arising from geopolitical events. Our business lending is primarily to UK-domiciled corporate clients, some of which are owned by international companies and funds.	• Credit risk • Capital risk • Liquidity and funding risk • Business risk
Technology and resilience → The technology environment is becoming more complex and is evolving rapidly, while supply-chain concentration increases our dependence on a small number of providers. At the same time, rising expectations for service availability amplify the potential impact of outages and system failures, including those caused by third-party disruption.	• We continue to test our ability to recover from technology disruption in severe but plausible scenarios to provide resilience assurance and to identify areas for potential resilience enhancement. • The Group devotes significant resource to third-party risk management and runs a programme of stressed-exit and contingency plan testing for our most critical third-party arrangements.	• Operational and conduct risk
Cyber → Cyber attacks are constantly evolving, becoming more sophisticated and seeking new potential weaknesses. Given ongoing geopolitical tension, the threat of external parties exploiting cyber security vulnerabilities to gain access to data, systems, or assets, to disrupt services, or to otherwise affect the Group, our staff, and our customers, remains a key focus.	• We continuously monitor the cyber threat level and work with partners across the industry and in law enforcement. • We continue to invest in and enhance our cyber capabilities to ensure our cyber defences remain appropriate.	• Operational and conduct risk

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Risk report (continued)

Top and emerging risks (continued)

Risk	How we mitigate this risk	Related principal risks
Integration risk ↘ Following the acquisition of Virgin Money, the focus is now on integrating the activities of the Virgin Money business into Nationwide; resulting in significant process and technology changes. This increases the Group's exposure to a range of risks including conduct risks, technological risks, change execution risk, people risk, reputational risks and strategy execution risk.	• We successfully completed the Part VII legal transfer of Clydesdale Bank's main trading activities into Nationwide and an Integration Management Office is in place to oversee the delivery of a conservative integration strategy. • Risk assessments have been completed on the major in-flight integration activities. Mitigating actions and plans are being progressed to manage the identified risks. The evolving integration landscape will be continually monitored and tracked with support from the second line Risk Oversight function.	• Operational and conduct risk
Climate change → The Group is exposed to both physical risks arising from climate change (such as damage to UK housing stock and commercial property) and transitional risks (such as lower economic growth and government policy impacts on property values) as the country moves towards net-zero emissions. These threats continue to evolve as government policy develops, green technologies mature and as climate change risks crystallise.	• We invest in sustainable business practices and proactively review lending criteria to limit the impact our activities, including business lending, have on climate change and to mitigate potential credit risk. • We continue to develop our processes to reflect potential changes in macroeconomic conditions and the housing market as we transition to a low-carbon economy, and we have completed stress testing for climate change.	• Credit risk • Operational and conduct risk • Business risk • Liquidity and funding risk
Emergent technologies → The emergence of viable artificial intelligence (AI), as well as the continued development of quantum computing and crypto-currency technologies, creates new risks and opportunities as they are adopted internally, across the industry and potentially by malicious organisations or individuals.	• We only use AI for specific activities which are subject to robust control and oversight, including human intervention where required. • We continually develop and refine our control framework for advanced and emerging technologies. We monitor the external environment for developments in industry best practice, and for potential impacts on businesses we lend to.	• Operational and conduct risk • Model risk

Key (change in underlying risk to the Group in the year)
↗ Increased level of risk → Stable level of risk ↘ Decreased level of risk

Principal risk and uncertainties

The Board is responsible for ensuring appropriate management of the principal risks to which the Group is exposed. These risks encompass all the different types of risk which are relevant to the Group's business and the achievement of its strategic objectives.

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

Principal risk	Key developments
Credit risk – The risk of loss as a result of a customer or counterparty failing to meet their financial obligations.	The Group's credit risk remained stable throughout the period with key credit indicators proving resilient during a period where lending balances increased and the UK economy remained subdued. Impairment provisions rose modestly to £1,335 million (2025: £1,288 million). The provisions held reflect affordability and valuation risks, with continued close monitoring of emerging customer stress.
Liquidity and funding risk – Liquidity risk is the risk that the Group is unable to meet its liabilities as they fall due and maintain member and other stakeholder confidence. Funding risk is the risk that the Group is unable to maintain diverse funding sources in wholesale and retail markets and manage retail funding risk that can arise from excessive concentrations of higher risk deposits.	The Group's liquidity and funding position remains strong, with a Liquidity Coverage Ratio of 169% (2025: 174%) and a Net Stable Funding Ratio of 143% (2025: 147%).

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Risk report (continued)

Principal risk and uncertainties (continued)

Principal risk	Key developments
Capital risk – The risk that the Group fails to maintain sufficient capital to absorb losses throughout a full economic cycle and sufficient to maintain the confidence of current and prospective investors, members, the Board, and regulators.	The Group's capital resources remained comfortably above both regulatory and internal minima throughout the year. At 31 March 2026 the Group's Common Equity Tier 1 (CET1) ratio was 19.1% (2025: 19.1%) and the Group's leverage ratio was 5.3% (2025: 5.2%).
Market risk – The risk that the net value of, or net income arising from, the Group's assets and liabilities is impacted as a result of market price or rate changes. The Group does not have a trading book; therefore, market risk only arises in the banking book.	Market risk continues to be managed prudently, resulting in a low level of exposure to interest rate risk.
Pension risk – The risk that the value of the pension scheme assets will be insufficient to meet the estimated liabilities, creating a pension deficit.	The Group's pension schemes remain well funded, and no employer deficit contributions were required or scheduled for the year.
Business risk – The risk that volumes decline, margins shrink, or losses increase relative to the cost or capital base, affecting the sustainability of the business and the ability to deliver the strategy due to external (macroeconomic, geopolitical, industry, regulatory, technological, or other external events) or internal factors (including the development and execution of the strategy).	The Group's strategy appropriately reflects and mitigates the risks in the external environment. The Group continues to focus on efficiency, simplicity, and attractive customer offerings to maintain sustainable and compelling propositions in all its core target markets.
Operational and conduct risk – The risk of impacts resulting from inadequate or failed internal processes, conduct and compliance management, people and systems, or from external events. Significant operational and conduct risks include technology risk, security risk (including cyber), data risk, economic crime risk and regulatory risk.	The Group has continued to invest in and mature its operational and conduct risk management throughout the year. Significant progress has been made to align and enhance economic crime, cyber defence, conduct and technology risk management processes and capabilities across the Group.
Model risk – The risk of adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. Model outputs may be affected by the quality of data inputs, suitability of methodology, or the integrity of implementation. This could lead to adverse consequences including financial loss, poor business decision-making, detrimental impact on customers, or damage to the Group's reputation.	The Group has strengthened management of model risk, including establishing a single Board-approved risk appetite and policy and forming the Group Model Risk Committee. The Group also continued to develop its governance and risk frameworks for the responsible use of artificial intelligence (AI) within risk appetite.

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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.

The Group manages credit risk for the following portfolios:

Portfolio	Definition
Residential mortgages	Loans secured on residential property
Consumer lending	Unsecured lending comprising current account overdrafts, personal loans and credit cards
Business lending	Lending to non-retail customers, including registered social landlords
Treasury	Treasury liquidity, derivatives and investment portfolios

Forbearance

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

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

Consistent with the European Banking Authority reporting definitions, loans are reported as forborne until they meet the regulatory forbearance exit criteria.

Impairment provisions

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

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

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

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Risk report (continued)

Credit risk – Overview (continued)

In addition to the stage allocation outlined above, loans which have been purchased or originated with a credit-impaired (POCI) status are reported separately. At initial recognition, POCI assets do not carry an impairment provision; instead, gross balances are presented net of lifetime expected credit losses at acquisition. All changes in lifetime expected credit losses subsequent to acquisition are recognised as an impairment charge or release.

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

Governance and oversight of impairment provisions

The models used in the calculation of impairment provisions are governed in accordance with the Group's model risk management framework as described in the Model risk section of this report. PD, EAD and LGD models are subject to regular monitoring and annual validation. Where necessary, adjustments are approved for risks not captured in model outputs, for example where insufficient historic data exists.

The Group's economic scenarios used in the calculation of impairment provisions and associated probability weightings are proposed by our Chief Economist and are governed through a quarterly meeting attended by the Group Chief Financial Officer. Details of these economic assumptions and material adjustments are included in note 8 to the consolidated financial statements.

Developments in the year

The UK economy remained subdued during the year, with businesses continuing to face persistent cost pressures. Bank rate decreased to 3.75%, although some borrowers continued to face increases in their mortgage rate when refinancing from historically low rates. The housing market remained resilient, with modest house price growth of 2.2% over the year to March 2026. The conflict in the Middle East towards the end of the year led to an increased level of economic uncertainty; however, no significant change in overall credit performance has been observed as at 31 March 2026.

Residential mortgages

Residential mortgage balances increased to £286.3 billion (2025: £275.9 billion), reflecting continued support for first time buyers, including an expansion of higher loan-to-income lending, alongside a focus on customer retention through highly competitive products. New lending had a broadly stable average LTV of 72% (2025: 73%). The impact of new lending on the stock average LTV was only partially offset by house price growth and capital repayments during the year, resulting in an increase to 58% (2025: 56%).

Residential mortgage arrears remained low and well below the industry average, with the arrears rate reducing slightly to 0.39% (2025: 0.43%).

Consumer lending

Consumer lending balances increased to £11.6 billion (2025: £11.1 billion) driven by growth in credit cards and personal loans. Credit card lending continues to represent 70% of total consumer lending. The overall credit risk profile has remained broadly stable, reflected in an arrears rate of 1.10% (2025: 1.11%).

Business lending

Business lending balances have decreased to £14.9 billion (2025: £15.1 billion), reflecting an increasingly competitive market. Registered social landlords remain the largest sector exposure, aligned with the Group's strategic purpose by helping improve access to affordable housing. Credit performance has remained resilient despite persistent cost pressures faced by the businesses we lend to.

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Risk report (continued)

Credit risk – Overview (continued)

Provisions

Provisions increased to £1,335 million (2025: £1,288 million), with retail provisions remaining stable. Business lending provisions increased, driven by additional judgemental provisions for portfolio risks, as well as increased provisions for impaired loans. Total provisions include £170 million (2025: £137 million) associated with significant judgements relating to affordability considerations, persistent credit card debt, property valuation risks, and business lending portfolio risks. The impairment charge for the year was £331 million (2025: £632 million, including £456 million of one-off acquisition related impacts).

Outlook

The Group's base case scenario was updated to reflect economic conditions at 31 March 2026, including the impact of the conflict in the Middle East, and assumes modest UK economic growth. Bank rate is expected to remain unchanged at 3.75% during 2026, while inflation is forecast to increase in the short term to 4% before returning to the Bank of England's 2% target in 2027. House prices are expected to remain resilient and are forecast to rise by 3.2% in 2026.

Recent developments in the Middle East have increased economic uncertainty, with the longer-term impact dependent on the duration of the shock to the global economy and the policy response of governments and central banks. The Group continues to apply four economic scenarios, which together reflect an appropriate range of potential economic outcomes for provisioning purposes. Further information on the economic scenarios used in calculating provisions is provided in note 8 to the consolidated financial statements.

The Group continues to monitor geopolitical and economic uncertainties and assess their impact on borrowers and credit risk across our lending portfolios. Where necessary, we will continue to take appropriate action to support borrowers facing financial difficulty. Borrowers have so far demonstrated resilience to affordability pressures, and arrears are expected to remain below the industry average.

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Risk report (continued)

Credit risk – Overview (continued)

Maximum exposure to credit risk

The Group's maximum exposure to credit risk at 31 March 2026 was £400 billion (2025: £383 billion).

Credit risk largely arises from loans and advances to customers, which account for 83% (2025: 84%) of the Group's credit risk exposure. Within this, the exposure relates primarily to residential mortgages, which account for 91% (2025: 90%) of loans and advances to customers and comprise high-quality assets with historically low occurrences of arrears and repossessions.

In addition to loans and advances to customers, the Group 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 the Group 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						
2026	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	286,298	(352)	285,946	15,603	301,549	75
Consumer lending	11,578	(829)	10,749	73	10,822	3
Business lending	14,668	(154)	14,514	5,361	19,875	5
Fair value adjustment for micro hedged risk (note ii)	204	-	204	-	204	-
	312,748	(1,335)	311,413	21,037	332,450	83
Fair value through profit or loss (FVTPL) loans and advances to customers:						
Residential mortgages (note iii)	32	-	32	-	32	-
Business lending (note iv)	38	-	38	-	38	-
	70	-	70	-	70	-
Other items:						
Cash and balances at central banks	38,411	-	38,411	-	38,411	10
Loans and advances to banks and similar institutions	1,758	-	1,758	-	1,758	-
Investment securities – FVOCI	25,900	-	25,900	-	25,900	6
Investment securities – FVTPL	5	-	5	30	35	-
Derivative financial instruments	3,341	-	3,341	-	3,341	1
Fair value adjustment for portfolio hedged risk (note ii)	(2,121)	-	(2,121)	-	(2,121)	-
	67,294	-	67,294	30	67,324	17
Total	380,112	(1,335)	378,777	21,067	399,844	100

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Risk report (continued)

Credit risk – Overview (continued)

Maximum exposure to credit risk						
2025	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	275,890	(351)	275,539	13,765	289,304	76
Consumer lending	11,107	(824)	10,283	113	10,396	3
Business lending	14,818	(113)	14,705	5,580	20,285	5
Fair value adjustment for micro hedged risk (note ii)	277	-	277	-	277	-
	302,092	(1,288)	300,804	19,458	320,262	84
Fair value through profit or loss (FVTPL) loans and advances to customers:						
Residential mortgages (note iii)	36	-	36	-	36	-
Business lending (note iv)	49	-	49	-	49	-
	85	-	85	-	85	-
Other items:						
Cash and balances at central banks	29,483	-	29,483	-	29,483	8
Loans and advances to banks and similar institutions	1,810	-	1,810	-	1,810	1
Investment securities – FVOCI	28,658	-	28,658	-	28,658	7
Investment securities – FVTPL	5	-	5	5	10	-
Derivative financial instruments	4,742	-	4,742	-	4,742	1
Fair value adjustment for portfolio hedged risk (note ii)	(2,037)	-	(2,037)	-	(2,037)	(1)
	62,661	-	62,661	5	62,666	16
Total	364,838	(1,288)	363,550	19,463	383,013	100

Notes:

i. In addition to the amounts shown above, the Group has revocable commitments of £25,966 million (2025: £23,352 million) primarily 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 the Group, 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 business lending portfolio) represent hedge accounting adjustments.

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

iv. Business lending was previously reported as business and commercial lending.

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, business lending and investment securities. These commitments are not recognised on the balance sheet; the associated provision of £3.8 million (2025: £4.6 million) is included within provisions for liabilities and charges. The majority of the off-balance sheet commitments are in stage 1, with a provision equal to a 12-month ECL.

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.

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Credit risk – Residential mortgages

Summary

The Group's residential mortgages comprise owner-occupied, buy to let and legacy loans. Owner-occupied residential mortgages are mainly advances made through the Nationwide, Virgin Money, Clydesdale and Yorkshire Bank brands. Buy to let lending is originated under The Mortgage Works (UK) plc (TMW) as well as Virgin Money, Clydesdale and Yorkshire Bank brands. Legacy mortgages are smaller owner-occupied portfolios in run-off.

Residential mortgage gross balances		
	2026	2025
	£m	£m
Owner-occupied	**224,856**	215,546
Buy to let and legacy:		
Buy to let	**60,637**	59,383
Legacy	**805**	961
	61,442	60,344
Amortised cost loans and advances to customers	**286,298**	275,890
FVTPL loans and advances to customers	**32**	36
Total residential mortgages	**286,330**	275,926

The increase in gross balances in the year reflects continued support for first time buyers, including an expansion of higher loan-to-income lending, alongside a focus on customer retention through highly competitive products.

Impairment charge/(release) and write-offs for the year		
	2026	2025
Impairment charge/(release)	**£m**	£m
Owner-occupied	**14**	25
Buy to let and legacy	**(6)**	8
Total	**8**	33
	£m	£m
Gross write-offs	**22**	12

The impairment charge reduced compared to the prior year, primarily due to the non-recurrence of £21 million of one-off charges recognised in the prior year in relation to the acquisition of Virgin Money. Write-offs have increased to £22 million (2025: £12 million) but remain low in absolute terms. Residential mortgage arrears have remained at low levels during the year, with the arrears rate reducing slightly to 0.39% (2025: 0.43%).

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Credit risk – Residential mortgages (continued)

Residential mortgages staging analysis

The following table shows the Group's 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 2026	Stage 1	Stage 2 total	Stage 2 Up to date	Stage 2 1 to 30 DPD (note i)	Stage 2 >30 DPD (note i)	Stage 3	POCI (notes ii)	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Gross balances								
Owner-occupied	210,272	13,313	11,866	918	529	960	311	224,856
Buy to let and legacy	35,987	24,771	24,201	334	236	523	161	61,442
Total	246,259	38,084	36,067	1,252	765	1,483	472	286,298
Provisions								
Owner-occupied	13	63	45	7	11	51	2	129
Buy to let and legacy	33	134	106	14	14	53	3	223
Total	46	197	151	21	25	104	5	352
Provisions as a % of total balance	%	%	%	%	%	%	%	%
Owner-occupied	0.01	0.47	0.38	0.82	2.05	5.33	-	0.06
Buy to let and legacy	0.09	0.54	0.44	4.08	6.04	10.07	-	0.36
Total	0.02	0.52	0.42	1.69	3.28	7.00	-	0.12

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Risk report (continued)

Credit risk – Residential mortgages (continued)

Residential mortgages staging analysis								
2025	Stage 1	Stage 2 total	Stage 2 Up to date	Stage 2 1 to 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	200,586	13,740	12,434	841	465	833	387	215,546
Buy to let and legacy	35,822	23,821	23,261	344	216	504	197	60,344
Total	236,408	37,561	35,695	1,185	681	1,337	584	275,890
Provisions								
Owner-occupied	14	58	41	7	10	41	2	115
Buy to let and legacy	31	150	131	10	9	54	1	236
Total	45	208	172	17	19	95	3	351
Provisions as a % of total balance	%	%	%	%	%	%	%	%
Owner-occupied	0.01	0.42	0.33	0.82	2.05	4.99	-	0.05
Buy to let and legacy	0.09	0.63	0.56	2.84	4.49	10.62	-	0.39
Total	0.02	0.55	0.48	1.41	2.82	7.11	-	0.13

Notes:

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

ii. Purchased or originated credit-impaired (POCI) loans are those which were recognised on the balance sheet when the Derbyshire Building Society was acquired in 2008 and Virgin Money was acquired in 2024. The POCI balance of £472 million (2025: £584 million) is presented net of lifetime ECL of £16 million (2025: £21 million). The provision coverage for POCI loans is not presented in the table due to the gross balance being reported net of the lifetime ECL at the point of acquisition. The POCI provision represents the movement in lifetime ECL since acquisition.

Total balances have increased largely due to growth in the owner-occupied portfolio, resulting in an increase in stage 1 balances.

Stage 2 balances have increased slightly to £38.1 billion (2025: £37.6 billion). Of these, only 2% (2025: 2%) are in arrears by 30 days or more, with the majority of balances in stage 2 due to an increase in the probability of default (PD) since origination. Total stage 2 balances include £8.7 billion (2025: £9.2 billion) of loans where the PD has been uplifted to recognise the increased risk of default due to borrower affordability pressures.

Stage 3 and POCI balances make up 0.7% (2025: 0.7%) of total balances. Stage 3 balances increased to £1,483 million (2025: £1,337 million), primarily reflecting newly impaired loans during the year. This increase has been largely offset by a reduction in POCI balances to £472 million (2025: £584 million), as loans impaired at acquisition continue to redeem or be written off. Of the total stage 3 and POCI balances, £1,204 million (2025: £1,240 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 certain types of forbearance.

Residential mortgage provisions have remained stable at £352 million (2025: £351 million) and include a modelled adjustment of £63 million (2025: £70 million) to reflect an increase to the PD to account for ongoing affordability risks, including those related to higher interest rates. Further information is included in note 8 to the consolidated financial statements.

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Risk report (continued)

Credit risk – Residential mortgages (continued)

The table below summarises the movements in, and stage allocations of, the residential mortgages held at amortised cost, including the impact of ECL impairment provisions. The movements within the table compare the position at 31 March 2026 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 31 March 2025	236,408	45	37,561	208	1,921	98	275,890	351
Stage transfers:								
Transfers from stage 1 to stage 2	(12,982)	(4)	12,982	4	-	-	-	-
Transfers to stage 3	(236)	-	(517)	(9)	753	9	-	-
Transfers from stage 2 to stage 1	11,367	42	(11,367)	(42)	-	-	-	-
Transfers from stage 3	54	1	242	9	(296)	(10)	-	-
Net remeasurement of ECL arising from transfer of stage	-	(39)	-	43	-	23	-	27
Net movement arising from transfer of stage	(1,797)	-	1,340	5	457	22	-	27
Change in exposure in the year (note ii)	11,648	5	(817)	4	(373)	(12)	10,458	(3)
Changes in risk parameters in relation to credit quality	-	(4)	-	(20)	-	21	-	(3)
Other items impacting the income statement (note iii)	-	-	-	-	-	(13)	-	(13)
Income statement charge for the year								8
Assets written off (note iii)	-	-	-	-	(50)	(21)	(50)	(21)
Other adjustments (note iv)	-	-	-	-	-	14	-	14
At 31 March 2026	246,259	46	38,084	197	1,955	109	286,298	352
Net carrying amount		246,213		37,887		1,846		285,946

Notes:
i. Gross balances of credit impaired loans include £472 million (2025: £584 million) of POCI loans, which are presented net of lifetime ECL at acquisition of £16 million (2025: £21 million).
ii. The change in exposure in the year includes; new assets originated, redemptions, further lending and repayments during the year.
iii. The movement in provisions for 'assets written off' are presented net of post-write off recoveries of £1 million. The income statement impact of these recoveries is included within 'other items impacting the income statement'.
iv. Other adjustments include the release of provisions related to POCI balances which have redeemed during the year.

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

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Credit risk – Residential mortgages (continued)

Loans which are reported within stage 2 are those which have experienced a significant increase in credit risk since origination, determined through both quantitative and qualitative indicators. The table below summarises the Group's stage 2 balances and impairment provisions for these indicators.

Reason for residential mortgages being reported in stage 2 (note i)									
2026	**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)	**529**	**11**	**2.05**	**236**	**14**	**6.04**	**765**	**25**	**3.28**
Increase in PD since origination (less than 30 DPD)	**12,250**	**51**	**0.42**	**22,162**	**107**	**0.48**	**34,412**	**158**	**0.46**
Qualitative criteria:									
Forbearance (less than 30 DPD) (note ii)	**185**	**-**	**0.18**	**20**	**-**	**1.59**	**205**	**-**	**0.31**
Interest only – significant risk of inability to refinance at maturity (less than 30 DPD)	**-**	**-**	**-**	**2,237**	**13**	**0.57**	**2,237**	**13**	**0.57**
Other qualitative criteria	**349**	**1**	**0.19**	**116**	**-**	**0.31**	**465**	**1**	**0.22**
Total stage 2 gross balances	**13,313**	**63**	**0.47**	**24,771**	**134**	**0.54**	**38,084**	**197**	**0.52**

Reason for residential mortgages being reported in stage 2 (note i)									
2025	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)	465	10	2.05	216	9	4.49	681	19	2.82
Increase in PD since origination (less than 30 DPD)	12,589	46	0.37	21,731	125	0.58	34,320	171	0.50
Qualitative criteria:									
Forbearance (less than 30 DPD) (note ii)	206	1	0.34	24	-	1.63	230	1	0.47
Interest only – significant risk of inability to refinance at maturity (less than 30 DPD)	-	-	-	1,709	15	0.85	1,709	15	0.85
Other qualitative criteria	480	1	0.29	141	1	0.46	621	2	0.33
Total stage 2 gross balances	13,740	58	0.42	23,821	150	0.63	37,561	208	0.55

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. Stage 2 forbearance relates to cases where full repayment of principal and interest is still anticipated.

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Credit risk – Residential mortgages (continued)

At 31 March 2026, the Group's stage 2 balances were £38.1 billion (2025: £37.6 billion). Of these, only 2% (2025: 2%) 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 £8.7 billion (2025: £9.2 billion) of loans where the PD has been uplifted to recognise the increased risk of default due to borrower affordability pressures. The impact of this uplift in PD has resulted in these loans breaching existing quantitative PD thresholds.

Stage 2 loans include all loans greater than 30 days past due (DPD), including those where the original reason for being classified as stage 2 was other than arrears greater than 30 DPD. The total value of loans in stage 2 due solely to payment status is less than 0.1% (2025: 0.1%) of total stage 2 balances.

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

Criteria	Detail
Quantitative	The primary quantitative indicators are the outputs of internal credit risk assessments. For residential mortgage exposures, PDs are derived using models, which use external information such as that from credit reference agencies, as well as internal information such as known instances of arrears or other financial difficulty. Current and historical data relating to an exposure are combined with forward-looking macroeconomic information to determine the likelihood of default. The 12-month and lifetime PDs are calculated for each loan. Similar quantitative staging principles are applied across Nationwide and Virgin Money portfolios. However, there are differences in the specific criteria, as outlined below. Nationwide portfolios: The 12-month and lifetime PDs are compared to pre-determined benchmarks at each reporting date to ascertain whether a relative or absolute increase in credit risk has occurred. The indicators for a significant increase in credit risk are: • Absolute measures: - The 12-month PD exceeds the 12-month PD threshold that is indicative, at the assessment date, of an account being in arrears. - The residual lifetime PD exceeds the residual lifetime PD threshold, set at inception, which represents the maximum credit risk that would have been accepted at that point. • Relative measure: - The residual lifetime PD has increased by at least 75 basis points and has at least doubled. Virgin Money portfolios: The residual lifetime PD is compared to a threshold which varies by portfolio and is based on the lifetime PD curves calculated at origination. The PD threshold curves were recalculated at acquisition, to reset the origination point to 1 October 2024, being the date when the Virgin Money business was acquired by the Group.
Qualitative	Qualitative indicators include the increased risk associated with interest only loans which may not be able to refinance at maturity, customer indebtedness markers and loans which have been in arrears during the past 12 months. Also included are forbearance events where full repayment of principal and interest is still anticipated, on a discounted basis.
Backstop	In addition to the primary criteria for stage allocation described above, accounts that are more than 30 days past due are also transferred to stage 2.

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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 Group's gross balances and provisions for residential mortgages held at amortised cost, by PD range.

Residential mortgage gross balances and provisions by PD

2026	Gross balances				Provisions				
	Stage 1	Stage 2	Stage 3 and POCI (note i)	Total	Stage 1	Stage 2	Stage 3 and POCI (note i)	Total	Provision coverage
12-month IFRS 9 PD range	£m	£m	£m	£m	£m	£m	£m	£m	%
0.00 to < 0.15%	186,634	4,073	39	190,746	6	5	-	11	0.01
0.15 to < 0.25%	24,008	2,337	16	26,361	3	5	-	8	0.03
0.25 to < 0.50%	22,400	6,506	20	28,926	11	16	-	27	0.09
0.50 to < 0.75%	6,477	3,422	14	9,913	5	10	-	15	0.15
0.75 to < 2.50%	5,877	11,109	58	17,044	6	34	-	40	0.23
2.50 to < 10.00%	505	6,034	76	6,615	1	36	-	37	0.56
10.00 to < 100%	358	4,603	235	5,196	14	91	6	111	2.14
100% (default)	-	-	1,497	1,497	-	-	103	103	6.85
Total	**246,259**	**38,084**	**1,955**	**286,298**	**46**	**197**	**109**	**352**	**0.12**

Residential mortgage gross balances and provisions by PD

2025	Gross balances				Provisions				
	Stage 1	Stage 2	Stage 3 and POCI (note i)	Total	Stage 1	Stage 2	Stage 3 and POCI (note i)	Total	Provision coverage
12-month IFRS 9 PD range	£m	£m	£m	£m	£m	£m	£m	£m	%
0.00 to < 0.15%	175,908	3,617	32	179,557	5	6	-	11	0.01
0.15 to < 0.25%	24,703	2,124	16	26,843	4	5	-	9	0.03
0.25 to < 0.50%	19,419	5,160	20	24,599	5	14	-	19	0.08
0.50 to < 0.75%	8,542	3,319	14	11,875	11	9	-	20	0.17
0.75 to < 2.50%	7,032	12,249	47	19,328	10	42	-	52	0.27
2.50 to < 10.00%	613	6,678	67	7,358	5	48	-	53	0.72
10.00 to < 100%	191	4,414	201	4,806	5	84	7	96	2.00
100% (default)	-	-	1,524	1,524	-	-	91	91	5.96
Total	236,408	37,561	1,921	275,890	45	208	98	351	0.13

Note:
i. Includes POCI loan balances of £472 million (2025: £584 million). The POCI provision represents the movement in lifetime ECL since acquisition.

At 31 March 2026, 95% (2025: 95%) of the portfolio had a 12-month IFRS 9 PD of less than 2.5%, reflecting the high quality of the residential mortgage portfolio.

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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 be the most appropriate method for reflecting the exposure at risk.

Average LTV of loan stock (by value) (note i)		
	2026	2025
	%	%
Owner-occupied	**58**	56
Buy to let and legacy	**57**	56
Group	**58**	56

Average LTV of new business (by value) (note ii)		
	2026	2025
	%	%
Owner-occupied	**73**	75
Buy to let	**66**	65
Group	**72**	73

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

New lending had a broadly stable average LTV of 72% (2025: 73%). The impact of new lending on the stock average LTV was only partially offset by house price growth and capital repayments during the year, resulting in an increase to 58% (2025: 56%).

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Risk report (continued)

Credit risk – Residential mortgages (continued)

Residential mortgage balances by LTV

The following table shows the Group's residential mortgages, excluding FVTPL balances, by LTV across stages 1 and 2 (non-credit impaired) and stage 3 (credit impaired). The LTV is calculated using the latest indexed valuation.

Residential mortgage balances by LTV 2026	**Gross balances**				**Provisions**				**Provision coverage**
	Stage 1	**Stage 2**	**Stage 3 and POCI (note i)**	**Total**	**Stage 1**	**Stage 2**	**Stage 3 and POCI (note i)**	**Total**	
LTV ratio:	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**
Up to 50%	**85,174**	**11,170**	**847**	**97,191**	**4**	**30**	**19**	**53**	**0.05**
50% to 60%	**40,606**	**9,102**	**383**	**50,091**	**4**	**33**	**17**	**54**	**0.11**
60% to 70%	**41,365**	**9,346**	**315**	**51,026**	**9**	**44**	**19**	**72**	**0.14**
70% to 80%	**38,019**	**5,952**	**194**	**44,165**	**15**	**45**	**17**	**77**	**0.18**
80% to 90%	**33,288**	**2,034**	**123**	**35,445**	**11**	**29**	**14**	**54**	**0.15**
90% to 100%	**7,787**	**432**	**52**	**8,271**	**2**	**9**	**10**	**21**	**0.26**
Over 100%	**20**	**48**	**41**	**109**	**1**	**7**	**13**	**21**	**19.26**
Total	**246,259**	**38,084**	**1,955**	**286,298**	**46**	**197**	**109**	**352**	**0.12**

Residential mortgage balances by LTV 2025	Gross balances				Provisions				Provision coverage
	Stage 1	Stage 2	Stage 3 and POCI (note i)	Total	Stage 1	Stage 2	Stage 3 and POCI (note i)	Total	
LTV ratio:	£m	£m	£m	£m	£m	£m	£m	£m	%
Up to 50%	86,725	11,980	843	99,548	4	31	23	58	0.06
50% to 60%	41,051	9,588	399	51,038	5	37	15	57	0.11
60% to 70%	42,127	9,489	305	51,921	11	51	18	80	0.15
70% to 80%	33,735	4,886	193	38,814	15	49	13	77	0.20
80% to 90%	27,721	1,327	92	29,140	7	25	11	43	0.15
90% to 100%	5,023	242	48	5,313	2	8	8	18	0.33
Over 100%	26	49	41	116	1	7	10	18	15.36
Total	236,408	37,561	1,921	275,890	45	208	98	351	0.13

Note:

i. Includes POCI loans of £472 million (2025: £584 million) and provisions of £5 million (2025: £3 million).

Geographical distribution

During the year, the geographical distribution of the Group's residential mortgages across the UK has remained broadly stable. Lending in the Greater London and the South East regions continues to represent 46% (2025: 46%) of total residential mortgage balances.

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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 compared to the industry average.

Number of cases more than 3 months in arrears as % of total book		
	2026	2025
	%	%
Owner-occupied	**0.38**	0.40
Buy to let and legacy	**0.43**	0.51
Total	**0.39**	0.43
UK Finance (UKF) industry average	**0.77**	0.89

Residential mortgage arrears have remained at low levels during the year, with the arrears rate reducing and remaining well below the UK industry average. The buy to let and legacy portfolio arrears rate has reduced to 0.43% (2025: 0.51%). Within this portfolio, the performance of the open buy to let book originated under the TMW brand remains strong, with 0.20% (2025: 0.21%) of cases more than 3 months in arrears.

Interest only mortgages

The following table shows the Group's interest only mortgages by term to maturity.

Interest only mortgages (gross balance) – term to maturity (note i)							
	Term expired (still open)	**Due within one year**	**Due after one year and before two years**	**Due after two years and before five years**	**Due after more than five years**	**Total**	**% of book**
2026	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**
Owner-occupied	**131**	**304**	**492**	**1,717**	**9,989**	**12,633**	**5.6**
Buy to let and legacy	**173**	**347**	**536**	**2,443**	**52,519**	**56,018**	**91.2**
Total	**304**	**651**	**1,028**	**4,160**	**62,508**	**68,651**	**24.0**
2025	£m	£m	£m	£m	£m	£m	%
Owner-occupied	126	282	445	1,860	10,470	13,183	6.1
Buy to let and legacy	172	308	536	2,169	51,787	54,972	91.1
Total	298	590	981	4,029	62,257	68,155	24.7

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

At 31 March 2026, interest only balances of £12,633 million (2025: £13,183 million) account for 5.6% (2025: 6.1%) of the owner-occupied residential mortgage portfolios. Maturities of interest only mortgages are managed closely, with regular engagement with borrowers in advance of maturity, to ensure the loan is redeemed or to agree a strategy for repayment.

Of the buy to let and legacy portfolio, £56,018 million (2025: £54,972 million) relates to interest only balances, representing 91% (2025: 91%) of balances. Buy to let remains open to new interest only lending under standard terms.

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Credit risk – Residential mortgages (continued)

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 £26 million (2025: £28 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.

Forbearance

The Group 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 main types of forbearance include interest or payment arrangements, where the borrower is granted a concession which varies from contractual terms and repayments during a time of financial difficulty.

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 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						
	2026			2025		
	Owner-occupied	**Buy to let and legacy**	**Total**	Owner-occupied	Buy to let and legacy	Total
	£m	**£m**	**£m**	£m	£m	£m
Total forbearance	**1,029**	**382**	**1,411**	1,048	377	1,425
Of which stage 2	**359**	**106**	**465**	363	108	471
Of which stage 3 or POCI	**534**	**259**	**793**	537	252	789
	%	**%**	**%**	%	%	%
Total forbearance as a % of total gross balances	**0.5**	**0.6**	**0.5**	0.5	0.6	0.5
	£m	**£m**	**£m**	£m	£m	£m
Impairment provisions on forborne loans	**19**	**25**	**44**	16	24	40

Gross balances subject to forbearance represent 0.5% (2025: 0.5%) of total gross balances.

In addition to the amortised cost balances above, £1 million (2025: £2 million) of FVTPL balances are also forborne.

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Credit risk – Consumer lending

Summary

The consumer lending portfolio comprises balances on unsecured retail banking products: credit cards, personal loans and overdrawn current accounts.

Consumer lending gross balances	2026	2025
	£m	£m
Credit cards	**8,107**	7,807
Personal loans	**3,101**	2,962
Overdrawn current accounts	**370**	338
Total consumer lending	**11,578**	11,107

The increase in gross balances in the year is driven by the credit card portfolio. Personal loans balances have increased, net of the impact of the Group's exit from the Salary Finance joint venture which reduced balances by £211 million over the year. The exit also resulted in a £45 million reduction in stage 3 provisions, comprising a write-off of £23 million and a provision release of £22 million. All consumer lending is classified and measured at amortised cost.

Impairment charge and write-offs for the year	2026	2025
Impairment charge	**£m**	£m
Credit cards	**212**	418
Personal loans	**29**	75
Overdrawn current accounts	**28**	21
Total	**269**	514
Gross write-offs	**£m**	£m
Credit cards	**243**	105
Personal loans	**70**	44
Overdrawn current accounts	**16**	17
Total	**329**	166

The impairment charge reduced compared to the prior year, primarily due to the non-recurrence of £376 million of one-off charges recognised in the prior year in relation to the acquisition of Virgin Money. The current year impairment charge reflects a full year of the expanded Group's credit card exposure.

Gross write-offs increased, primarily due to the inclusion of a full year of the expanded Group's credit card exposure.

Arrears levels have remained low during the year. Excluding charged off accounts, the proportion of balances more than 3 months in arrears has remained stable and represents 1.10% (2025: 1.11%) of the portfolio.

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Risk report (continued)

Credit risk – Consumer lending (continued)

Consumer lending staging analysis

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

Consumer lending staging analysis	2026					2025				
	Stage 1	**Stage 2**	**Stage 3**	**POCI (note i)**	**Total**	Stage 1	Stage 2	Stage 3	POCI (note i)	Total
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
Gross balances										
Credit cards	**6,291**	**1,563**	**244**	**9**	**8,107**	6,311	1,304	165	27	7,807
Personal loans	**2,346**	**620**	**135**	**-**	**3,101**	2,131	488	342	1	2,962
Overdrawn current accounts	**199**	**120**	**51**	**-**	**370**	179	115	44	-	338
Total	**8,836**	**2,303**	**430**	**9**	**11,578**	8,621	1,907	551	28	11,107
Provisions										
Credit cards	**126**	**295**	**151**	**(11)**	**561**	104	323	119	(4)	542
Personal loans	**18**	**53**	**120**	**-**	**191**	16	41	158	-	215
Overdrawn current accounts	**5**	**26**	**46**	**-**	**77**	5	22	40	-	67
Total	**149**	**374**	**317**	**(11)**	**829**	125	386	317	(4)	824
Provisions as a % of total balance	**%**	**%**	**%**	**%**	**%**	%	%	%	%	%
Credit cards	**2.01**	**18.84**	**61.96**	**-**	**6.92**	1.65	24.78	71.64	-	6.94
Personal loans	**0.78**	**8.64**	**88.67**	**-**	**6.17**	0.76	8.39	46.18	-	7.25
Overdrawn current accounts	**2.37**	**21.71**	**91.17**	**-**	**20.86**	2.77	19.39	90.17	-	19.74
Total	**1.69**	**16.24**	**73.82**	**-**	**7.17**	1.46	20.26	57.32	-	7.42

Note:

i. POCI loans are those which were credit-impaired on acquisition and were recognised on the balance sheet when Virgin Money was acquired in 2024. The POCI balance of £9 million (2025: £28 million) is presented net of lifetime ECL of £17 million (2025: £29 million). The provision coverage for POCI loans is not presented in the table due to the gross balance being reported net of the lifetime ECL at the point of acquisition. The POCI provision represents the movement in lifetime ECL since acquisition. The change in the year is largely due to a credit card model redevelopment.

Total balances have increased due to growth across all portfolios, resulting in an increase in both stage 1 and stage 2 balances.

Stage 2 balances have increased to £2,303 million (2025: £1,907 million). This includes £664 million (2025: £291 million) of loans where the PD has been uplifted to reflect an increased allowance for affordability risk and credit card persistent debt. Only 2% (2025: 3%) of stage 2 balances are in arrears by 30 days or more, with the majority of balances in stage 2 due to an increase in PD since origination.

Stage 3 and POCI balances make up 3.8% (2025: 5.2%) of total balances. The reduction during the year includes the impact of exiting the Salary Finance joint venture (2025: £211 million) which was reported within personal loans. The stage 3 gross balances and provisions include charged off balances. These are accounts which are closed to future transactions and may be held on the balance sheet for an extended period (up to 36 months) whilst recovery activities take place. The charged off balances are £187 million (2025: £178 million), and provisions held against these balances are £181 million (2025: £171 million).

Consumer lending provisions have remained broadly stable at £829 million (2025: £824 million) and include a modelled adjustment of £60 million (2025: £36 million) to reflect an increase to the PD to account for ongoing affordability risks and credit card persistent debt. The increase in modelled adjustment has been offset by the impact of exiting the Salary Finance joint venture (2025: £45 million). As a result of a redevelopment of credit card provision models, balances have moved from stage 2 into stage 1 where the provision reflects a 12-month ECL. This is turn has increased stage 1 provision coverage and reduced coverage in stage 2. Excluding charged off balances and related provisions, total provisions amount to 5.7% (2025: 6.0%) of total gross balances.

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Risk report (continued)

Credit risk – Consumer lending (continued)

The table below summarises the movements in, and stage allocation of, the Group's consumer lending balances held at amortised cost, including the impact of ECL impairment provisions. The movements within the table compare the position at 31 March 2026 to that at the start of the reporting period.

Reconciliation of net movements in consumer lending 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 31 March 2025	8,621	125	1,907	386	579	313	11,107	824
Stage transfers:								
Transfers from stage 1 to stage 2	(1,037)	(24)	1,037	24	-	-	-	-
Transfers to stage 3	(140)	(5)	(201)	(73)	341	78	-	-
Transfers from stage 2 to stage 1	659	119	(659)	(119)	-	-	-	-
Transfers from stage 3	3	2	11	4	(14)	(6)	-	-
Net remeasurement of ECL arising from transfer of stage	-	(122)	-	158	-	101	-	137
Net movement arising from transfer of stage	(515)	(30)	188	(6)	327	173	-	137
Change in exposure in the year (note ii)	730	56	208	28	(138)	1	800	85
Changes in risk parameters in relation to credit quality	-	(2)	-	(34)	-	149	-	113
Other items impacting the income statement (note iii)	-	-	-	-	-	(66)	-	(66)
Income statement charge for the year								269
Assets written off (note iii)	-	-	-	-	(329)	(259)	(329)	(259)
Other adjustments (note iv)	-	-	-	-	-	(5)	-	(5)
At 31 March 2026	8,836	149	2,303	374	439	306	11,578	829
Net carrying amount		8,687		1,929		133		10,749

Notes:

i. Gross balances of credit impaired loans include £9 million (2025: £28 million) of POCI loans, which are presented net of lifetime ECL at acquisition of £17 million (2025: £29 million).
ii. The change in exposure in the year includes; new assets originated, redemptions, further lending and repayments during the year.
iii. The movement in provisions for 'assets written off' are presented net of post-write off recoveries of £70 million. The income statement impact of these recoveries is included within 'other items impacting the income statement'.
iv. Other adjustments include the release of provisions related to POCI balances which have redeemed during the year.

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

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Risk report (continued)

Credit risk – Consumer lending (continued)

Loans which are reported within stage 2 are those which have experienced a significant increase in credit risk since origination, determined through both quantitative and qualitative indicators. The table below summarises the stage 2 balances and impairment provisions for these indicators.

Reason for consumer lending being reported in stage 2 (note i)												
2026	**Credit cards**			**Personal loans**			**Overdrawn current accounts**			**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)	**29**	**17**	**60**	**12**	**7**	**53**	**7**	**4**	**59**	**48**	**28**	**58**
Increase in PD since origination (less than 30 DPD)	**1,194**	**218**	**18**	**601**	**46**	**8**	**99**	**21**	**21**	**1,894**	**285**	**15**
Qualitative criteria:												
Forbearance (less than 30 DPD) (note iii)	**4**	**1**	**13**	**-**	**-**	**3**	**1**	**-**	**13**	**5**	**1**	**12**
Other qualitative criteria (less than 30 DPD)	**336**	**59**	**18**	**7**	**-**	**3**	**13**	**1**	**6**	**356**	**60**	**17**
Total stage 2 gross balances	**1,563**	**295**	**19**	**620**	**53**	**9**	**120**	**26**	**22**	**2,303**	**374**	**16**

Reason for consumer lending being reported in stage 2 (note i)												
2025	Credit cards			Personal loans			Overdrawn current accounts			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)	35	22	63	12	6	51	5	3	56	52	31	59
Increase in PD since origination (less than 30 DPD)	924	230	25	470	35	7	96	18	19	1,490	283	19
Qualitative criteria:												
Forbearance (less than 30 DPD) (note iii)	9	2	29	-	-	6	1	-	10	10	2	27
Other qualitative criteria (less than 30 DPD)	336	69	21	6	-	3	13	1	7	355	70	20
Total stage 2 gross balances	1,304	323	25	488	41	8	115	22	19	1,907	386	20

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

Of the £2,303 million (2025: £1,907 million) stage 2 balances, 2% (2025: 3%) 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 £410 million (2025: £66 million) of balances where the PD has been uplifted to recognise the increased risk of default due to borrower affordability pressures. The increase in the year reflects the further alignment of provisions for affordability risks across the Group, following credit card model changes in the year.

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Risk report (continued)

Credit risk – Consumer lending (continued)

The other qualitative criteria category includes £254 million (2025: £225 million) of loans which have been moved to stage 2 in recognition of the risk related to borrowers in credit card persistent debt.

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

Criteria	Detail
Quantitative	The primary quantitative indicators are the outputs of internal credit risk assessments. For consumer lending exposures, PDs are derived using models, which use external information such as that from credit reference agencies, as well as internal information such as known instances of arrears or other financial difficulty. Current and historical data relating to an exposure are combined with forward-looking macroeconomic information to determine the likelihood of default. 12-month and lifetime PDs are calculated for each loan. Similar quantitative staging principles are applied across Nationwide and Virgin Money portfolios; however, there are differences in the specific criteria, as outlined below. Nationwide portfolios: The 12-month and lifetime PDs are compared to pre-determined benchmarks at each reporting date to ascertain whether a relative or absolute increase in credit risk has occurred. The indicators for a significant increase in credit risk are: • Absolute measures: - The 12-month PD exceeds the 12-month PD threshold that is indicative, at the assessment date, of an account being in arrears. - The residual lifetime PD exceeds the residual lifetime PD threshold, set at inception, which represents the maximum credit risk that would have been accepted at that point. • Relative measure: - The residual lifetime PD has increased by at least 75 basis points and has at least doubled. Virgin Money portfolios: The residual lifetime PD is compared to a threshold which varies by portfolio and is based on the lifetime PD curves calculated at origination. The PD threshold curves were recalculated at acquisition, to reset the origination point to 1 October 2024, being the date when the Virgin Money business was acquired by the Group.
Qualitative	Qualitative criteria include forbearance events, customer indebtedness markers, and, within the credit card portfolio, recognition of the risk related to borrowers in persistent debt.
Backstop	In addition to the primary criteria for stage allocation described above, accounts that are more than 30 days past due are also transferred to stage 2.

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Risk report (continued)

Credit risk – Consumer lending (continued)

Credit quality

The following table shows gross balances and provisions for consumer lending balances held at amortised cost by PD range.

Consumer lending gross balances and provisions by PD									
2026	**Gross balances**				**Provisions**				**Provision coverage**
	Stage 1	**Stage 2**	**Stage 3 and POCI (note i)**	**Total**	**Stage 1**	**Stage 2**	**Stage 3 and POCI (note i)**	**Total**	
12-month IFRS 9 PD range	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**
0.00 to <0.15%	**991**	**26**	**-**	**1,017**	**2**	**2**	**-**	**4**	**0.38**
0.15 to < 0.25%	**612**	**23**	**-**	**635**	**2**	**1**	**-**	**3**	**0.48**
0.25 to < 0.50%	**1,125**	**97**	**-**	**1,222**	**9**	**4**	**-**	**13**	**1.01**
0.50 to < 0.75%	**887**	**88**	**-**	**975**	**17**	**4**	**-**	**21**	**2.00**
0.75 to < 2.50%	**3,271**	**421**	**5**	**3,697**	**48**	**29**	**(3)**	**74**	**1.99**
2.50 to < 10.00%	**1,884**	**874**	**8**	**2,766**	**62**	**106**	**(3)**	**165**	**5.97**
10.00 to < 20.00%	**52**	**438**	**3**	**493**	**5**	**90**	**(1)**	**94**	**19.13**
20.00 to < 100%	**14**	**336**	**6**	**356**	**4**	**138**	**1**	**143**	**40.52**
100% (default)	**-**	**-**	**417**	**417**	**-**	**-**	**312**	**312**	**75.20**
Total	**8,836**	**2,303**	**439**	**11,578**	**149**	**374**	**306**	**829**	**7.17**

Consumer lending gross balances and provisions by PD									
2025	Gross balances				Provisions				Provision coverage
	Stage 1	Stage 2	Stage 3 and POCI (note i)	Total	Stage 1	Stage 2	Stage 3 and POCI (note i)	Total	
12-month IFRS 9 PD range	£m	£m	£m	£m	£m	£m	£m	£m	%
0.00 to <0.15%	1,101	33	-	1,134	2	2	-	4	0.37
0.15 to < 0.25%	529	21	-	550	2	1	-	3	0.58
0.25 to < 0.50%	1,267	70	-	1,337	7	3	-	10	0.72
0.50 to < 0.75%	1,030	80	-	1,110	8	3	-	11	0.98
0.75 to < 2.50%	3,125	319	-	3,444	43	24	-	67	1.94
2.50 to < 10.00%	1,502	740	1	2,243	52	125	-	177	7.90
10.00 to <20.00%	45	363	1	409	5	96	-	101	24.78
20.00 to < 100%	22	281	2	305	6	132	1	139	45.71
100% (default)	-	-	575	575	-	-	312	312	54.21
Total	8,621	1,907	579	11,107	125	386	313	824	7.42

Note:
i. Includes POCI loan balances of £9 million (2025: £28 million). The POCI provision represents the movement in lifetime ECL since acquisition.

The credit quality of the consumer lending portfolio has remained strong. 89% (2025: 88%) of the portfolio has a 12-month IFRS 9 PD of less than 10%, reflecting the high quality of the portfolio.

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Credit risk – Consumer lending (continued)

Forbearance

The Group 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 definition of forbearance. The main types of forbearance offered are interest payment concessions, which reduce monthly payments and may be offered to customers with an overdraft, credit card or personal loan. Interest payments are suppressed during the period of the concession and arrears do not increase. Cases subject to this concession are classified as impaired.

The table below provides details of consumer lending currently subject to forbearance. Accounts that are currently subject to a concession are 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	2026				2025			
	Credit cards	**Personal loans**	**Overdrawn current accounts**	**Total**	Credit cards	Personal loans	Overdrawn current accounts	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Total forbearance	**163**	**30**	**16**	**209**	149	27	15	191
Of which stage 2	**22**	**2**	**8**	**32**	46	2	5	53
Of which stage 3 or POCI	**136**	**27**	**7**	**170**	94	24	10	128
	%	**%**	**%**	**%**	%	%	%	%
Total forbearance as a % of total gross balances	**2.0**	**1.0**	**4.3**	**1.8**	1.9	0.9	4.4	1.7
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Impairment provisions on forborne loans	**51**	**22**	**10**	**83**	47	21	10	78

Gross balances subject to forbearance represent 1.8% (2025: 1.7%) of total gross balances.

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Risk report (continued)

Credit risk – Business lending

Summary

Business lending comprises lending to non-retail customers, including loans to registered social landlords. Lending is primarily to UK-domiciled corporate clients, some of which are owned by international companies and funds.

Business lending gross balances	2026	2025
	£m	£m
Business lending (excl. registered social landlords)	**9,563**	9,817
Registered social landlords	**5,105**	5,001
Business lending balances at amortised cost	**14,668**	14,818
Fair value adjustment for micro hedged risk	**204**	277
Business lending balances – FVTPL	**38**	49
Total	**14,910**	15,144

Gross balances have reduced slightly during the year, reflecting an increasingly competitive market. Registered social landlords is the largest sector exposure and supports the Group's strategic purpose by helping improve access to affordable housing. The remainder of the business lending portfolio is diversified across a range of sectors, the largest being agriculture, business services, and government, health and education.

Group impairment charge and write-offs for the year	2026	2025
	£m	£m
Total impairment charge	**54**	85
	£m	£m
Total gross write-offs	**24**	5

The impairment charge reduced compared to the prior year, primarily due to the non-recurrence of £59 million of one-off charges recognised in the prior year in relation to the acquisition of Virgin Money. The current year impairment charge includes the full-year impact of the larger business lending portfolio.

Gross write-offs in the year were mainly due to a small number of exposures, with the prior year write-offs including only six months of Virgin Money activity.

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Risk report (continued)

Credit risk – Business lending (continued)

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

Business lending staging analysis	2026					2025				
	Stage 1	**Stage 2**	**Stage 3**	**POCI (note i)**	**Total**	Stage 1	Stage 2	Stage 3	POCI (note i)	Total
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
Gross balances										
Business lending (excl. registered social landlords)	**7,214**	**1,818**	**220**	**311**	**9,563**	7,991	1,354	137	335	9,817
Registered social landlords	**4,931**	**174**	**-**	**-**	**5,105**	4,731	270	-	-	5,001
Total	**12,145**	**1,992**	**220**	**311**	**14,668**	12,722	1,624	137	335	14,818
Provisions										
Business lending (excl. registered social landlords)	**28**	**66**	**50**	**9**	**153**	34	39	35	4	112
Registered social landlords	**1**	**-**	**-**	**-**	**1**	1	-	-	-	1
Total	**29**	**66**	**50**	**9**	**154**	35	39	35	4	113
Provisions as a % of total balance	**%**	**%**	**%**	**%**	**%**	%	%	%	%	%
Business lending (excl. registered social landlords)	**0.39**	**3.62**	**22.81**	**-**	**1.60**	0.42	2.87	25.42	-	1.14
Registered social landlords	**0.02**	**0.09**	**-**	**-**	**0.02**	0.02	0.13	-	-	0.02
Total	**0.24**	**3.32**	**22.81**	**-**	**1.05**	0.27	2.41	25.42	-	0.76

Note:

i. POCI loans are those which were credit impaired on acquisition and were recognised on the balance sheet when Virgin Money was acquired in 2024. The POCI balance of £311 million (2025: £335 million) is presented net of lifetime ECL of £31 million (2025: £50 million). The provision coverage for POCI loans is not presented in the table due to the gross balance being reported net of the lifetime ECL at the point of acquisition. The POCI provision represents the movement in lifetime ECL since acquisition.

Total gross balances have reduced slightly to £14.7 billion (2025: £14.8 billion) during the year.

Stage 2 balances increased to £1,992 million (2025: £1,624 million), of which 0.2% (2025: 0.7%) are in arrears by 30 days or more. This increase is primarily driven by the implementation of a new probability of default model during the year, which has increased sensitivity to economic scenarios and resulted in a transfer of balances from stage 1 to stage 2.

Stage 3 balances increased to £220 million (2025: £137 million), driven mainly by loans newly impaired during the year. This has been partially offset by a reduction in POCI balances to £311 million (2025: £335 million), as loans impaired at acquisition continue to redeem or be written off. As a result, stage 3 and POCI balances represent 3.6% (2025: 3.2%) of total balances.

During the year, total provisions increased to £154 million (2025: £113 million). This includes a judgemental adjustment to modelled provisions of £26 million (2025: £10 million) to reflect business lending portfolio risks that are not fully captured by the models. Further information is provided in note 8 to the consolidated financial statements. The remaining increase in provisions primarily relates to stage 3 and POCI balances. Stage 3 and POCI provisions have increased by £20 million over the year, due to newly impaired loans and increased provisions for existing impaired loans. There has been a broadly offsetting reduction in ECL relating to POCI loans; however, this is recognised primarily as a movement in gross balances, since for these loans, gross balances are presented net of the lifetime ECL at acquisition. The adjustment to gross balances for POCI loans has reduced by £19 million over the year to £31 million (2025: £50 million).

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Risk report (continued)

Credit risk – Business lending (continued)

The table below summarises the movements in, and stage allocation of, the business lending balances held at amortised cost, including the impact of ECL impairment provisions. The movements within the table compare the position at 31 March 2026 to that at the start of the reporting period.

Reconciliation of net movements in business lending 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 and POCI (note i)			
	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions	Gross balances	Provisions
	£m	£m	£m	£m	£m	£m	£m	£m
At 31 March 2025	12,722	35	1,624	39	472	39	14,818	113
Stage transfers:								
Transfers from stage 1 to stage 2	**(889)**	**(4)**	**889**	**4**	**-**	**-**	**-**	**-**
Transfers to stage 3	**(59)**	**-**	**(48)**	**(2)**	**107**	**2**	**-**	**-**
Transfers from stage 2 to stage 1	**240**	**3**	**(240)**	**(3)**	**-**	**-**	**-**	**-**
Transfers from stage 3	**1**	**-**	**13**	**1**	**(14)**	**(1)**	**-**	**-**
Net remeasurement of ECL arising from transfer of stage	**-**	**(4)**	**-**	**11**	**-**	**19**	**-**	**26**
Net movement arising from transfer of stage	**(707)**	**(5)**	**614**	**11**	**93**	**20**	**-**	**26**
Change in exposure in the year (note ii)	**130**	**4**	**(246)**	**21**	**(11)**	**(4)**	**(127)**	**21**
Changes in risk parameters in relation to credit quality	**-**	**(5)**	**-**	**(5)**	**-**	**28**	**-**	**18**
Other items impacting the income statement (note iii)	**-**	**-**	**-**	**-**	**-**	**(11)**	**-**	**(11)**
Income statement charge for the year								**54**
Assets written off (note iii)	**-**	**-**	**-**	**-**	**(23)**	**(22)**	**(23)**	**(22)**
Other adjustments (note iv)	**-**	**-**	**-**	**-**	**-**	**9**	**-**	**9**
At 31 March 2026	**12,145**	**29**	**1,992**	**66**	**531**	**59**	**14,668**	**154**
Net carrying amount		**12,116**		**1,926**		**472**		**14,514**

Notes:

i. Gross balances of credit impaired loans include £311 million (2025: £335 million) of POCI loans, which are presented net of lifetime ECL at acquisition of £31 million (2025: £50 million).

ii. The change in exposure in the year includes; new assets originated, redemptions, further lending and repayments during the year.

iii. The movement in provisions for 'assets written off' are presented net of post-write off recoveries of £2 million. The income statement impact of these recoveries is included within 'other items impacting the income statement'.

iv. Other adjustments include the release of provisions related to POCI balances which have redeemed during the year.

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

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Risk report (continued)

Credit risk – Business lending (continued)

Loans which are reported within stage 2 are those which have experienced a significant increase in credit risk since origination, determined through both quantitative and qualitative indicators. The table below summarises the stage 2 balances and impairment provisions for these indicators.

Reason for business lending being reported in stage 2 (note i)	2026			2025		
	Gross balances	**Provisions**	**Provisions as a % of balance**	Gross balances	Provisions	Provisions as a % of balance
	£m	**£m**	**%**	£m	£m	%
Quantitative criteria:						
Payment status (greater than 30 DPD) (note ii)	**3**	**-**	**0.53**	11	-	0.29
Increase in PD since origination (less than 30 DPD)	**1,255**	**29**	**2.33**	703	15	2.22
Qualitative criteria:						
Watchlist/approaching financial difficulty	**585**	**31**	**5.32**	833	23	2.72
Forbearance (less than 30 DPD) (note iii)	**149**	**6**	**3.80**	77	1	1.08
Other qualitative criteria (less than 30 DPD)	**-**	**-**	**3.47**	-	-	4.14
Total stage 2 gross balances	**1,992**	**66**	**3.32**	1,624	39	2.41

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

Stage 2 balances increased to £1,992 million (2025: £1,624 million) primarily due to the implementation of a new PD model which has increased the sensitivity to economic scenarios.

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

Criteria	Detail
Quantitative	The primary quantitative indicators are the outputs of internal credit risk assessments. For business lending exposures, internal risk grades are derived using models, which use both external and internal information, such as known instances of arrears or other financial difficulty. Current and historical data relating to an exposure are combined with forward-looking macroeconomic information to determine the likelihood of default. 12-month and lifetime PDs are calculated for each loan, based on internal risk grade and portfolio. The internal risk grades are compared to pre-determined benchmarks at each reporting date to ascertain whether an increase in credit risk has occurred.
Qualitative	Qualitative indicators include early warning indicators such as loans being added to internal watchlists or loans judged to be approaching financial difficulty. Also included are forbearance events where full repayment of principal and interest is still anticipated, on a discounted basis.
Backstop	In addition to the primary criteria for stage allocation described above, accounts that are more than 30 days past due are also transferred to stage 2.

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Risk report (continued)

Credit risk – Business lending (continued)

Credit quality

The following table shows the gross balances and provisions for business lending balances held at amortised cost by PD range.

Business lending gross balances and provisions by PD									
2026	**Gross balances**				**Provisions**				**Provision coverage**
	Stage 1	**Stage 2**	**Stage 3 and POCI (note i)**	**Total**	**Stage 1**	**Stage 2**	**Stage 3 and POCI (note i)**	**Total**	
12-month IFRS 9 PD range	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**
0.00 to <0.15%	**5,270**	**186**	**-**	**5,456**	**1**	**1**	**-**	**2**	**0.02**
0.15 to < 0.25%	**427**	**5**	**-**	**432**	**-**	**-**	**-**	**-**	**0.06**
0.25 to < 0.50%	**953**	**36**	**-**	**989**	**1**	**-**	**-**	**1**	**0.08**
0.50 to < 0.75%	**971**	**14**	**-**	**985**	**2**	**-**	**-**	**2**	**0.22**
0.75 to < 2.50%	**2,926**	**592**	**1**	**3,519**	**9**	**7**	**-**	**16**	**0.46**
2.50 to < 10.00%	**1,595**	**968**	**7**	**2,570**	**16**	**40**	**(1)**	**55**	**2.14**
10.00 to <100%	**3**	**191**	**29**	**223**	**-**	**18**	**(4)**	**14**	**6.69**
100% (default)	**-**	**-**	**494**	**494**	**-**	**-**	**64**	**64**	**12.79**
Total	**12,145**	**1,992**	**531**	**14,668**	**29**	**66**	**59**	**154**	**1.05**

Business lending gross balances and provisions by PD									
2025	Gross balances				Provisions				Provision coverage
	Stage 1	Stage 2	Stage 3 and POCI (note i)	Total	Stage 1	Stage 2	Stage 3 and POCI (note i)	Total	
12-month IFRS 9 PD range	£m	£m	£m	£m	£m	£m	£m	£m	%
0.00 to <0.15%	5,410	247	-	5,657	2	-	-	2	0.03
0.15 to < 0.25%	617	39	-	656	-	-	-	-	0.07
0.25 to < 0.50%	869	25	-	894	1	-	-	1	0.09
0.50 to < 0.75%	552	53	-	605	1	1	-	2	0.28
0.75 to < 2.50%	3,317	434	-	3,751	10	4	-	14	0.37
2.50 to < 10.00%	1,946	679	2	2,627	21	21	-	42	1.59
10.00 to < 100%	11	147	1	159	-	13	-	13	8.28
100% (default)	-	-	469	469	-	-	39	39	8.33
Total	12,722	1,624	472	14,818	35	39	39	113	0.76

Note:
i. Includes POCI loan balances of £311 million (2025: £335 million). The POCI provision represents the movement in lifetime ECL since acquisition.

The registered social landlord portfolio exposure is low risk and weighted towards the lowest PD banding range. The remaining business lending exposures are primarily within the 0.75% to 10.00% range, which account for approximately half of total provisions.

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Risk report (continued)

Credit risk – Business lending (continued)

The following table shows the business lending balances held at amortised cost, impairment provisions and resulting provision coverage ratios by industry sector.

Business lending portfolio by sector	2026			2025		
	Gross balance	**Provision**	**Provisions as a % of total balance**	Gross balance	Provision	Provisions as a % of total balance
	£m	**£m**	**%**	£m	£m	%
Agriculture	**1,272**	**4**	**0.32**	1,246	3	0.22
Business services	**1,354**	**36**	**2.68**	1,286	18	1.42
Commercial real estate	**929**	**6**	**0.60**	842	6	0.67
Government, health and education	**1,412**	**12**	**0.88**	1,595	12	0.72
Hospitality	**1,028**	**7**	**0.63**	1,020	2	0.23
Manufacturing	**736**	**18**	**2.47**	659	17	2.52
PFI	**399**	**17**	**4.30**	440	17	3.98
Registered social landlords	**5,105**	**1**	**0.02**	5,001	1	0.02
Resources	**151**	**2**	**1.22**	169	1	0.80
Retail and wholesale trade	**770**	**26**	**3.38**	878	19	2.17
Transport and storage	**319**	**2**	**0.75**	391	1	0.26
Utilities, post and telecoms	**574**	**11**	**1.87**	578	7	1.13
Other	**619**	**12**	**1.89**	713	9	1.26
Total business lending	**14,668**	**154**	**1.05**	14,818	113	0.76

Registered social landlords is the largest sector exposure and supports the Group's strategic purpose. The remainder of the business lending portfolio is diversified across a range of sectors, the largest being agriculture, business services, and government, health and education.

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Risk report (continued)

Credit risk – Business lending (continued)

Forbearance

The Group 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 definition of forbearance. The main types of forbearance are associated with covenants and deferrals of interest or capital repayments.

The table below provides details of business lending that is currently subject to forbearance. Accounts that are currently subject to a concession are 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)		
	2026	2025
	£m	£m
Total forbearance	**536**	659
Of which stage 2	**278**	382
Of which stage 3 or POCI	**258**	277
Total forbearance as a % of total gross balances	**3.6**	4.4
Total impairment provision on forborne loans	**57**	42

Note:
i. Balances include the fair value adjustment for micro hedged risk.

Gross balances subject to forbearance (excluding FVTPL) represent 3.6% (2025: 4.4%) of total gross balances.

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Risk report (continued)

Credit risk – Treasury assets

Summary

The treasury portfolio is held primarily for operational purposes, liquidity management and, in the case of derivatives, for market risk management. As at 31 March 2026, treasury assets represented 18.2% (2025: 17.6%) of total assets. Treasury asset balances are set out below.

Treasury asset balances			
		2026	2025
	Classification	**£m**	£m
Cash and balances at central banks	Amortised cost	**38,411**	29,483
Loans and advances to banks and similar institutions	Amortised cost	**1,758**	1,810
Investment securities (note i)	FVOCI	**25,899**	28,658
Investment securities (note i)	FVTPL	**6**	5
Liquidity and investment portfolio		**66,074**	59,956
Derivative instruments (note ii)	FVTPL	**3,341**	4,742
Treasury assets		**69,415**	64,698

Notes:
i. Investment securities at FVOCI include £75 million (2025: £60 million) and investment securities at FVTPL include £6 million (2025: £5 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. Derivatives are classified as assets where their fair value is positive and liabilities where their fair value is negative.

Cash levels are maintained above risk appetite thresholds, with the timing of wholesale issuance and overall liquidity composition both being factors in the absolute value of balances held. Investment securities remain focused on high-quality liquid assets, which include 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.

Treasury credit risk

Credit risk exposure within the treasury portfolio predominantly arises from the government and supranational bonds held to meet liquidity requirements. 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 standard documentation. Standardised derivatives are cleared through a central clearing counterparty (CCP).

There were no impairment losses for the year ended 31 March 2026 (2025: £nil). All treasury assets within the Group's liquidity portfolio are classified as stage 1 according to the requirements of IFRS 9, reflecting the strong and stable credit quality of the Group's treasury assets.

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Risk report (continued)

Credit risk – Treasury assets (continued)

Liquidity and investment portfolio

The tables below show the breakdown of the Group's liquidity and investment portfolios.

Liquidity and investment portfolio										
2026		By credit rating (note i)				By geographical region				
		AAA	AA	A	Below A	UK	US & Canada	Europe	Japan	Other
	£m	%	%	%	%	%	%	%	%	%
Liquid assets:										
Cash and balances at central banks	38,411	-	100	-	-	100	-	-	-	-
Government bonds (note ii)	17,998	10	75	15	-	45	35	15	5	-
Supranational bonds	3,270	67	33	-	-	-	-	-	-	100
Covered bonds	3,325	100	-	-	-	61	17	13	-	9
Residential mortgage-backed securities (RMBS)	781	100	-	-	-	41	-	59	-	-
Other asset-backed securities	195	100	-	-	-	100	-	-	-	-
Liquid assets total	63,980	13	83	4	-	77	11	6	1	5
Other securities (note iii):										
RMBS FVOCI	255	100	-	-	-	100	-	-	-	-
Other investments (note iv)	81	-	-	-	100	87	-	13	-	-
Other securities total	336	76	-	-	24	97	-	3	-	-
Loans and advances to banks and similar institutions	1,758	-	46	54	-	63	31	6	-	-
Total	66,074	13	81	5	1	77	11	6	1	5

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Risk report (continued)

Credit risk – Treasury assets (continued)

Liquidity and investment portfolio										
2025		By credit rating (note i)				By geographical region				
		AAA	AA	A	Below A	UK	US & Canada	Europe	Japan	Other
	£m	%	%	%	%	%	%	%	%	%
Liquid assets:										
Cash and balances at central banks	29,483	-	100	-	-	100	-	-	-	-
Government bonds (note ii)	18,324	8	82	10	-	45	29	16	10	-
Supranational bonds	4,653	64	36	-	-	-	-	-	-	100
Covered bonds	4,343	100	-	-	-	50	32	12	-	6
Residential mortgage-backed securities (RMBS)	721	100	-	-	-	54	-	46	-	-
Other asset-backed securities	157	100	-	-	-	100	-	-	-	-
Liquid assets total	57,681	16	81	3	-	70	12	7	3	8
Other securities (note iii):										
RMBS FVOCI	400	100	-	-	-	100	-	-	-	-
Other investments (note iv)	65	-	-	-	100	99	-	1	-	-
Other securities total	465	86	-	-	14	100	-	-	-	-
Loans and advances to banks and similar institutions	1,810	-	50	50	-	71	21	8	-	-
Total	59,956	16	79	5	-	70	12	7	3	8

Notes:
i. Ratings used are obtained from S&P Global, Moody's or Fitch.
ii. Balances classified as government bonds include government guaranteed, agency and government sponsored bonds.
iii. Includes RMBS (UK buy to let and UK non-conforming) not eligible for the Liquidity Coverage Ratio (LCR).
iv. Group amounts include investment securities at FVOCI of £75 million (2025: £60 million) and investment securities at FVTPL of £6 million (2025: £5 million).

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Risk report (continued)

Credit risk – Treasury assets (continued)

Derivative financial instruments

Derivatives are used for market risk management, and not for trading or speculative purposes, although the application of accounting rules can create volatility in the income statement in an individual financial year. The fair value of derivative assets at 31 March 2026 was £3.3 billion (2025: £4.7 billion) and the fair value of derivative liabilities was £1.2 billion (2025: £1.5 billion).

Derivatives are transacted with counterparties under an International Swaps and Derivatives Association (ISDA) Master Agreement with a Credit Support Annex (CSA) always executed in conjunction. The legal agreements grant the legal right of set-off and allow the netting of positions and exchange of collateral between counterparties, which can reduce net derivative credit exposure.

The table below shows the exposure to counterparty credit risk for derivative contracts after netting benefits and collateral. The £3 million (2025: £13 million) of unrated derivative exposure relates to Virgin Money's business banking activities.

Derivative credit exposure by credit rating	**2026**				2025			
	AA	**A**	**Unrated**	**Total**	AA	A	Unrated	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Derivative assets as per balance sheet	**928**	**2,410**	**3**	**3,341**	1,209	3,520	13	4,742
Netting benefits	**(259)**	**(770)**	**-**	**(1,029)**	(408)	(828)	-	(1,236)
Net current credit exposure	**669**	**1,640**	**3**	**2,312**	801	2,692	13	3,506
Collateral (cash)	**(636)**	**(1,601)**	**-**	**(2,237)**	(796)	(2,671)	-	(3,467)
Net derivative credit exposure	**33**	**39**	**3**	**75**	5	21	13	39

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Risk report (continued)

Liquidity and funding risk

Summary

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

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

The Group's Liquidity Coverage Ratio (LCR), which averaged 169% over the 12 months ended 31 March 2026 (2025: 174%), demonstrates that sufficient high-quality liquid assets are held to survive a short-term severe but plausible liquidity stress. The Group continues to manage liquidity against internal risk appetite which is more prudent than regulatory requirements.

The position against the longer-term funding metric, the Net Stable Funding Ratio (NSFR), is also monitored. The Group's average NSFR for the four quarters ended 31 March 2026 was 143% (2025: 147%), well in excess of the 100% minimum regulatory requirement.

Liquidity risk

Liquid assets

The tables below set out the sterling equivalent carrying value of the Group's liquid asset buffer, by asset class and by issuing currency. The liquid asset buffer includes off-balance sheet liquidity, such as securities received through reverse repo agreements, and excludes securities encumbered through repo agreements and for other purposes. Changes in the size and composition of the liquid asset buffer reflect movements in the underlying balance sheet and active management of the mix between cash and investment assets.

LCR eligible assets	2026			2025		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	£bn	£bn	£bn	£bn	£bn	£bn
Cash and balances at central banks	35.1	-	35.1	25.9	-	25.9
Government and supranational bonds (note i)	18.2	1.1	19.3	17.0	2.0	19.0
Covered bonds	1.7	1.6	3.3	2.3	2.4	4.7
RMBS and ABS	-	1.0	1.0	-	0.9	0.9
Total LCR eligible assets	**55.0**	**3.7**	**58.7**	45.2	5.3	50.5

LCR eligible assets by currency	2026					2025				
	GBP	EUR	USD	Other (note ii)	Total	GBP	EUR	USD	Other (note ii)	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Total LCR eligible assets	**45.6**	**6.8**	**4.5**	**1.8**	**58.7**	36.9	7.2	4.3	2.1	50.5

Notes:
i. Government bonds include regional government, government guaranteed, agency and government sponsored bonds. Supranational bonds are issued by multilateral development banks and international organisations.
ii. Other currencies primarily consist of Canadian dollars and Japanese yen.

The weighted value of the Group's liquid asset buffer averaged £55.7 billion over the 12 months ended 31 March 2026 (2025: £54.5 billion).

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Risk report (continued)

Liquidity and funding risk (continued)

Funding risk

Funding strategy

Nationwide's funding strategy is to be predominantly funded by deposits from individuals, as set out below.

Funding profile					
Assets (note i)	**2026 £bn**	2025 £bn	**Members' interests, equity and liabilities**	**2026 £bn**	2025 £bn
Residential mortgages	**286.0**	275.6	Customer deposits – individuals	**270.8**	260.7
Treasury assets (including liquidity portfolio)	**66.1**	60.0	Customer deposits – business	**22.8**	21.1
Business lending	**14.8**	15.0	Wholesale funding (note ii)	**60.4**	57.4
Consumer lending	**10.7**	10.3	Other liabilities	**4.0**	5.6
Other assets	**4.7**	7.0	Capital and reserves (note iii)	**24.3**	23.1
Total	**382.3**	367.9	**Total**	**382.3**	367.9

Notes:
i. Figures are stated net of impairment provisions where applicable.
ii. Includes debt securities in issue, deposits from banks and other wholesale counterparties.
iii. Includes all subordinated liabilities and subscribed capital.

At 31 March 2026, the Group's loan to deposit ratio, which represents loans and advances to customers divided by customer deposits, was 106.0% (2025: 106.7%)

Nationwide's position against the Building Societies Act Funding Limit (which limits the proportion of funding that can come from sources other than Nationwide member deposits to a maximum of 50%) at 31 March 2026 was 37.5% (2025: 37.2%).[21]

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 the Group's wholesale funding strategy is to remain active in core markets and currencies. A funding risk limit framework also ensures that a prudent funding mix and maturity concentration profile is maintained and limits the level of encumbrance to ensure enough contingent funding capacity is retained in the event of a stress.

Wholesale funding increased by £3.0 billion to £60.4 billion during the period, with changes to composition reflecting increased issuance partly offset by maturities, and the impact of a Virgin Money liability management exercise which commenced in June 2025. Drawings from the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME) remain at £0.9 billion.

[21] Funding from sources other than Nationwide member deposits includes deposits from Virgin Money customers, deposits from businesses other than SMEs and certain on-balance sheet wholesale funding items.

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Risk report (continued)

Liquidity and funding risk (continued)

The table below sets out the Group's wholesale funding and subordinated liabilities by currency.

Currency composition of wholesale funding and subordinated liabilities	2026					2025				
	GBP	**EUR**	**USD**	**Other**	**Total**	GBP	EUR	USD	Other	Total
	£bn	**£bn**	**£bn**	**£bn**	**£bn**	£bn	£bn	£bn	£bn	£bn
Repos	**2.0**	**-**	**0.1**	**-**	**2.1**	1.2	0.2	0.1	-	1.5
Deposits	**2.6**	**-**	**-**	**-**	**2.6**	3.8	-	-	-	3.8
Certificates of deposit	**0.9**	**-**	**0.1**	**-**	**1.0**	1.8	-	-	-	1.8
Commercial paper	**-**	**-**	**0.7**	**-**	**0.7**	0.1	-	0.6	-	0.7
Covered bonds	**9.9**	**11.9**	**1.1**	**0.9**	**23.8**	9.1	9.6	1.2	1.3	21.2
Securitisations	**5.0**	**-**	**-**	**-**	**5.0**	5.0	-	-	-	5.0
Senior preferred	**1.9**	**5.8**	**2.9**	**1.2**	**11.8**	3.1	7.0	3.6	1.2	14.9
Senior non-preferred	**2.6**	**5.7**	**4.7**	**0.4**	**13.4**	1.8	2.7	3.2	0.5	8.2
TFSME	**0.9**	**-**	**-**	**-**	**0.9**	0.9	-	-	-	0.9
Other (note i)	**-**	**(0.8)**	**(0.1)**	**-**	**(0.9)**	-	(0.5)	(0.1)	-	(0.6)
Total of wholesale funding	**25.8**	**22.6**	**9.5**	**2.5**	**60.4**	26.8	19.0	8.6	3.0	57.4
Subordinated liabilities (note ii)	**0.7**	**1.0**	**1.2**	**-**	**2.9**	0.8	0.4	1.2	-	2.4

Notes:
i. The figure shown for Other consists of fair value adjustments to debt securities in issue for micro hedged risks.
ii. Subordinated liabilities include fair value hedge accounting adjustments.

The following table sets out the Group's residual maturity of wholesale funding, on a contractual maturity basis.

At 31 March 2026, cash, government bonds and supranational bonds included in the liquid asset buffer represented 342% (2025: 316%) of wholesale funding maturing in less than one year, assuming no rollovers.

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Risk report (continued)

Liquidity and funding risk (continued)

Wholesale funding – residual maturity 2026	**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	**1.1**	**1.0**	**-**	**-**	**2.1**	**-**	**-**	**2.1**
Deposits	**2.6**	**-**	**-**	**-**	**2.6**	**-**	**-**	**2.6**
Certificates of deposit	**0.7**	**0.3**	**-**	**-**	**1.0**	**-**	**-**	**1.0**
Commercial paper	**-**	**0.7**	**-**	**-**	**0.7**	**-**	**-**	**0.7**
Covered bonds	**1.5**	**0.8**	**0.7**	**2.4**	**5.4**	**2.5**	**15.9**	**23.8**
Securitisations	**0.1**	**0.1**	**0.2**	**0.5**	**0.9**	**1.9**	**2.2**	**5.0**
Senior preferred	**-**	**0.3**	**0.2**	**1.9**	**2.4**	**2.7**	**6.7**	**11.8**
Senior non-preferred	**-**	**-**	**0.1**	**0.1**	**0.2**	**3.6**	**9.6**	**13.4**
TFSME	**-**	**-**	**-**	**0.6**	**0.6**	**-**	**0.3**	**0.9**
Other (note i)	**-**	**-**	**-**	**-**	**-**	**-**	**(0.9)**	**(0.9)**
Total of wholesale funding	**6.0**	**3.2**	**1.2**	**5.5**	**15.9**	**10.7**	**33.8**	**60.4**
Of which secured	**2.7**	**1.9**	**0.9**	**3.5**	**9.0**	**4.4**	**17.8**	**31.2**
Of which unsecured	**3.3**	**1.3**	**0.3**	**2.0**	**6.9**	**6.3**	**16.0**	**29.2**
% of total	**9.9**	**5.3**	**2.0**	**9.1**	**26.3**	**17.7**	**56.0**	**100.0**

Wholesale funding – residual maturity 2025	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	1.5	-	-	-	1.5	-	-	1.5
Deposits	3.7	0.1	-	-	3.8	-	-	3.8
Certificates of deposit	1.5	0.2	0.1	-	1.8	-	-	1.8
Commercial paper	-	0.7	-	-	0.7	-	-	0.7
Covered bonds	-	0.1	0.2	2.1	2.4	5.2	13.6	21.2
Securitisations	0.1	0.1	0.1	0.2	0.5	0.9	3.6	5.0
Senior preferred	0.1	0.4	2.5	0.4	3.4	3.1	8.4	14.9
Senior non-preferred	0.1	-	-	-	0.1	4.3	3.8	8.2
TFSME	-	-	-	-	-	0.9	-	0.9
Other (note i)	-	-	-	-	-	-	(0.6)	(0.6)
Total of wholesale funding	7.0	1.6	2.9	2.7	14.2	14.4	28.8	57.4
Of which secured	1.6	0.2	0.3	2.3	4.4	7.0	16.8	28.2
Of which unsecured	5.4	1.4	2.6	0.4	9.8	7.4	12.0	29.2
% of total	12.2	2.8	5.1	4.6	24.7	25.1	50.2	100.0

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

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

Residual maturity (note i)									
2026	**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 and balances at central banks	38,411	-	-	-	-	-	-	-	38,411
Loans and advances to banks and similar institutions	1,614	-	-	-	-	-	-	144	1,758
Investment securities	43	220	388	492	633	2,864	9,077	12,188	25,905
Derivative financial instruments	66	203	231	111	175	316	1,067	1,172	3,341
Fair value adjustment for portfolio hedged risk	(17)	(59)	(146)	(196)	(191)	(591)	(626)	(295)	(2,121)
Loans and advances to customers (note iii)	2,476	9,679	2,705	2,751	3,001	11,176	32,478	247,217	311,483
Total financial assets	**42,593**	**10,043**	**3,178**	**3,158**	**3,618**	**13,765**	**41,996**	**260,426**	**378,777**
Financial liabilities									
Shares	156,280	8,061	11,123	15,422	10,798	9,507	5,153	708	217,052
Deposits from banks and similar institutions	3,537	1,016	-	600	-	-	300	-	5,453
Of which repo	1,093	1,016	-	-	-	-	-	-	2,109
Of which TFSME	8	-	-	600	-	-	300	-	908
Other deposits	54,803	5,221	7,833	3,850	4,405	560	94	-	76,766
Fair value adjustment for portfolio hedged risk	(15)	(18)	(21)	(33)	(13)	(6)	-	-	(106)
Secured funding (note iv)	1,675	907	862	1,451	1,489	4,417	11,285	6,082	28,168
Unsecured funding (notes iv and vi)	827	1,250	304	1,960	33	6,274	9,838	6,167	26,653
Of which MREL resources	34	1	63	106	28	3,599	4,788	5,147	13,766
Derivative financial instruments	21	3	39	181	15	191	394	334	1,178
Subordinated liabilities (notes iv and vi)	35	(1)	854	-	-	-	-	2,043	2,931
Subscribed capital (notes v and vi)	-	-	-	-	-	-	-	46	46
Total financial liabilities	**217,163**	**16,439**	**20,994**	**23,431**	**16,727**	**20,943**	**27,064**	**15,380**	**358,141**
Off-balance sheet commitments (note vii)									
Financial guarantees	1	6	6	12	7	6	10	35	83
Other commitments	20,984	-	-	-	-	-	-	-	20,984
Net liquidity difference	**(195,555)**	**(6,402)**	**(17,822)**	**(20,285)**	**(13,116)**	**(7,184)**	**14,922**	**245,011**	**(431)**
Cumulative liquidity difference	**(195,555)**	**(201,957)**	**(219,779)**	**(240,064)**	**(253,180)**	**(260,364)**	**(245,442)**	**(431)**	**-**

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Risk report (continued)

Liquidity and funding risk (continued)

Residual maturity (note i) 2025	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 and balances at central banks	29,483	-	-	-	-	-	-	-	29,483
Loans and advances to banks and similar institutions	1,676	-	-	-	-	-	-	134	1,810
Investment securities	207	411	515	381	966	2,237	9,117	14,829	28,663
Derivative financial instruments	13	95	611	172	265	1,153	727	1,706	4,742
Fair value adjustment for portfolio hedged risk	(19)	(17)	(90)	(57)	(108)	(703)	(819)	(224)	(2,037)
Loans and advances to customers (note iii)	2,578	9,291	2,759	2,838	2,885	11,161	32,413	236,964	300,889
Total financial assets	33,938	9,780	3,795	3,334	4,008	13,848	41,438	253,409	363,550
Financial liabilities									
Shares	151,469	9,128	15,934	16,369	10,294	2,611	811	812	207,428
Deposits from banks and similar institutions	5,143	-	10	-	-	900	-	-	6,053
Of which repo	1,535	-	10	-	-	-	-	-	1,545
Of which TFSME	10	-	-	-	-	900	-	-	910
Other deposits	52,358	3,858	8,952	4,131	3,985	1,252	131	-	74,667
Fair value adjustment for portfolio hedged risk	-	4	8	7	7	1	-	-	27
Secured funding (note iv)	111	175	353	403	1,932	6,057	11,180	5,632	25,843
Unsecured funding (notes iv and vi)	1,569	1,337	2,561	377	39	3,320	12,127	3,936	25,266
Of which MREL resources	45	1	41	23	19	1,079	5,910	3,632	10,750
Derivative financial instruments	13	16	98	24	29	296	545	526	1,547
Subordinated liabilities (notes iv and vi)	25	7	2	-	-	843	-	1,567	2,444
Subscribed capital (notes v and vi)	-	-	1	-	-	-	-	128	129
Total financial liabilities	210,688	14,525	27,919	21,311	16,286	15,280	24,794	12,601	343,404
Off-balance sheet commitments (note vii)									
Financial guarantees	5	7	14	7	12	13	5	37	100
Other commitments	19,363	-	-	-	-	-	-	-	19,363
Net liquidity difference	(196,118)	(4,752)	(24,138)	(17,984)	(12,290)	(1,445)	16,639	240,771	683
Cumulative liquidity difference	(196,118)	(200,870)	(225,008)	(242,992)	(255,282)	(256,727)	(240,088)	683	-

Notes:
i. The analysis excludes certain financial assets and liabilities relating to accruals, trade receivables, trade payables and settlement balances which are generally short-term in nature, and lease liabilities.
ii. Due less than one month includes amounts repayable on demand.
iii. Comparatives have been restated to reclassify certain business term lending amounts with revolving credit facilities between maturity categories, to align to contractual maturity dates, irrespective of earlier rollover dates.
iv. The balance sheet amount for debt securities in issue is split into secured funding and unsecured funding in this table.
v. The principal amount for undated subscribed capital is included within the due after more than five years column.
vi. Unsecured funding, subordinated liabilities and subscribed capital may include early redemption features.
vii. 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.

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Risk report (continued)

Liquidity and funding risk (continued)

Financial liabilities – gross undiscounted contractual cash flows

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

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

Gross contractual cash flows (note i) 2026	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
Shares	156,280	8,625	11,592	15,760	11,005	9,929	5,537	708	219,436
Deposits from banks and similar institutions	3,537	1,021	9	614	3	13	336	-	5,533
Other deposits	54,828	5,286	8,044	3,906	4,478	568	96	-	77,206
Secured funding (note iii)	1,694	963	1,015	1,682	1,737	5,175	12,527	7,342	32,135
Unsecured funding (notes iii and iv)	835	1,264	489	2,118	405	7,233	11,490	7,250	31,084
Subordinated liabilities (note iv)	27	2	896	8	21	100	319	2,479	3,852
Subscribed capital (notes iv and v)	-	-	2	-	2	3	15	56	78
Total non-derivative financial liabilities	217,201	17,161	22,047	24,088	17,651	23,021	30,320	17,835	369,324
Derivative financial liabilities:									
Gross settled derivative outflows	640	179	1,082	4,060	421	3,554	8,141	5,737	23,814
Gross settled derivative inflows	(634)	(159)	(1,034)	(3,885)	(404)	(3,438)	(7,903)	(5,612)	(23,069)
Gross settled derivatives – net flows	6	20	48	175	17	116	238	125	745
Net settled derivative liabilities (note vi)	11	(3)	(1)	31	(7)	79	276	163	549
Total derivative financial liabilities	17	17	47	206	10	195	514	288	1,294
Total financial liabilities	217,218	17,178	22,094	24,294	17,661	23,216	30,834	18,123	370,618
Off-balance sheet commitments (note vii)									
Financial guarantees	1	6	6	12	7	6	10	35	83
Other commitments	20,984	-	-	-	-	-	-	-	20,984
Total financial liabilities including off-balance sheet commitments	238,203	17,184	22,100	24,306	17,668	23,222	30,844	18,158	391,685

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Risk report (continued)

Liquidity and funding risk (continued)

Gross contractual cash flows (note i)									
2025	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
Shares	151,470	9,684	16,354	16,616	10,397	2,738	958	812	209,029
Deposits from banks and similar institutions	5,142	-	20	10	9	933	-	-	6,114
Other deposits	52,406	3,917	9,189	4,200	4,052	1,289	133	-	75,186
Secured funding (note iii)	134	244	520	611	2,178	6,848	12,316	6,647	29,498
Unsecured funding (notes iii and iv)	1,579	1,352	2,745	497	307	4,115	13,535	4,644	28,774
Subordinated liabilities (note iv)	26	12	21	20	21	974	312	1,813	3,199
Subscribed capital (notes iv and v)	-	-	4	-	4	8	25	127	168
Total non-derivative financial liabilities	210,757	15,209	28,853	21,954	16,968	16,905	27,279	14,043	351,968
Derivative financial liabilities:									
Gross settled derivative outflows	296	635	1,508	826	755	6,351	12,454	8,433	31,258
Gross settled derivative inflows	(242)	(572)	(1,342)	(708)	(642)	(5,836)	(12,023)	(8,735)	(30,100)
Gross settled derivatives – net flows	54	63	166	118	113	515	431	(302)	1,158
Net settled derivative liabilities (note vi)	20	3	28	31	(21)	17	176	246	500
Total derivative financial liabilities	74	66	194	149	92	532	607	(56)	1,658
Total financial liabilities	210,831	15,275	29,047	22,103	17,060	17,437	27,886	13,987	353,626
Off-balance sheet commitments (note vii)									
Financial guarantees	5	7	14	7	12	13	5	37	100
Other commitments	19,363	-	-	-	-	-	-	-	19,363
Total financial liabilities including off-balance sheet commitments	230,199	15,282	29,061	22,110	17,072	17,450	27,891	14,024	373,089

Notes:

i. The analysis excludes certain financial liabilities relating to trade payables and settlement balances which are generally short-term in nature, and lease liabilities.
ii. Due less than one month includes amounts repayable on demand.
iii. The balance sheet amount for debt securities in issue is split into secured funding and unsecured funding in these tables.
iv. Unsecured funding, subordinated liabilities and subscribed capital may include early redemption features.
v. The principal amount for undated subscribed capital is included within the due after more than five years column.
vi. Cashflows from derivative assets and liabilities, and corresponding collateral balances which meet the criteria for offset in the balance sheet, are included on a net basis, with only the residual cash flows payable reflected. Also included in this line are the residual cash flows from net settled derivatives that do not have an unconditional right of offset.
vii. 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.

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Risk report (continued)

Liquidity and funding risk (continued)

Asset encumbrance

Encumbrance arises where assets are pledged as collateral against secured funding and other obligations and therefore cannot be used for other purposes. An analysis of the Group's encumbered and unencumbered on-balance sheet assets is set out below.

Asset encumbrance										
2026	**Assets encumbered as a result of transactions with counterparties other than central banks**				**Other assets (comprising assets encumbered at the central bank and unencumbered assets)**					**Total**
						Assets not positioned at the central bank				
	As a result of covered bonds	**As a result of securitisations**	**Other**	**Total**	**Assets positioned at the central bank (i.e. prepositioned plus encumbered)**	**Readily available for encumbrance**	**Other assets that are capable of being encumbered**	**Cannot be encumbered**	**Total**	
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cash and balances at central banks	**534**	**466**	**-**	**1,000**	**3,616**	**33,572**	**-**	**223**	**37,411**	**38,411**
Loans and advances to banks and similar institutions	**-**	**-**	**929**	**929**	**-**	**110**	**-**	**719**	**829**	**1,758**
Investment securities (note i)	**-**	**-**	**2,730**	**2,730**	**-**	**23,096**	**-**	**79**	**23,175**	**25,905**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,341**	**3,341**	**3,341**
Loans and advances to customers (note ii)	**44,507**	**14,878**	**-**	**59,385**	**91,057**	**73,066**	**87,733**	**242**	**252,098**	**311,483**
Non-financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,551**	**3,551**	**3,551**
Fair value adjustment for portfolio hedged risk	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,121)**	**(2,121)**	**(2,121)**
Total	**45,041**	**15,344**	**3,659**	**64,044**	**94,673**	**129,844**	**87,733**	**6,034**	**318,284**	**382,328**
2025	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cash	480	463	-	943	3,753	24,585	-	202	28,540	29,483
Loans and advances to banks and similar institutions	-	242	471	713	-	89	-	1,008	1,097	1,810
Investment securities (note i)	-	-	4,463	4,463	-	24,136	-	64	24,200	28,663
Derivative financial instruments	-	-	-	-	-	-	-	4,742	4,742	4,742
Loans and advances to customers (note ii)	32,739	19,353	-	52,092	96,928	62,369	89,106	394	248,797	300,889
Non-financial assets	-	-	-	-	-	-	-	4,327	4,327	4,327
Fair value adjustment for portfolio hedged risk	-	-	-	-	-	-	-	(2,037)	(2,037)	(2,037)
Total	33,219	20,058	4,934	58,211	100,681	111,179	89,106	8,700	309,666	367,877

Notes:

i. Encumbered investment securities relate to repo transactions, collateral pledged for derivatives and assets ring-fenced for regulatory requirements.

ii. Loans and advances to customers 'readily available for encumbrance' are expected to be immediately eligible to use in existing secured funding programmes or at the central bank. Any fair value micro hedge balance is reported as 'cannot be encumbered'. Mortgages pledged include £21.7 billion (2025: £15.2 billion) in the covered bond and securitisation programmes that are in excess of the amount contractually required to support notes in issue.

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Liquidity and funding risk (continued)

The majority of asset encumbrance arises from the use of residential mortgage pools to collateralise the covered bond and securitisation programmes. Further information is included in note 10 to the consolidated financial statements.

Certain unencumbered assets are readily available to secure funding or meet collateral requirements. These include cash and securities held in the liquid asset buffer and residential mortgages eligible for use in existing secured funding programmes or at the central bank. Other unencumbered assets, such as other residential mortgages, business lending and consumer lending, 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.

External credit ratings

Nationwide's long-term and short-term credit ratings are shown in the table below.

Credit ratings	Long-term	Short-term	Date of last rating action / confirmation	Outlook
S&P Global	**A+**	**A-1**	**September 2025**	**Stable**
Moody's	**A1**	**P-1**	**March 2026**	**Stable**
Fitch	**AA-**	**F1+**	**May 2026**	**Stable**

Collateral sensitivity

The amount of additional collateral the Group would need to provide in the event of a one notch and two notch downgrade by external credit rating agencies would be £0.4 billion (2025: £0.6 billion) and £1.4 billion (2025: £1.0 billion) respectively.

Outlook

The Group's internal liquidity risk appetite is expected to remain more prudent than regulatory requirements. The Group's funding strategy is to remain predominantly funded by deposits from individuals but includes a continued presence in wholesale funding markets.

The approach to liquidity and funding risk management will continue to reflect evolving prudential rules which are currently under review as part of the PRA's consultation, CP5/26 - Modernising the liquidity policy framework, published on 17 March 2026.

The post balance sheet event regarding the Part VII transfer of assets and liabilities of Virgin Money's main operating subsidiary, Clydesdale Bank PLC, to Nationwide Building Society does not materially impact the Group's liquidity and funding position.

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Capital risk

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

Capital position

The capital disclosures included in this report are in line with the PRA Rulebook and the UK Capital Requirements Regulation and Directive (UK CRR and UK CRD V). The disclosures are on a consolidated Group basis, including all subsidiary entities, unless otherwise stated.

Capital ratios and requirements		
	2026	2025
Capital ratios	**%**	%
CET1 ratio	**19.1**	19.1
Tier 1 ratio	**21.6**	21.7
Total regulatory capital ratio	**23.8**	23.8
Leverage ratio	**5.3**	5.2
Capital requirements	**£m**	£m
Risk weighted assets (RWAs)	**87,437**	81,871
Leverage exposure	**353,504**	344,018

Risk-based capital ratios remain in excess of regulatory requirements with the CET1 ratio remaining at 19.1%, above the Group's CET1 capital requirement of 12.3%. The CET1 capital requirement includes a 6.8% minimum Pillar 1 and Pillar 2A requirement and combined buffer requirements of 5.5% of RWAs.

The CET1 ratio remained at 19.1% following an increase in CET1 capital of £1.1 billion, offset by an increase in RWAs of £5.6 billion. The CET1 capital resources increase was driven by statutory profit after tax. The RWA increase was predominantly driven by an increase in retail mortgages RWAs. This increase reflected both growth in lending balances and a one-off £3.0 billion increase in the temporary model adjustment applied to Virgin Money's existing Internal Ratings Based (IRB) mortgage models, following regulatory feedback as part of the revised model approval process.

Over time, the Group intends to align modelling approaches across its IRB portfolios. Excluding the one-off temporary model adjustment uplift, the CET1 ratio would have increased, with retained earnings sufficient to support the organic increase in RWAs. Further details on the temporary model adjustment and RWAs are provided in the Risk weighted assets section below.

The PRA Rulebook requires firms to calculate a leverage ratio, which is non-risk-based, to supplement risk-based capital requirements. The Group's leverage ratio increased to 5.3% (2025: 5.2%), with Tier 1 capital resources increasing by £1.1 billion as a result of the CET1 capital movements referenced above. This was partially offset by an increase in leverage exposure of £9.5 billion, predominantly due to increased residential mortgage balances.

The leverage ratio remains in excess of the Group'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 the Group's binding Tier 1 capital measure, as the combination of minimum and regulatory buffer requirements is 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.

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Risk report (continued)

Capital risk (continued)

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

Total regulatory capital		
	2026	2025
	£m	£m
General reserve	**17,746**	17,086
Proportional consolidated gains/losses arising from joint venture (note i)	**-**	9
Core capital deferred shares (CCDS) (note ii)	**1,334**	1,334
Revaluation reserve	**35**	35
Fair value through other comprehensive income (FVOCI) reserve	**(26)**	(119)
Cash flow hedge and other hedging reserves	**(5)**	79
Regulatory adjustments and deductions:		
Cash flow hedge and other hedging reserves (note iii)	**5**	(79)
Direct holdings of CET1 instruments (note ii)	**(177)**	(177)
Foreseeable distributions (note iv)	**(82)**	(100)
Prudent valuation adjustment (note v)	**(86)**	(82)
Own credit and debit valuation adjustments (note vi)	**(3)**	(4)
Intangible assets (note vii)	**(1,024)**	(1,226)
Goodwill (note vii)	**(12)**	(12)
Defined benefit pension fund asset (note vii)	**(537)**	(669)
Excess of regulatory expected losses over impairment provisions (note viii)	**(273)**	(247)
Deferred tax assets that rely on future profitability and do not arise from temporary differences (note ix)	**(211)**	(217)
Total regulatory adjustments and deductions	**(2,400)**	(2,813)
CET1 capital	**16,684**	15,611
Other equity instruments (Additional Tier 1)	**2,178**	2,121
Tier 1 capital	**18,862**	17,732
Subordinated debt (note x)	**1,873**	1,757
Excess of impairment provisions over regulatory expected losses (note viii)	**48**	-
Tier 2 capital	**1,921**	1,757
Total regulatory capital	**20,783**	19,489

Notes:

i. The Group applied a proportional consolidation approach to the Salary Finance Loans Limited joint venture, which was accounted for in the consolidated financial statements using the equity method. The Group sold its shares in Salary Finance Loans Limited in the year.
ii. The CCDS amount does not include the deductions for the Group's repurchase exercises. This is presented separately as a regulatory adjustment in line with CRR article 42.
iii. 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.
iv. Foreseeable distributions in respect of CCDS and Additional Tier 1 (AT1) securities are deducted from CET1 capital under CRR rules.
v. A prudent valuation adjustment (PVA) is applied in respect of fair valued instruments as required under CRR rules.
vi. Own credit and debit valuation adjustments are applied to remove balance sheet gains or losses of fair valued liabilities and derivatives that result from changes in own credit standing and risk, as per the CRR.
vii. Intangible, goodwill and net defined benefit pension fund assets are deducted from capital resources after netting associated deferred tax liabilities.
viii. 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 CRR article 159. The expected loss amounts for equity exposures are deducted from CET1 capital.
ix. Deferred tax assets that rely on future profitability, excluding those arising from temporary differences, are deducted as per CRR article 38, net of related tax liabilities where the conditions in CRR article 38 (3) are met.
x. 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.

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Capital risk (continued)

As part of the Bank Recovery and Resolution Directive, the Bank of England, in its capacity as the UK resolution authority, has published its policy for setting MREL. The Group is required to hold twice the minimum capital requirements (equating 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 31 March 2026, total MREL resources were 9.7% (2025: 8.9%) of leverage exposure, in excess of the loss-absorbing requirement of 7.55% (2025: 7.55%) described above.

Risk weighted assets

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

Risk weighted assets	2026		2025	
	Risk weighted assets	**Minimum capital requirements**	Risk weighted assets	Minimum capital requirements
	£m	**£m**	£m	£m
Retail mortgages	**51,266**	**4,101**	45,914	3,673
Retail unsecured lending	**10,336**	**827**	9,481	758
Business lending	**11,203**	**896**	11,274	902
Treasury	**1,248**	**100**	1,903	152
Other (note i)	**2,623**	**210**	2,686	215
Total credit risk (excluding counterparty credit risk)	**76,676**	**6,134**	71,258	5,700
Counterparty credit risk (note ii)	**515**	**41**	463	38
Credit valuation adjustment	**405**	**33**	338	27
Operational risk	**9,841**	**787**	9,812	785
Total	**87,437**	**6,995**	81,871	6,550

Notes:
i. Other relates to equity, fixed, intangible, deferred tax and other assets.
ii. Counterparty credit risk relates to derivative financial instruments, securities financing transactions (repurchase agreements) and exposures to central counterparties.

Total RWAs increased by £5.6 billion. This was predominantly driven by a £5.4 billion increase in retail mortgage RWAs that reflected both growth in balances and a one-off £3.0 billion increase to the temporary model adjustments as explained further below. Other movements in total RWAs include a £0.9 billion increase in retail unsecured lending RWAs, due to growth in balances, offset by a net £0.6 billion reduction in other business lines.

Regulatory changes were introduced in 2022 that impact the IRB models used to derive minimum capital requirements. These changes formed part of the PRA’s updates to SS11/13 IRB approaches, some of which aim to increase consistency of approaches across different firms and reduce volatility of mortgage risk weights across differing economic conditions.

Nationwide’s revised mortgage IRB models were approved by the PRA in November 2024. Virgin Money's revised IRB mortgage models remain subject to approval. In the year, a one-off £3.0 billion increase in the temporary adjustment was applied to these models, following regulatory feedback as part of the model approval process. This uplift increased Virgin Money’s temporary adjustment to £3.9 billion.

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Capital risk (continued)

Group capital structure developments

The Group's capital structure has been materially simplified through a liability management exercise which commenced in June 2025 and the routine call of certain Virgin Money instruments. The sub-consolidation Direction applied to Virgin Money UK PLC was revoked in December 2025, with the effect that the outstanding Virgin Money Additional Tier 1 Instruments ceased to be eligible as Group own funds from that point. However, these instruments, together with Virgin Money's outstanding externally held eligible liabilities instrument, continue to be eligible to meet the Group's minimum requirement for own funds and eligible liabilities (MREL) requirements until 31 December 2028, in line with the discretion applied by the Bank of England at the time of the Virgin Money acquisition.

Basel 3.1

On 20 January 2026, the PRA published final Basel 3.1 rules, effective in the UK from 1 January 2027. The final 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 Group's CET1 ratio is expected to be positive, with a small increase in the CET1 ratio anticipated, based on the Group's current interpretation of the final rules. This is primarily due to the impact of changes to prescribed IRB model calculations. RWAs calculated under the Basel 3.1 standardised output floor are expected to exceed internally modelled RWAs towards the end of the implementation period. The exact impact of Basel 3.1 on the Group position, and the point where the output floor becomes the binding constraint, will be influenced by the Group's interpretation of the final rules and the evolution of the balance sheet. However, the Tier 1 leverage requirements are expected to remain higher than the Tier 1 standardised output floor risk-based requirements.

Outlook

The PRA has granted a renewed 12-month general prior permission to repurchase core capital deferred shares (CCDS) up to 2% of existing CET1 capital resources (£334 million at 31 March 2026), though this does not mean further repurchase exercises will necessarily follow. The permission will expire in January 2027.

The post balance sheet event regarding the Part VII transfer of assets and liabilities of Virgin Money's main operating subsidiary, Clydesdale Bank PLC, to Nationwide Building Society does not materially impact the Group's capital position.

Market risk

Summary

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

The principal market risks that affect the Group include, interest rate risk, product option risk, foreign exchange (FX) risk, credit spread risk and inflation risk.

Net Interest Income (NII) sensitivity

The sensitivities presented below measure the extent to which the Group'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 passed through to variable rate retail products, unless a floor close to 0% is reached when rates fall. No management actions are included in the sensitivities.

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

Risk report (continued)

Market risk (continued)

Potential (adverse)/favourable impact on annual pre-tax future earnings		
	2026	2025
	£m	£m
+100 basis points shift	**131**	71
+25 basis points shift	**38**	22
-25 basis points shift	**(80)**	(49)
-100 basis points shift	**(333)**	(204)

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

Outlook

The Group will continue to have a limited appetite for market risk, which will only be taken if it is essential to core business activities and provides stability of earnings, minimises costs or enables operational efficiency. While the near-term economic outlook remains uncertain, market risk will continue to be closely managed by the Group to ensure it remains within established risk appetite.

The post balance sheet event regarding the Part VII transfer of assets and liabilities of Virgin Money's main operating subsidiary, Clydesdale Bank PLC, to Nationwide Building Society does not materially impact the Group's market risk position.

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Consolidated financial statements

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Consolidated income statement

For the year ended 31 March 2026			
		2026	2025
	Notes	**£m**	£m
Interest receivable and similar income	3	**17,102**	16,082
Interest expense and similar charges	4	**(11,026)**	(11,090)
Net interest income		**6,076**	4,992
Fee and commission income		**697**	515
Fee and commission expense		**(420)**	(356)
Other operating (expense)/income	5	**(9)**	21
Gains from derivatives and hedge accounting	6	**35**	12
Gain on acquisition		**-**	2,300
Total income		**6,379**	7,484
Administrative expenses	7	**(4,159)**	(3,550)
Impairment charge on loans and advances to customers	8	**(331)**	(632)
Profit before member reward payments and tax		**1,889**	3,302
Member reward payments		**(399)**	(1,000)
Profit before tax		**1,490**	2,302
Taxation	9	**(387)**	36
Profit after tax		**1,103**	2,338
Profit attributable to non-controlling interests		**45**	34
Profit attributable to members		**1,058**	2,304

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Consolidated statement of comprehensive income

For the year ended 31 March 2026	2026	2025
	£m	£m
Profit after tax	**1,103**	2,338
Other comprehensive expense:		
Items that will not be reclassified to the income statement		
Retirement benefit obligations:		
Remeasurement of net retirement benefit asset	**(224)**	(192)
Taxation	**55**	48
	(169)	(144)
Revaluation reserve:		
Revaluation of property	**-**	1
Taxation	**-**	-
	-	1
Fair value through other comprehensive income reserve:		
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income	**1**	(1)
Taxation	**-**	(1)
	1	(2)
	(168)	(145)
Items that may subsequently be reclassified to the income statement		
Cash flow hedge reserve:		
Hedging net (losses)/gains arising during the period	**(136)**	30
Amount transferred to income statement	**14**	(24)
Taxation	**32**	(1)
	(90)	5
Other hedging reserve:		
Hedging net gains/(losses) arising during the period	**11**	(8)
Amount transferred to income statement	**(3)**	5
Taxation	**(2)**	1
	6	(2)
Fair value through other comprehensive income reserve:		
Revaluation gains/(losses) on debt instruments at fair value through other comprehensive income	**102**	(103)
Amount transferred to income statement	**25**	(8)
Taxation	**(35)**	31
	92	(80)
	8	(77)
Other comprehensive expense:	**(160)**	(222)
Total comprehensive income	**943**	2,116
Attributable to:		
Non-controlling interests	**45**	34
Members' interests	**898**	2,082
Total comprehensive income	**943**	2,116

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Consolidated balance sheet

At 31 March 2026			
		2026	2025
	Notes	**£m**	£m
Assets			
Cash and balances with central banks		**38,411**	29,483
Loans and advances to banks and similar institutions		**1,758**	1,810
Investment securities		**25,905**	28,663
Derivative financial instruments		**3,341**	4,742
Fair value adjustment for portfolio hedged risk		**(2,121)**	(2,037)
Loans and advances to customers	10	**311,483**	300,889
Intangible assets		**1,265**	1,481
Property, plant and equipment		**759**	796
Accrued income and prepaid expenses		**364**	394
Deferred tax assets		**301**	278
Current tax assets		**-**	262
Other assets		**146**	224
Retirement benefit asset	15	**716**	892
Total assets		**382,328**	367,877
Liabilities			
Shares		**217,052**	207,428
Deposits from banks and similar institutions		**5,453**	6,053
Other deposits	11	**76,766**	74,667
Fair value adjustment for portfolio hedged risk		**(106)**	27
Debt securities in issue		**54,821**	51,109
Derivative financial instruments		**1,178**	1,547
Other liabilities		**1,983**	2,432
Provisions for liabilities and charges	13	**78**	70
Accruals and deferred income		**552**	1,223
Subordinated liabilities	12	**2,931**	2,444
Subscribed capital	12	**46**	129
Deferred tax liabilities		**217**	266
Current tax liabilities		**68**	-
Total liabilities		**361,039**	347,395
Members' interests and equity			
Core capital deferred shares	16	**1,157**	1,157
Other equity instruments	17	**2,178**	1,485
General reserve		**17,746**	17,086
Revaluation reserve		**35**	35
Cash flow hedge reserve		**42**	132
Other hedging reserve		**(47)**	(53)
Fair value through other comprehensive income reserve		**(26)**	(119)
Total members' interests and equity		**21,085**	19,723
Non-controlling interests		**204**	759
Total equity and liabilities		**382,328**	367,877

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Consolidated statement of movements in members' interests and equity

For the year ended 31 March 2026	Core capital deferred shares	Other equity instruments	General reserve	Revaluation reserve	Cash flow hedge reserve	Other hedging reserve	FVOCI reserve	Total members' interests	Non-controlling interest	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 April 2025	1,157	1,485	17,086	35	132	(53)	(119)	19,723	759	20,482
Profit for the year	-	-	**1,058**	-	-	-	-	**1,058**	**45**	**1,103**
Net remeasurements of retirement benefit obligations	-	-	**(169)**	-	-	-	-	**(169)**	-	**(169)**
Net movement in cash flow hedge reserve	-	-	-	-	**(90)**	-	-	**(90)**	-	**(90)**
Net movement in other hedging reserve	-	-	-	-	-	**6**	-	**6**	-	**6**
Net movement in FVOCI reserve	-	-	-	-	-	-	**93**	**93**	-	**93**
Total comprehensive income	-	-	**889**	-	**(90)**	**6**	**93**	**898**	**45**	**943**
Issuance of Additional Tier 1 capital	-	**693**	-	-	-	-	-	**693**	-	**693**
Distributions to the holders of core capital deferred shares	-	-	**(94)**	-	-	-	-	**(94)**	-	**(94)**
Distributions to the holders of Additional Tier 1 capital	-	-	**(128)**	-	-	-	-	**(128)**	-	**(128)**
Redemption of non-controlling interests	-	-	**(7)**	-	-	-	-	**(7)**	**(555)**	**(562)**
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	**(45)**	**(45)**
At 31 March 2026	**1,157**	**2,178**	**17,746**	**35**	**42**	**(47)**	**(26)**	**21,085**	**204**	**21,289**

For the period ended 31 March 2025	Core capital deferred shares	Other equity instruments	General reserve	Revaluation reserve	Cash flow hedge reserve	Other hedging reserve	FVOCI reserve	Total members' interests	Non-controlling interests	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 5 April 2024	1,157	1,336	15,119	36	127	(51)	(38)	17,686	-	17,686
Profit for the period	-	-	2,304	-	-	-	-	2,304	34	2,338
Net remeasurements of retirement benefit obligations	-	-	(144)	-	-	-	-	(144)	-	(144)
Net revaluation of property	-	-	-	1	-	-	-	1	-	1
Net movement in cash flow hedge reserve	-	-	-	-	5	-	-	5	-	5
Net movement in other hedging reserve	-	-	-	-	-	(2)	-	(2)	-	(2)
Net movement in FVOCI reserve	-	-	-	-	-	-	(82)	(82)	-	(82)
Total comprehensive income	-	-	2,160	1	5	(2)	(82)	2,082	34	2,116
Reserve transfer	-	-	1	(2)	-	-	1	-	-	-
Issuance of Additional Tier 1 capital	-	742	-	-	-	-	-	742	-	742
Redemption of Additional Tier 1 capital	-	(593)	(7)	-	-	-	-	(600)	-	(600)
Distributions to the holders of core capital deferred shares	-	-	(94)	-	-	-	-	(94)	-	(94)
Distributions to the holders of Additional Tier 1 capital	-	-	(93)	-	-	-	-	(93)	-	(93)
Non-controlling interests on acquisition of a subsidiary	-	-	-	-	-	-	-	-	759	759
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(34)	(34)
At 31 March 2025	1,157	1,485	17,086	35	132	(53)	(119)	19,723	759	20,482

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Notes to the consolidated financial statements

1. Reporting period

These results have been prepared as at 31 March 2026 and show the financial performance for the year from, and including, 1 April 2025 to this date.

The year end date of Nationwide Building Society was changed in the prior period to 31 March. For the comparative period presented, the consolidated financial statements include the period from 5 April 2024 to 31 March 2025.

2. Basis of preparation

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

The accounting policies adopted for use in the preparation of this Preliminary Results Announcement and which will be used in preparing the Annual Report and Accounts for the year ended 31 March 2026 were included in the Annual Report and Accounts 2025 document. Copies of the Annual report and accounts are available at **nationwide.co.uk**

Acquisition of Virgin Money UK PLC

On 1 October 2024, the Group acquired Virgin Money UK PLC (hereafter referred to as Virgin Money). For the comparative period presented, the results of Virgin Money are included in the Group's consolidated financial results for the period from 1 October 2024 to 31 March 2025 only.

Segmental reporting

As at 31 March 2025, the Group comprised two reportable segments: the Nationwide sub-group and the Virgin Money sub-group. At that time, the Group Management Committee (GMC) was recognised as the chief operating decision maker.

Subsequently, the GMC was replaced by the Group Executive Committee (Group ExCo), which now fulfils the role of chief operating decision maker. Internal reporting to the Group ExCo no longer distinguishes between the two sub-groups. Instead, performance is reviewed and strategic decisions are made based on the Group as a whole. Accordingly, the Group now comprises a single reportable segment.

Furthermore, as the Group's operations are almost entirely based in the United Kingdom, no geographical segmental analysis is required. As such, no segmental disclosures are presented.

Adoption of new and revised IFRSs

There were no new standards, amendments to standards or interpretations issued by the International Accounting Standards Board (IASB) that had an effect on these financial statements.

Future accounting developments

'Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7' was issued in May 2024 and is effective for accounting periods beginning on or after 1 January 2026. The amendments provide clarification as to the derecognition criteria for financial liabilities when using an electronic payment system. The amendments also provide guidance on the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows. These amendments are not expected to have a significant impact on the Group.

IFRS 18 'Presentation and Disclosure in Financial Statements' was issued in April 2024 and is effective for accounting periods beginning on or after 1 January 2027, replacing IAS 1. While much of IAS 1 has been retained in IFRS 18, the new standard establishes updated principles for the presentation and disclosure of information in the financial statements, with particular focus on the income statement. The requirements of IFRS 18 are currently being assessed, and while the new standard will potentially alter the presentation of information, it is not anticipated to affect underlying recognition or measurement criteria.

The IASB has also issued a number of other minor amendments to IFRSs that become effective for annual reporting periods beginning on or after 1 January 2026. These amendments are not expected to have a significant impact for the Group.

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Notes to the consolidated financial statements (continued)

2. Basis of preparation (continued)

Judgements in applying accounting policies and critical accounting estimates

The preparation of the Group's financial statements in accordance with IFRS involves management making judgements and estimates when applying those accounting policies that affect the reported amounts of assets, liabilities, income and expense. Actual results may differ from those on which management's estimates are based. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. For the period ended 31 March 2026, this evaluation has considered the impact of climate-related risks on the Group's financial position and performance. While the effects of climate change represent a source of uncertainty, the Group does not consider there to be a material impact on its judgements and estimates from physical and transition risks of climate change in the short to medium term.

The key areas involving significant sources of estimation uncertainty or a higher degree of judgement by management in applying the Group's accounting policies, where actual results may differ from those on which management's estimates are based, are disclosed in the following notes:

	Estimates	Judgements
Impairment charge and provisions on loans and advances to customers	Note 8	Note 8
Retirement benefit obligations	Note 15	
Deferred taxation	Note 9	

Going concern

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

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Notes to the consolidated financial statements (continued)

3. Interest receivable and similar income

	2026 £m	2025 £m
On financial assets measured at amortised cost:		
Residential mortgages	**11,160**	8,904
Other loans (note i)	**2,036**	1,399
Other liquid assets, including reserves at central banks	**1,355**	1,647
On investment securities measured at FVOCI	**738**	644
Net income on financial instruments hedging assets in a qualifying hedge accounting relationship	**1,760**	3,416
Total interest receivable and similar income calculated using the effective interest rate method	**17,049**	16,010
Interest on net defined benefit pension surplus (note 15)	**51**	45
Other interest and similar income (note ii)	**2**	27
Total	**17,102**	16,082

Notes:
i. Includes interest on finance lease receivables of £62 million (2025: £31 million).
ii. Includes interest on financial instruments hedging assets that are not in a qualifying hedge accounting relationship.

4. Interest expense and similar charges

	2026 £m	2025 £m
On shares held by members	**5,608**	6,001
On non-member retail deposits	**1,536**	834
On subscribed capital	**8**	10
On other deposits and other borrowings:		
Subordinated liabilities	**128**	96
Deposits from banks and similar institutions and other deposits	**890**	1,246
Debt securities in issue	**2,102**	1,837
Net expense on financial instruments hedging liabilities	**754**	1,066
Total	**11,026**	11,090

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Notes to the consolidated financial statements (continued)

5. Other operating income

	2026	2025
	£m	£m
(Losses)/gains on disposal of FVOCI investment securities	(25)	8
Losses on financial assets measured at FVTPL	(1)	(2)
Other income	17	15
Total	(9)	21

There were no gains or losses on disposal of financial assets measured at amortised cost in the year ended 31 March 2026 (2025: £nil).

6. Gains/losses from derivatives and hedge accounting

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

Gains/(losses) from derivatives and hedge accounting	2026	2025
	£m	£m
Gains from fair value hedge accounting (note i)	76	73
Losses from cash flow hedge accounting	(33)	(32)
Fair value losses from other derivatives (note ii)	(10)	(29)
Foreign exchange retranslation (note iii)	2	-
Total	35	12

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

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Notes to the consolidated financial statements (continued)

7. Administrative expenses

	2026 £m	2025 £m
Staff costs:		
Wages and salaries	**1,082**	839
Bonuses	**155**	132
Social security costs	**172**	116
Pension costs	**258**	204
Other staff costs (note i)	**24**	12
	1,691	1,303
Other administrative expenses	**1,741**	1,621
Depreciation, amortisation and impairment	**694**	592
Bank levy	**33**	34
	2,468	2,247
Total	**4,159**	3,550

Note:
i. Other staff costs include credits of £120 million (2025: £99 million) for capitalised permanent, contract and temporary staff costs.

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

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

Impairment charge	2026 £m	2025 £m
Owner-occupied mortgages	**14**	25
Buy to let and legacy residential mortgages	**(6)**	8
Consumer lending	**269**	514
Business lending	**54**	85
Total	**331**	632

Impairment provisions	2026 £m	2025 £m
Owner-occupied mortgages	**129**	115
Buy to let and legacy residential mortgages	**223**	236
Consumer lending	**829**	824
Business lending	**154**	113
Total	**1,335**	1,288

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

Critical accounting estimates and judgements

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

The most significant areas of judgement are:

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

The most significant areas of estimation uncertainty are:

- The use of forward-looking economic information using multiple economic scenarios; and
- The additional judgements made in modelling expected credit losses (ECL) – these currently include PD uplifts relating to both affordability risks and risks associated with credit card persistent debt, LGD uplifts for property valuation risks and business lending portfolio risks.

Sensitivity analysis has been completed, based on the results from previous climate change stress tests, that supports the Group's view that the impact of climate change on impairment provisions remains immaterial. The potential economic impact of climate change is captured by our existing range of economic scenarios. Supported by our controls operated at lending origination, the expected credit losses associated with physical risks are low and arise over the long term, and therefore currently have an immaterial impact on the Group's retail lending due to the effect of loan amortisation and redemptions over time. The scope of potential future Government transition policies and the Group's response to these remain highly uncertain. The potential additional costs to landlords from the Government's "Warm homes plan" are incorporated within the adjustment to modelled provisions made in respect of affordability risks. The Group's exposure to increased losses from business sectors most affected by climate change, whether via physical or transition risks, are also judged to be immaterial in the medium term.

Identifying significant increases in credit risk (stage 2)

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

Nationwide portfolios:

- 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.

Virgin Money portfolios:

- The residual lifetime PD exceeds a threshold which varies by portfolio and is based on the lifetime PD curves calculated at origination. The PD threshold curves were recalculated at acquisition, to reset the origination point to 1 October 2024, being the date when the Virgin Money business was acquired by the Group.

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.

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

The probability weightings applied to the scenarios were unchanged over the year and are shown in the table below.

Scenario probability weighting	Upside scenario	Base case scenario	Downside scenario	Severe downside scenario
	%	%	%	%
31 March 2026	**10**	**45**	**30**	**15**
31 March 2025	10	45	30	15

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

Critical accounting estimates and judgements (continued)

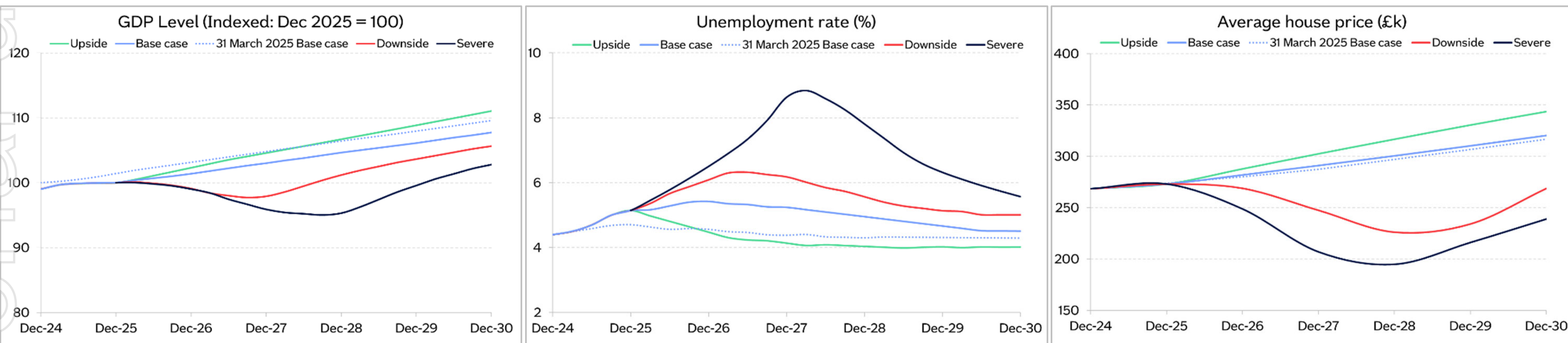
In the base case scenario, modest GDP growth of 1.4% is expected in 2026. In this scenario, unemployment is forecast to rise to 5.4% by the end of 2026. In the downside scenario, the GDP forecast reflects a significant UK recession, with peak unemployment increasing to 6.3%, whilst the severe downside scenario assumes a severe and longer-lasting economic downturn, with unemployment peaking at 8.8%.

The house price forecasts used within the provision calculations cover a wide range of outcomes. House prices are expected to increase in the base case scenario by 3.2% per annum over the next five years. The downside scenario assumes significant falls in 2027 and 2028, driven by a deterioration in economic conditions, whilst the severe downside scenario includes a fall in house prices of 28.7% from the end of 2025 to the low point in late 2028.

Bank rate in the base case scenario is expected to remain unchanged at 3.75% during 2026, with inflation expected to fall to the Bank of England target rate of 2.0% by the end of 2027. In the downside scenario, the recession results in Bank rate remaining at low levels from 2027 onwards, in order to stimulate economic demand. By contrast, the severe downside scenario assumes a sustained period of high inflation, requiring Bank rate to increase to 8.5%.

The increased level of economic uncertainty arising from recent developments in the Middle East has been reflected in both the economic scenario forecasts and associated scenario weightings as at 31 March 2026. In the base case scenario, Bank rate assumptions were updated to reflect Bank rate remaining at 3.75% in 2026 before reducing in 2027, and consumer price inflation expectations were increased to 4.0% for 2026 before reducing in 2027. The 15% weighting allocated to the severe downside economic scenarios reflects the current high level of geopolitical uncertainty.

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



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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 2025-2030						5-year average (note i)	Dec-25 to peak (note ii)	Dec-25 to trough (note ii)
	Actual	Forecast							
	2025	2026	2027	2028	2029	2030			
31 March 2026	%	%	%	%	%	%	%	%	%
GDP growth									
Upside scenario	1.0	2.3	2.2	2.0	2.0	2.0	2.1	11.0	0.5
Base case scenario	1.0	1.4	1.6	1.6	1.4	1.5	1.5	7.7	0.4
Downside scenario	1.0	(0.9)	(1.2)	3.3	2.4	1.9	1.1	5.6	(2.3)
Severe downside scenario	1.0	(1.0)	(3.2)	(0.6)	4.5	3.2	0.6	2.8	(5.0)
Probability weighted	1.0	0.4	0.1	1.8	2.2	1.9			
Unemployment									
Upside scenario	5.1	4.5	4.1	4.0	4.0	4.0	4.2	5.0	4.0
Base case scenario	5.1	5.4	5.2	5.0	4.7	4.5	5.0	5.4	4.5
Downside scenario	5.1	6.1	6.2	5.6	5.1	5.0	5.6	6.3	5.0
Severe downside scenario	5.1	6.5	8.6	7.8	6.3	5.6	6.9	8.8	5.5
Probability weighted	5.1	5.7	5.9	5.5	5.0	4.8			
HPI growth									
Upside scenario	1.7	5.4	5.1	4.7	4.4	4.0	4.7	25.8	1.4
Base case scenario	1.7	3.2	3.2	3.2	3.2	3.2	3.2	17.3	0.7
Downside scenario	1.7	(1.5)	(8.0)	(8.6)	3.5	14.8	(0.3)	0.8	(18.1)
Severe downside scenario	1.7	(8.9)	(16.8)	(5.9)	10.9	10.6	(2.6)	(0.8)	(28.7)
Probability weighted	1.7	0.2	(2.9)	(1.5)	4.6	7.9			
Bank rate									
Upside scenario	3.8	4.0	4.5	4.5	4.5	4.5	4.3	4.5	3.8
Base case scenario	3.8	3.8	3.3	3.3	3.3	3.3	3.4	3.8	3.3
Downside scenario	3.8	2.0	0.5	0.5	0.5	0.5	1.0	3.8	0.5
Severe downside scenario	3.8	4.0	7.5	5.0	4.3	3.8	5.0	8.5	3.8
Probability weighted	3.8	3.3	3.2	2.8	2.7	2.6			
Consumer price inflation									
Upside scenario	3.3	2.0	2.0	2.0	2.0	2.0	2.1	2.6	2.0
Base case scenario	3.3	4.0	2.0	1.8	2.0	2.0	2.4	4.0	1.7
Downside scenario	3.3	0.5	0.3	1.0	1.8	2.0	1.2	2.4	0.2
Severe downside scenario	3.3	6.0	7.0	2.0	2.0	2.0	3.8	8.0	2.0
Probability weighted	3.3	3.1	2.2	1.6	1.9	2.0			

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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 2024-2029						5-year average (note i)	Dec-24 to peak (note ii)	Dec-24 to trough (note ii)
	Actual (note iii)	Forecast							
31 March 2025	2024 %	2025 %	2026 %	2027 %	2028 %	2029 %	%	%	%
GDP growth									
Upside scenario	1.9	1.7	2.0	2.0	2.0	2.0	2.0	10.2	0.3
Base case scenario	1.9	1.4	1.7	1.6	1.6	1.4	1.5	8.0	0.2
Downside scenario	1.9	(0.9)	(1.2)	3.3	2.4	1.9	1.1	5.6	(2.1)
Severe downside scenario	1.9	(1.8)	(3.7)	2.8	2.8	2.2	0.4	2.2	(5.5)
Probability weighted	1.9	0.3	0.1	2.4	2.1	1.8			
Unemployment									
Upside scenario	4.4	4.1	4.0	4.0	4.0	4.0	4.0	4.3	4.0
Base case scenario	4.4	4.7	4.6	4.4	4.3	4.3	4.5	4.7	4.3
Downside scenario	4.4	5.4	6.2	5.6	5.2	5.0	5.4	6.2	4.7
Severe downside scenario	4.4	5.9	8.4	8.5	7.0	6.0	7.1	9.3	4.8
Probability weighted	4.4	5.0	5.6	5.3	4.9	4.7			
HPI growth									
Upside scenario	3.6	5.4	4.5	3.8	3.8	3.8	4.2	23.1	1.3
Base case scenario	3.6	1.9	2.3	2.7	3.3	3.2	2.7	14.3	0.1
Downside scenario	3.6	(4.9)	(9.4)	(3.7)	8.7	9.3	(0.3)	(0.6)	(17.1)
Severe downside scenario	3.6	(12.4)	(18.1)	(1.8)	9.3	9.7	(3.3)	(1.4)	(30.1)
Probability weighted	3.6	(1.9)	(4.1)	0.2	5.9	6.1			
Bank rate									
Upside scenario	4.8	4.3	4.3	4.3	4.3	4.3	4.3	4.5	4.3
Base case scenario	4.8	3.8	3.5	3.5	3.3	3.3	3.6	4.5	3.3
Downside scenario	4.8	2.5	0.5	0.5	0.5	0.5	1.3	4.5	0.5
Severe downside scenario	4.8	6.5	8.0	5.0	4.3	3.5	5.4	8.5	3.5
Probability weighted	4.8	3.8	3.4	2.9	2.7	2.6			
Consumer price inflation									
Upside scenario	2.6	2.5	2.0	2.0	2.0	2.0	2.1	2.7	2.0
Base case scenario	2.6	3.4	2.0	2.0	2.0	2.0	2.3	3.5	1.8
Downside scenario	2.6	1.5	0.3	1.2	1.8	2.0	1.5	2.8	0.3
Severe downside scenario	2.6	6.5	7.0	2.2	2.0	2.0	4.1	8.0	2.0
Probability weighted	2.6	3.2	2.2	1.8	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 is shown as the highest/lowest rate over the forecast period.
iii. The 2024 actual GDP data as presented in the Annual Report and Accounts 2025 has been updated to reflect the most recent published economic data.

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Notes to the consolidated financial statements (continued)

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

Critical accounting estimates and judgements (continued)

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

Expected credit losses under 100% weighted scenarios						**Proportion of balances in stage 2 under 100% weighted scenarios**					
	Upside scenario	**Base case scenario**	**Downside scenario**	**Severe downside scenario**	**Reported provision**	**Upside scenario**	**Base case scenario**	**Downside scenario**	**Severe downside scenario**	**Reported stage 2**	**Reported stage 3 and POCI (note i)**
31 March 2026	**£m**	**£m**	**£m**	**£m**	**£m**	**%**	**%**	**%**	**%**	**%**	**%**
Residential mortgages	**235**	**232**	**282**	**963**	**352**	**12.5**	**11.4**	**9.4**	**30.4**	**13.3**	**0.7**
Consumer lending – credit cards	**474**	**494**	**503**	**1,074**	**561**	**17.1**	**17.4**	**17.1**	**36.4**	**19.3**	**3.1**
Consumer lending – personal loans and overdrafts	**247**	**253**	**259**	**357**	**268**	**20.6**	**20.8**	**19.8**	**27.0**	**21.3**	**5.4**
Business lending	**134**	**142**	**173**	**300**	**154**	**9.7**	**10.2**	**17.0**	**37.1**	**13.6**	**3.6**
Total	**1,090**	**1,121**	**1,217**	**2,694**	**1,335**						
31 March 2025	£m	£m	£m	£m	£m	%	%	%	%	%	%
Residential mortgages	224	229	271	1,089	351	12.6	11.6	9.9	37.7	13.6	0.7
Consumer lending – credit cards	475	480	479	1,120	542	13.6	13.7	13.4	41.2	16.7	2.5
Consumer lending – personal loans and overdrafts	270	272	279	331	282	17.6	17.5	17.0	25.2	18.3	11.7
Business lending	102	106	118	288	113	9.2	9.3	11.7	39.2	11.0	3.2
Total	1,071	1,087	1,147	2,828	1,288						

Note:
i. The stage allocation of stage 3 assets is not sensitive to economic scenarios. The stage 3 proportion is the same as in all four economic scenarios as the stage 3 classification is determined by an asset's impaired status at the reporting date.

Reported ECL represents 119% (2025: 118%) of the base case scenario ECL, primarily due to the impact of increased losses in the severe downside scenario. The increased ECLs in both the downside and severe downside scenarios are primarily the result of increased unemployment rates combined with material house price falls. The low Bank rate forecast in the downside scenario is the main driver of residential mortgage and consumer lending stage 2 proportions being lower in the downside scenario than in the base case scenario.

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

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

Critical accounting estimates and judgements (continued)

The table below shows the sensitivity of provisions at 31 March 2026 to changes to the probability weightings applied to the economic scenarios:

Sensitivity to key forward-looking information assumptions	
	Increase in provision
2026	**£m**
Single-factor sensitivity to key economic variables (note i)	
10% decrease in house prices (HPI) at 31 March 2026 and throughout the forecast period	**16**
1% increase in unemployment rate at 31 March 2026 and throughout the forecast period	**39**
Sensitivity to changes in scenario probability weightings	
10% increase in the probability of the downside scenario (reducing the upside by a corresponding 10%)	**13**
5% increase in the probability of the severe downside scenario (reducing the downside by a corresponding 5%)	**74**

Note:
i. These are single-factor sensitivities; therefore, they should not be extrapolated due to the likely non-linear effects. The provision impacts are calculated using the base case scenario. The house price sensitivity is the impact of a 10% decrease in house prices on LGD for the residential mortgage portfolio.

The table below shows key adjustments made in modelling provisions in relation to the significant areas of estimation uncertainty, with further details on each provided below.

Significant adjustments made in modelling provisions										
	2026					2025				
	Residential Mortgages	**Consumer lending**		**Business lending**	**Total**	Residential Mortgages	Consumer lending		Business lending	Total
		Credit cards	**Personal loans and overdrafts**				Credit cards	Personal loans and overdrafts		
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
PD uplift for affordability risks	**63**	**32**	**8**	**-**	**103**	70	6	7	-	83
PD uplift for credit card persistent debt	**-**	**20**	**-**	**-**	**20**	-	23	-	-	23
LGD uplift for property valuation risks	**21**	**-**	**-**	**-**	**21**	21	-	-	-	21
Business lending portfolio risks	**-**	**-**	**-**	**26**	**26**	-	-	-	10	10
Total	**84**	**52**	**8**	**26**	**170**	91	29	7	10	137
Of which:										
Stage 1	**14**	**1**	**1**	**6**	**22**	14	1	1	4	20
Stage 2	**62**	**51**	**7**	**20**	**140**	70	28	6	6	110
Stage 3	**8**	**-**	**-**	**-**	**8**	7	-	-	-	7

PD uplift for affordability risks

At 31 March 2026, the PD uplift adjustment for affordability risks increased provisions by £103 million (2025: £83 million). This adjustment reflects the ongoing affordability pressures faced by borrowers, primarily within the residential mortgage portfolio. This adjustment includes the risks associated with borrowers who have switched to higher mortgage rates or are expected to switch to higher mortgage interest rates in the next two years. The adjustment to credit card provisions has increased to £32 million (2025: £6 million) due to further alignment of this judgement across the Group, following credit card model changes in the year. This adjustment resulted in approximately £8.7 billion (2025: £9.2 billion) of residential mortgages and £410 million (2025: £66 million) of consumer lending balances moving from stage 1 to stage 2.

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Notes to the consolidated financial statements (continued)

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

PD uplift for credit card persistent debt

A borrower is defined as being in persistent debt if they have been paying more in interest, fees and charges than they are paying to reduce their outstanding balance for at least three years. Nationwide provides support to these borrowers, including the offer of forbearance, to help reduce the level of their credit card debt. To reflect an increase in risk since origination, accounts are moved to stage 2 if they are approaching, or have reached persistent debt status, and therefore receive a lifetime ECL. This adjustment increases provisions by £20 million (2025: £23 million) and results in £254 million (2025: £225 million) of additional credit card balances being reported in stage 2.

LGD uplift for property valuation risks

An adjustment has been made to account for property valuation risks associated with flats. This adjustment remains in place due to insufficient evidence of recovery in values for this sector of the market, increasing provisions by £21 million (2025: £21 million).

Business lending portfolio risks

Adjustments to modelled provisions are recognised where appropriate to reflect risks within the business lending portfolio which are not fully captured by models. Although the provision models capture general economic uncertainty through the use of multiple economic scenarios, losses could also exceed modelled estimates as a result of concentration risks within the portfolio. An adjustment to increase provisions by £13 million (2025: £nil million) has been estimated with reference to historic variation in the frequency and value of large individual losses across the portfolio. In addition, a £13 million (2025: £10 million) adjustment continues to be recognised for the leveraged lending portfolio, reflecting the potential for loss given default to exceed modelled estimates, due in part to the limited volume of historical defaults available for model calibration. The cumulative impact of these two adjustments represents a significant judgement in the context of overall business lending provisions.

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Notes to the consolidated financial statements (continued)

9. Taxation

Tax charge in the income statement	2026 £m	2025 £m
Current tax:		
UK corporation tax charge	**451**	96
Adjustments in respect of prior years	**(33)**	(77)
Total current tax charge	**418**	19
Deferred tax:		
Current year credit	**(85)**	(114)
Adjustments in respect of prior years	**54**	59
Total deferred taxation (credit)/charge	**(31)**	(55)
Tax charge/(credit)	**387**	(36)

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	2026 £m	2025 £m
Profit before tax:	**1,490**	2,302
Tax calculated at a tax rate of 25%	**373**	576
Adjustments in respect of prior years	**21**	(18)
Tax credit on Additional Tier 1 items	**(45)**	(34)
Loss on redemption of Additional Tier 1 capital non-controlling interests	**(12)**	-
Banking surcharge	**35**	6
Bank levy	**8**	8
Deferred tax assets derecognised	**4**	3
Gain on acquisition	**-**	(575)
Net expenses not deductible for tax purposes/(income not taxable) (note i)	**18**	15
Effect of deferred tax provided at different tax rates	**(15)**	(17)
Tax charge/(credit)	**387**	(36)

Note:
i. Net expenses not deductible for tax purposes/(income not taxable) primarily includes penalties and fines, depreciation on non-qualifying assets and premiums paid on the surrender of a lease.

Deferred tax assets and liabilities	2026 £m	2025 £m
Deferred tax assets	**301**	278
Deferred tax liabilities	**217**	266

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9. Taxation (continued)

Critical accounting estimates and judgements

The Group has recognised deferred tax assets of £212 million (2025: £220 million) in respect of trading tax losses, based on expected future taxable profits. Deferred tax assets of £60 million (2025: £58 million) have not been recognised, representing tax at 25% on £239 million of trading tax losses that are not forecast to be used in the foreseeable future.

The Group has assessed the likelihood of recovery of the recognised deferred tax assets in respect of trading losses at 31 March 2026 and considers it probable that sufficient future taxable profits will be available over its planning horizon against which the underlying deductible temporary differences can be utilised. Deferred tax assets in respect of these tax losses are recognised to the extent that they are expected to be utilised within six years of the balance sheet date. An increase or decrease of one year to the forecast period would increase or decrease the recognised deferred tax asset in respect of losses by £34 million. An increase or decrease of 10% to forecast Group taxable profits would increase or decrease the deferred tax asset recognised in respect of tax losses by £17 million. All tax assets arising will be used within the UK.

For other deferred tax assets recognised on the balance sheet, the Group considers that there will be sufficient future trading profits, in excess of profits arising from the reversal of existing taxable temporary differences, to utilise the deferred tax assets.

10. Loans and advances to customers

	2026						2025					
	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	**224,856**	**(129)**	**-**	**224,727**	**32**	**224,759**	215,546	(115)	-	215,431	36	215,467
Buy to let and legacy residential mortgages	**61,442**	**(223)**	**-**	**61,219**	**-**	**61,219**	60,344	(236)	-	60,108	-	60,108
Consumer lending	**11,578**	**(829)**	**-**	**10,749**	**-**	**10,749**	11,107	(824)	-	10,283	-	10,283
Business lending	**14,668**	**(154)**	**204**	**14,718**	**38**	**14,756**	14,818	(113)	277	14,982	49	15,031
Total	**312,544**	**(1,335)**	**204**	**311,413**	**70**	**311,483**	301,815	(1,288)	277	300,804	85	300,889

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

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Notes to the consolidated financial statements (continued)

10. Loans and advances to customers (continued)

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

The tables are prepared on a net basis. The movements within the tables compare the position at 31 March 2026 to that at 31 March 2025. Further detail on the methodology is included within the footnotes to the tables.

The reasons for key movements for the year ended 31 March 2026 were as follows:

- Gross balances increased by £10.7 billion, of which £10.4 billion relates to residential mortgages.
- Assets written off in the year totalled £302 million, of which £259 million relates to consumer lending.
- Impairment provisions increased by £47 million in the period to £1,335 million. £41 million of the increase relates to business lending.

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 1 April 2025	257,751	205	41,092	633	2,972	450	301,815	1,288
Stage transfers:								
Transfers from stage 1 to stage 2	**(14,908)**	**(32)**	**14,908**	**32**	**-**	**-**	**-**	**-**
Transfers to stage 3	**(435)**	**(5)**	**(766)**	**(84)**	**1,201**	**89**	**-**	**-**
Transfers from stage 2 to stage 1	**12,266**	**164**	**(12,266)**	**(164)**	**-**	**-**	**-**	**-**
Transfers from stage 3	**58**	**3**	**266**	**14**	**(324)**	**(17)**	**-**	**-**
Net remeasurement of ECL arising from transfer of stage (note ii)	**-**	**(165)**	**-**	**212**	**-**	**143**	**-**	**190**
Net movement arising from transfer of stage	**(3,019)**	**(35)**	**2,142**	**10**	**877**	**215**	**-**	**190**
Change in exposure in the year (note iii)	**12,508**	**65**	**(855)**	**53**	**(522)**	**(15)**	**11,131**	**103**
Changes in risk parameters in relation to credit quality (note iv)	**-**	**(11)**	**-**	**(59)**	**-**	**198**	**-**	**128**
Other items impacting the income statement (note v)	**-**	**-**	**-**	**-**	**-**	**(90)**	**-**	**(90)**
Income statement charge for the year								**331**
Assets written off (note v)	**-**	**-**	**-**	**-**	**(402)**	**(302)**	**(402)**	**(302)**
Other adjustments (note vi)	**-**	**-**	**-**	**-**	**-**	**18**	**-**	**18**
At 31 March 2026	**267,240**	**224**	**42,379**	**637**	**2,925**	**474**	**312,544**	**1,335**
Net carrying amount		**267,016**		**41,742**		**2,451**		**311,209**

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Notes to the consolidated 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 2024	174,860	54	37,303	381	1,666	346	213,829	781
Stage transfers:								
Transfers from stage 1 to stage 2	(12,976)	(6)	12,976	6	-	-	-	-
Transfers to stage 3	(158)	(1)	(495)	(35)	653	36	-	-
Transfers from stage 2 to stage 1	12,112	104	(12,112)	(104)	-	-	-	-
Transfers from stage 3	58	2	222	12	(280)	(14)	-	-
Net remeasurement of ECL arising from transfer of stage (note ii)	-	(87)	-	64	-	61	-	38
Net movement arising from transfer of stage	(964)	12	591	(57)	373	83	-	38
Change in exposure in the period (note iii)	83,855	141	3,198	323	1,138	184	88,191	648
Changes in risk parameters in relation to credit quality (note iv)	-	(2)	-	(14)	-	20	-	4
Other items impacting the income statement (note v)	-	-	-	-	-	(58)	-	(58)
Income statement charge for the period								632
Assets written off (note v)	-	-	-	-	(205)	(141)	(205)	(141)
Other adjustments (note vi)	-	-	-	-	-	16	-	16
At 31 March 2025	257,751	205	41,092	633	2,972	450	301,815	1,288
Net carrying amount		257,546		40,459		2,522		300,527

Notes:

i. Gross balances of credit impaired loans include £792 million (2025: £947 million) of purchased or originated credit impaired (POCI) loans which are presented net of lifetime ECL of £64 million (2025: £100 million). These loans were recognised on the balance sheet when Derbyshire Building Society was acquired in 2008, and Virgin Money was acquired in 2024.

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

iii. This comprises new assets originated, redemptions, and further lending and capital repayments made where the asset is not derecognised. The gross balances value is calculated as the closing balance for the period less the opening 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. For any asset that is derecognised in the period, the value disclosed is the provision at the start of the period.

iv. 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.

v. The movement in provisions for 'assets written off' are presented net of post-write off recoveries of £73 million (2025: £42 million). The income statement impact of these recoveries is included within 'other items impacting the income statement'.

vi. Other adjustments include the release of provisions related to POCI balances which have redeemed during the period.

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10. Loans and advances to customers (continued)

Asset backed funding

Certain mortgages have been pledged to the Group's asset backed funding programmes or utilised as whole mortgage loan pools for the Bank of England's (BoE's) Term Funding Scheme with additional incentives for Small and Medium sized Enterprises (TFSME) and other short-term liquidity facilities. The programmes have enabled the Group to obtain secured funding. Mortgages pledged and the carrying values of the notes in issue are as follows:

Mortgages pledged to asset backed funding programmes	2026					2025				
		Notes in issue					Notes in issue			
			Held by the Group					Held by the Group		
	Mortgages pledged (note i)	Held by third parties (note ii)	Drawn (note iii)	Undrawn	Total notes in issue	Mortgages pledged (note i)	Held by third parties (note ii)	Drawn (note iii)	Undrawn	Total notes in issue
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Covered bond programmes	44,507	23,111	-	-	23,111	32,739	20,829	-	-	20,829
Securitisation programmes	14,878	5,055	-	5,125	10,180	19,353	5,015	-	6,128	11,143
Whole mortgage loan pools	5,382	-	2,942	-	2,942	1,219	-	910	-	910
Total	**64,767**	**28,166**	**2,942**	**5,125**	**36,233**	53,311	25,844	910	6,128	32,882

Notes:
i. Mortgages pledged include £21.7 billion (2025: £15.2 billion) in the covered bond and securitisation programmes that are in excess of the amount contractually required to support notes in issue.
ii. Notes in issue which are held by third parties are included within debt securities in issue.
iii. Notes in issue, held by the Group and drawn, are whole mortgage loan pools securing amounts drawn with the BoE.

Mortgages pledged under the covered bond programmes provide security for covered bonds issued by the Group.

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

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Notes to the consolidated financial statements (continued)

11. Other deposits

	2026	2025
	£m	£m
Non-member retail deposits	53,771	53,312
Non-member business deposits	22,761	21,087
Other	234	268
Total	**76,766**	74,667

Non-member retail deposits represent Virgin Money retail customer deposits.

12. Subordinated liabilities and subscribed capital

	2026	2025
	£m	£m
Subordinated liabilities		
Tier 2 eligible subordinated notes	2,963	2,469
Fair value hedge accounting adjustments	(32)	(25)
Total	**2,931**	2,444
Subscribed capital		
Permanent interest-bearing shares	44	127
Fair value hedge accounting adjustments	2	2
Total	**46**	129

The Tier 2 eligible subordinated notes rank at least pari passu with other such notes of the relevant issuer, behind claims of all senior creditors and ahead of claims against the Group of holders of permanent interest-bearing shares (PIBS), Additional Tier 1 (AT1) instruments and core capital deferred shares (CCDS). These notes are dated subordinated securities on which there is an obligation to pay coupons and are included within the Group's regulatory capital base as Tier 2 capital.

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

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13. Provisions for liabilities and charges

	Customer-related £m	Legal and regulatory £m	Property-related £m	Other provisions £m	Total £m
At 1 April 2025	21	-	28	21	70
Charge for the year	**28**	**56**	**9**	**27**	**120**
Release for the year	**(7)**	**-**	**(4)**	**(11)**	**(22)**
Net income statement charge (note i)	**21**	**56**	**5**	**16**	**98**
Provisions utilised	**(8)**	**(56)**	**(2)**	**(24)**	**(90)**
At 31 March 2026	**34**	**-**	**31**	**13**	**78**

Note:
i. The net income statement charge is included within administrative expenses.

Customer-related provisions

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

Consideration of these matters may result in a provision, a contingent liability or both, depending upon relevant facts and circumstances. No provision is made where it is concluded that it is not probable that a quantifiable payment will be made; this will include circumstances where the facts are unclear or further time is required to reasonably quantify the expected cost. Provisions are based upon detailed reviews completed to date and represent the Group's best estimate of the liability.

The Group held provisions of £34 million (2025: £21 million) for the potential costs of remediation and redress in relation to issues with historical quality control procedures, past sales and administration of customer accounts, and other matters requiring redress. This includes amounts held as a result of the Group's investigation into some legacy data quality matters. The provision has been based on reviews performed to date; as additional work is undertaken, it is possible that the ultimate liability may be higher or lower than the total amount provided. An estimate of the potential impact of any contingent liabilities associated with ongoing investigations has not been provided as it is not practicable to do so.

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

Legal and regulatory provisions

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

During the year, the FCA fined the Society £44 million for historical weaknesses in its anti-money laundering controls in periods prior to July 2021.

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

Property-related provisions

Property-related provisions include estimated costs relating to vacant properties and costs for restoring leased properties to the condition required under lease agreements at the end of the lease term. Provisions relating to vacant properties are utilised over the remaining lease terms. Provisions relating to reinstatement obligations are utilised upon exit from the properties.

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13. Provisions for liabilities and charges (continued)

Other provisions

Other provisions include amounts for severance costs and expected credit losses on irrevocable lending commitments. Whilst there is uncertainty as to the timing of the utilisation of provisions, the Group expects the majority to have been utilised within the next two years.

14. Contingent liabilities, contingent assets and commitments

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. For further information on the approach for contingent liabilities associated with customer-related provisions, see note 13.

During the year, a recovery was made on a litigation matter disclosed as a contingent asset at 31 March 2025 in the Annual Report and Accounts 2025. The amount of the settlement has not been disclosed on the basis it would be prejudicial to the settled outcome.

There are no other current complaints, disputes, threatened or actual legal proceedings, regulatory or other matters, the resolution of which are expected 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.

15. Retirement benefit obligations

During the year, the Group operated three defined contribution pension schemes in the UK – the Nationwide Group Personal Pension Plan (GPP), Virgin Money's My Retirement scheme and the Nationwide Temporary Workers Pension Scheme. There is also a defined contribution pension scheme for a small number of employees in the Isle of Man.

The Group also has funding obligations to several defined benefit pension schemes, which are administered by boards of trustees. Pension trustees are required by law to act in the interests of all relevant beneficiaries and are responsible for the investment policy of fund assets, as well as the day-to-day administration.

The Group's largest pension scheme is the Nationwide Pension Fund (NPF). This is a defined benefit pension scheme, with both final salary and career average revalued earnings (CARE) sections. The NPF was closed to new entrants in 2007 and was closed to future accrual in 2021. Following the acquisition of Virgin Money in 2024, the Group also has funding obligations to the Yorkshire and Clydesdale Bank Pension Scheme (YCBPS). This scheme, with both final salary and CARE sections, was closed to new entrants in 2004 and to future accrual for almost all current employees in 2017.

In line with UK pensions legislation, a formal actuarial valuation (Triennial Valuation) of the assets and liabilities of each of the defined benefit pension schemes is carried out at least every three years by independent actuaries. The main differences between the assumptions used for assessing defined benefit liabilities for purposes of the actuarial funding valuation and those used for accounting under IAS 19 'Employee Benefits' are that the financial and demographic assumptions used for the funding valuation are generally more prudent than those used for the IAS 19 valuation. The 31 March 2025 NPF Triennial Valuation has been completed and indicated a funding surplus, and therefore a recovery plan requiring employer deficit contributions was not needed. The 30 September 2025 YCBPS Triennial Valuation is ongoing and will be completed by 31 December 2026. The previous YCBPS Triennial Valuation as at 30 September 2022 also indicated a funding surplus, and therefore a recovery plan requiring employer deficit contributions was not needed.

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

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15. Retirement benefit obligations (continued)

Defined benefit pension schemes

Retirement benefit assets and liabilities		
	2026	2025
	£m	£m
Fair value of fund assets	**6,626**	6,767
Present value of funded obligations	**(5,910)**	(5,875)
Surplus at 31 March	**716**	892
Other liabilities	**(4)**	(4)

Approximately 46% (2025: 55%) of the NPF's pension obligations relate to deferred members (current and former employees not yet drawing their pension) and 54% (2025: 45%) to current pensioners and dependants. The weighted average duration of the NPF's pension obligation is approximately 14 years (2025: 14 years), reflecting an average duration of 17 years for deferred members and 11 years for current pensioners.

Less than 1% (2025: less than 1%) of the YCBPS obligations are attributable to current employees still accruing benefits, 45% (2025: 45%) relate to deferred members and 54% (2025: 55%) to current pensioners and dependants. The weighted average duration of the YCBPS' pension obligation is approximately 12 years (2025: 13 years) reflecting an average duration of 14, 15 and 9 years for active members, deferred members and current pensioners respectively.

The Group's retirement benefit obligations include a surplus of £1 million (2025: surplus £1 million) relating to Nationwide (Isle of Man) Limited, which has a defined benefit scheme providing benefits based on both final salary and CARE, which was closed to new entrants in 2009.

The Group's retirement benefit obligations also include £4 million (2025: £4 million) in respect of unfunded legacy defined benefit arrangements. This obligation is included within other liabilities.

Changes in the present value of the net defined benefit asset are as follows:

Movements in net defined benefit asset		
	2026	2025
	£m	£m
At 1 April (2024: 5 April)	892	610
Interest on net defined benefit asset	**51**	45
Return on assets less than discount rate (note i)	**(212)**	(800)
Contributions by employer	**6**	7
Acquisition of Virgin Money	**-**	429
Administrative expenses	**(9)**	(7)
Actuarial (losses)/gains on defined benefit obligations (note i)	**(12)**	608
At 31 March	**716**	892

Note:
i. The net impact before tax on the surplus of return on assets and actuarial (losses)/gains is a decrease of £224 million (2025: £192 million) in other comprehensive income.

The loss relating to the return on assets being less than the discount rate of £212 million (2025: £800 million) is driven by decreases in value of the liability matching assets due to increases in long-term government bond yields in the year.

As the NPF is closed to future accrual, there have been no current service costs, past service costs or employer contributions made in respect of future benefit accrual during the current or prior year. The YCBPS has a very small number of active members in the scheme which gives rise to employer contributions and service costs made in respect of future benefit accrual.

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15. Retirement benefit obligations (continued)

There have been no employer deficit contributions required into the NPF or the YCBPS and there are no such contributions scheduled in the year ending 31 March 2027 or future years under the current Schedules of Contributions, other than the ongoing funding of the YCBPS administrative expenses. Employer deficit contributions of less than £1 million (2025: less than £1 million) were made in respect of the Group's defined benefit scheme in its Nationwide (Isle of Man) Limited subsidiary and there are no deficit contributions scheduled in the year ending 31 March 2027 or future years under the Schedule of Contributions.

The actuarial loss on defined benefit obligations of £12 million (2025: £608 million gain) is due to:

- A gain of £179 million (2025: £639 million) from changes in financial assumptions, driven by a 0.40% increase in the discount rate (which decreases the value of liabilities) partially offset by a 0.20% increase in assumed Retail Price Index (RPI) inflation (which increases the value of the liabilities).
- A loss of £48 million (2025: £1 million gain) arising from the impacts of updates to demographic assumptions and applying the latest industry views for future longevity improvements.
- An experience loss of £143 million (2025: £32 million) primarily reflecting updated membership experience from the NPF's 31 March 2025 Triennial Valuation, as well as the impact of differences between estimates of long-term inflation, compared to actual inflation.

The principal actuarial assumptions used are as follows:

Financial assumptions		
	2026	2025
	%	%
Discount rate	**6.15**	5.75
Future pension increases (maximum 5%)	**3.05**	2.90
Retail Price Index (RPI) inflation	**3.20**	3.00
Consumer price index (CPI) inflation	**2.70**	2.40

Life expectancy assumptions		
	2026	2025
	Years	Years
Age 60 at 31 March 2026:		
Males	**27.2**	27.0
Females	**29.3**	28.9
Age 60 at 31 March 2046:		
Males	**28.5**	28.3
Females	**30.6**	30.3

The assumptions for mortality rates are based on standard mortality tables which allow for future improvements in life expectancy and are adjusted to represent the membership profiles of the Group's pension schemes. The assumptions made are illustrated in the table above, showing how long the Group would expect the average member to live for after the age of 60, based on reaching that age at 31 March 2026 and in 20 years' time.

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15. Retirement benefit obligations (continued)

Critical accounting estimates and judgements

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

Change in key assumptions at 31 March 2026	Increase in defined benefit obligation
	£m
1.0% decrease in discount rate	814
0.1% increase in inflation assumption	60
1 year increase in life expectancy at age 60 in respect of all members	133

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

16. Core capital deferred shares

	Number of shares	CCDS	Share premium	Treasury share reserve	Total
		£m	£m	£m	£m
At 31 March 2026 (note i)	**9,122,345**	**11**	**1,323**	**(177)**	**1,157**
At 31 March 2025 (note i)	9,122,345	11	1,323	(177)	1,157

Note:
i. The total number of shares outstanding at 31 March 2026 and 31 March 2025 is 10,555,500, which includes 1,433,155 shares repurchased and retained by the Society.

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

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

There is a cap on the distributions that can be paid to holders of CCDS in any financial year. The cap is currently set at £21.56 per share and is adjusted annually in line with CPI. A final distribution of £47 million (£5.125 per share) for the financial year ended 31 March 2025 was paid on 20 June 2025 and an interim distribution of £47 million (£5.125 per share) in respect of the period to 30 September 2025 was paid on 22 December 2025. These distributions have been recognised in the statement of movements in members' interests and equity.

Since the balance sheet date, the directors have declared a distribution of £5.125 per share in respect of the period to 31 March 2026, amounting in aggregate to £47 million. This has not been reflected in these financial statements as it will be recognised in the year ending 31 March 2027, by reference to the date at which it was declared.

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Notes to the consolidated financial statements (continued)

17. Other equity instruments

	Issuance date	Call period commencement date	Next reset date	Reset rate	2026 £m	2025 £m
Nationwide 7.875% Additional Tier 1	10 June 2025	20 December 2031	20 December 2031	Benchmark gilts + 3.59%	**700**	-
Nationwide 7.5% Additional Tier 1	16 September 2024	20 December 2030	20 June 2031	Benchmark gilts + 3.852%	**750**	750
Nationwide 5.75% Additional Tier 1	10 June 2020	20 June 2027	20 December 2027	Benchmark gilts + 5.625%	**750**	750
					2,200	1,500
Issuance costs					**(22)**	(15)
Total					**2,178**	1,485

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

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

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

Interest payments totalling £128 million were made in the year ended 31 March 2026 (2025: £93 million), representing the maximum non-cumulative fixed coupon amounts. These payments have been recognised in the statement of movements in member's interest and equity. A coupon payment of £77 million is expected to be paid on 20 June 2026 and will be recognised in the statement of movements in members' interests and equity in the year ending 31 March 2027.

18. Events after the balance sheet date

Transfer of the business of Clydesdale Bank PLC to the Society

On 23 February 2026, at a hearing in the High Court of Justice, London, the Court sanctioned a scheme for the transfer of the majority of the banking business of Clydesdale Bank PLC to the Society under Part VII of the Financial Services and Markets Act 2000 (FSMA) (Part VII Transfer). The scheme effective date was 2 April 2026.

In addition, the Society and Clydesdale Bank PLC entered into separate legal agreements to effect the transfer of certain other balances (Other Transfers) where not covered by the Part VII Transfer. These agreements had effective dates of 2 and 3 April 2026.

As the Part VII Transfer and Other Transfers represent a hive-up of business from a subsidiary to its parent, there are no impacts to the total assets, liabilities, members' interests and equity or results of the Group.

Nationwide Fairer Share payment

On 20 May 2026, the Board approved a Nationwide Fairer Share payment to be made to eligible members in June 2026, amounting to approximately £440 million. This has not been reflected in these financial statements as it will be recognised in the year ending 31 March 2027, by reference to the date at which it was announced.

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Responsibility statement, other information and contacts

Responsibility statement

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

A full list of the board of directors will be disclosed in the Annual Report and Accounts 2026.

Signed on behalf of the Board by

Muir Mathieson
Group Chief Financial Officer

20 May 2026

Other information

The financial information set out in this announcement which was approved by the Board on 20 May 2026 does not constitute statutory accounts within the meaning of the Building Societies Act 1986.

The Annual Report and Accounts 2025 have been filed with the Financial Conduct Authority and the Prudential Regulation Authority. The Annual Report and Accounts 2026 will be published on the website of Nationwide Building Society, **nationwide.co.uk**. The report of the auditor on those accounts is unqualified and did not draw attention to any matters by way of emphasis. The Annual Report and Accounts 2026 will be lodged with the Financial Conduct Authority and the Prudential Regulation Authority following publication.

A copy of this Preliminary report is placed on the website of Nationwide Building Society, **nationwide.co.uk** from 21 May 2026. 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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