Annual Report and Accounts

Clydesdale Bank PLC

For the 18-month period ended 31 March 2025

Company Number: SC001111

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Contents

Overview

Clydesdale Bank PLC ('the Bank'), together with its subsidiary undertakings (which together comprise 'the Group'), operate under the Clydesdale Bank, Yorkshire Bank and Virgin Money brands. It offers a range of banking services for both retail and business customers through retail stores, lounges, business banking centres, direct and online banking, and brokers. It is the main operating subsidiary of its immediate parent, Virgin Money UK PLC ('Virgin Money' or 'VMUK'). Following the acquisition of Virgin Money by Nationwide Building Society ('Nationwide') on 1 October 2024, the Bank's accounting reference date was changed from 30 September to 31 March in order to align to Nationwide's accounting reference date. The results referred to in this Annual Report and Accounts relate to the 18-month period ended 31 March 2025.

Certain figures contained in this document, including financial information, may have been subject to rounding adjustments and foreign exchange conversions. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this document may not conform exactly to the total figure given.

The forward-looking statements disclaimer can be found on page 193.

Officers and professional advisers

Board Chair	David Bennett
Senior Independent Non-Executive Director	Tim Wade
Independent Non-Executive Directors	Elena Novokreshchenova Lucinda Charles-Jones (appointed 22 January 2024) Petra van Hoeken (appointed 1 July 2024) Tracey Graham (appointed 23 January 2025) Geeta Gopalan (resigned 30 June 2024) Darren Pope (resigned 1 October 2024)
Non-Executive Director	Sara Weller (resigned 1 October 2024)
Executive Directors	Chris Rhodes (appointed 1 October 2024) Gergely Zaborszky (appointed 4 March 2025) David Duffy (resigned 1 October 2024) Clifford Abrahams (resigned 15 December 2024)
Group Company Secretary	Lorna McMillan
Registered office	177 Bothwell Street Glasgow G2 7ER
Independent auditors	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY

Strategic report

The Directors present their Strategic report for the 18-month period ended 31 March 2025.

Principal activities

The Group operates a full-service UK-focused retail and commercial banking business under the brand names 'Virgin Money' as well as 'Clydesdale Bank' and 'Yorkshire Bank'. The bank provides residential mortgages, personal and business current accounts, savings, personal loans and credit cards, loans for small and medium businesses, and payment and transaction services.

Business review

Summary balance sheet	**31 Mar 2025 £m**	30 Sep 2023 £m Restated(1)
Customer loans	**71,119**	72,304
Other financial assets	**17,376**	17,786
Other non-financial assets	**1,381**	1,439
Total assets	**89,876**	91,529
Customer deposits	**(70,383)**	(66,827)
Wholesale funding	**(11,795)**	(16,810)
Other liabilities	**(2,089)**	(2,558)
Total liabilities	**(84,267)**	(86,195)
Ordinary shareholders' equity	**(4,916)**	(4,740)
Additional Tier 1 (AT1) equity	**(693)**	(594)
Equity	**(5,609)**	(5,334)
Total liabilities and equity	**(89,876)**	(91,529)

Summary income statement	**18 months to 31 Mar 2025 £m**	12 months to 30 Sep 2023 £m Restated(1)
Net interest income	**2,535**	1,761
Non-interest income	**206**	123
Total operating income	**2,741**	1,884
Total operating and administrative expenses	**(2,126)**	(1,219)
Operating profit before impairment losses	**615**	665
Impairment losses on credit exposures	**(429)**	(309)
Statutory profit on ordinary activities before tax	**186**	356
Tax expense	**(36)**	(118)
Statutory profit attributable to equity holders	**150**	238

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details

Basis of preparation note

The Strategic report included within the Group's 2023 Annual Report and Accounts presented the Group's results on both a statutory and an underlying basis. Management previously excluded certain items from the Group's statutory position to arrive at an underlying basis of performance. Following the acquisition by Nationwide, the Group has moved to presenting its income statement on a statutory only basis. As a result of the Company changing its accounting reference date to 31 March to align to that of Nationwide, this Annual Report and Accounts covers the 18-month period ended 31 March 2025. Unless otherwise stated, income statement commentaries throughout this document compare the 18 months ended 31 March 2025 to the 12 months ended 30 September 2023 and the balance sheet analysis compares the Group balance sheet as at 31 March 2025 to the Group balance sheet as at 30 September 2023. The prior period comparatives have been restated following alignment of the Group's accounting policies and presentation basis with Nationwide, which includes updates to effective interest rate (EIR) methodology.

Strategic report (continued)

Business review

The Group delivered a robust financial performance during the 18-month period to 31 March 2025, which included the acquisition of Virgin Money by Nationwide on 1 October 2024. Prior to the acquisition, the Group's financial performance remained solid. Since the acquisition, the Group has prioritised delivering business performance and growth, improving pricing and fees, investing in customer service and building technology resilience and readiness for integration. We have launched Nationwide and Virgin Money's joint Blueprint for a modern mutual and our new purpose: Banking – but fairer, more rewarding, and for the good of society. This marks the next step in our journey as we unite behind a joint purpose. Colleague engagement remains positive based on our most recent survey, with 84% engagement overall, which was a record-breaking result for the Group. During the period post-acquisition, the Group has made several changes to accounting policies and presentation to align with the Nationwide reporting structure and has recognised additional costs associated with the acquisition and additional credit impairments as a result of acquisition alignment activity, which altogether are reflected in the Group's financial performance during the period. We are also starting to prepare for a proposed Part VII transfer of assets and liabilities of the Bank into Nationwide, as part of the wider programme to integrate the Virgin Money business with that of Nationwide.

Customer lending and deposits

On a statutory basis, customer lending reduced 1.6% during the 18-month period to £71.1bn as growth in Business and commercial lending and broadly stable Consumer lending was more than offset by a reduction in Mortgages. Over the period, Mortgage balances reduced 3.4% to £55.6bn, reflecting lower gross new lending in a subdued market. Business and commercial lending increased by 9.0% to £9.4bn, supported by resilient demand across our specialised national sectors. Consumer lending increased 0.2% overall to £6.1bn, as 4.8% growth in credit card balances offset lower personal loans and overdrafts.

In the six months since the acquisition completed, the Group has seen a return to growth in overall statutory lending balances, which increased by 0.4%, driven by Mortgages and Business and commercial lending. The Group continued to attract new deposits throughout the 18-month period, including in the period post-acquisition, supporting overall deposit growth of 5.3% to £70.4bn. The loan to deposit ratio fell from 108% to 101%.

Funding and liquidity

The Group has maintained a strong funding and liquidity position. The Group's liquidity surplus continues to comfortably exceed regulatory requirements with a 12-month average Liquidity Coverage Ratio (LCR) of 158% as at 31 March 2025 (12-month average LCR as at 30 September 2023: 145%). The 12-month average Net stable funding ratio (NSFR) was 142% as at 31 March 2025 (12-month average NSFR as at 30 September 2023: 136%). The Group's wholesale funding reduced 29.8% during the period to £11.8bn in line with expectations, mainly reflecting £5.3bn of TFSME repayments and other wholesale funding maturities, which more than offset new residential mortgage-backed securities (RMBS), Covered Bonds and MREL-eligible senior instruments issued during the period. As previously disclosed, all new AT1, Tier 2 and MREL-eligible senior instruments will be issued by Nationwide with down-streaming arrangements in place to ensure appropriate capital levels in Virgin Money and Clydesdale Bank PLC.

Operating profit before impairment losses

Operating profit before impairment losses reduced during the period to £615m (12 months to 30 September 2023: £665m), primarily due to the impact of recognising additional operating and administrative expenses relating to the acquisition by Nationwide and investment in growth, service, risk management and operational resilience.

Net interest income of £2,535m (12 months to 30 September 2023: £1,761m) benefitted from growth in higher margin lending and the reinvestment rate of the structural hedge, offsetting lower overall customer lending. Non-interest income of £206m benefited from resilient customer activity and the acquisition of the remaining c.50% ordinary share capital in Virgin Money Investments (VMI) in April 2024. These factors more than offset the impact of reduced fees in relation to credit cards, current accounts and overdrafts, made since the Nationwide acquisition, and accounting presentation changes to align with Nationwide.

Operating and administrative expenses of £2,126m (12 months to 30 September 2023: £1,219m) included the recognition of additional costs following the acquisition. These included one-off costs for the £250m TMLA[(1)] fee and irrevocable VAT on the first instalment of £25m. Operating and administrative expenses in the period post-acquisition also included additional investment to deliver improvements in customer experience, support integration readiness, as well as further improve regulatory and operational resilience. The creation of 370 new jobs in Virgin Money contact centres and online chat channels since 1 October 2024 has significantly improved customer experience, with call answer rates increasing from 86% in October 2024 to 95% in March 2025.

(1) Trademark licence agreement between Virgin Money and Virgin Enterprises Limited (Virgin Enterprises).

Strategic report (continued)

Impairment losses on credit exposures

Credit impairment losses of £429m, equivalent to an annualised cost of risk of 40bps (12 months to 30 September 2023: £309m, equivalent to a cost of risk of 42bps), were mainly driven by acquisition impacts, including aligning the Group's IFRS 9 expected credit loss (ECL) estimation methodology with Nationwide and the adoption of Nationwide's macroeconomic scenarios and weightings. Overall, ECL provisions increased to £739m at 31 March 2025 (30 September 2023: £617m), resulting in significantly higher aggregate provision coverage of 103bps (30 September 2023: 85bps). Excluding the impact of acquisition alignment activity, which added c.£127m to credit impairment losses, the Group's cost of risk was 28bps. Underlying arrears levels across the Group's lending portfolios remain stable, with some improvement seen in the final six months of the period.

Capital

The Group maintained a strong capital position with a CET1 ratio of 14.2% (30 September 2023: 14.7%) and a total capital ratio of 19.4% (30 September 2023: 21.2%). The Group therefore retains a significant CET1 management buffer in excess of its Capital Requirements Directive IV (CRD IV) minimum CET1 requirement of 11.1%. During the period, the Company issued ordinary shares to Virgin Money for cash consideration of £800m to mitigate the impact of the TMLA fee, acquisition impacts on ECL and accounting alignment adjustments as set out in note 1.7 of the financial statements.

Key performance indicators (KPIs)

The Directors do not rely on key performance indicators at the individual subsidiary level. Following Virgin Money's acquisition by Nationwide, and with the results and performance of the business now included in Nationwide's Annual Report and Accounts, the Directors have considered whether to report on KPIs in the Group's own Annual Report and Accounts. While the Board continues to receive and monitor a number of financial and non-financial performance measures, the Directors have reflected on the Group's new status as a wholly owned subsidiary within the Virgin Money group which sits within the wider Nationwide group. While the Group continues to measure a range of performance ratios including asset quality, funding, liquidity, and capital to assess the Group's performance which are all highlighted in the Risk report, the Directors are of the view that the inclusion of KPI's would not enhance an understanding of the development, performance or position of the Group. Refer to page 186 for performance metrics definitions.

Future developments

Information about future developments is provided within the 'principal risks' and 'emerging and evolving risks' sections below.

Governance

Our commitment to good governance has continued to underpin our strategic delivery and ensures we continue to challenge our assumptions and risks. Our Report of the Directors', which contains further information, can be found on pages 86 to 93.

Section 172 statement

In undertaking its duties, the Board continues to be mindful of the need to appropriately balance the interests and expectations of the Group's various stakeholders. In this report, we describe how we have considered and worked with our stakeholders as we seek to achieve our purpose 'Banking – but fairer, more rewarding, and for the good of society'. Details of s.172 compliance can be found on pages 86 to 90.

The Strategic report was approved by the Board of Directors on 29 May 2025 and was signed on its behalf by:

Chris Rhodes
Chief Executive Officer

Risk management

The objective of risk management is to keep the bank safe, to ensure resilience and to put the customer interests at the centre of our decision making to support good customer outcomes. Effective risk management supports the sustainable delivery of our strategic objectives.

Following the acquisition by Nationwide in October 2024, the Group operates independent but aligned Enterprise Risk Management Frameworks (ERMF) within this wider group, to ensure risks are managed in a consistent and rigorous way. The ERMFs define how risks are managed within each business and set out the risk management responsibilities of colleagues within an industry-standard three lines of defence model. They also ensure that all risks are appropriately and consistently identified, assessed, managed, monitored, and reported. These frameworks are supplemented by Group level governance which supports the Board to ensure risks are managed consistently and rigorously across the Group, with appropriate escalation routes in place.

Principal risks

The Group's principal risks are those which could result in events or circumstances that might threaten the Group's business model, future performance, solvency, liquidity and reputation. The Group's principal risk categories are consistent with those outlined in the Group's September 2024 Interim Financial Results. An overview of the Group's principal risks is set out below, while further information can be found on pages 8 to 85 of the Risk report.

Risks	Description
Credit risk	Is the risk that a retail or business customer or counterparty fails to pay the interest or capital due on a loan or other financial instrument. Credit risk needs to be managed through the life cycle of each loan from origination to repayment, redemption, write-off or sale. It manifests in the products and financial instruments that the Group offers, and in which it invests, and can arise in respect of both on- and off-balance sheet exposures.
Financial risk	Is the risk that the Group cannot meet its obligations to repay depositors' funds in a timely manner or that there is insufficient ability to absorb losses. Several categories of risk are included (liquidity, funding, capital, pension and market risks), that must all be managed in a way that maintains the confidence of customers, investors, and regulators.
Model risk	Is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports.
Regulatory and compliance risk	Is the risk of failing to comply with relevant regulatory requirements and changes in the regulatory environment, failing to manage legal risks effectively, or failing to manage a constructive relationship with our regulators by not keeping them informed of relevant issues, not responding effectively to information requests or not meeting regulatory deadlines.
Conduct risk	Is the risk of undertaking business in a way which fails to deliver good customer outcomes in line with the Financial Conduct Authority's (FCA's) Consumer Duty and causes customer harm, and may result in regulatory censure, redress costs and/or reputational damage.
Operational risk	Is the risk of loss or customer harm resulting from inadequate or failed internal processes, people and systems or from external events, incorporating the inability to maintain critical services, recover quickly and learn from unexpected/adverse events. Operational risk includes: change risk; third-party risk; cyber and information security risk; physical and personal security risk; IT resilience risk; data management risk; payment creation, execution and settlement risk; and people risk.
Economic crime risk	Is the risk that the Group fails to detect and prevent its products and services from being used to facilitate economic crime, resulting in harm to customers, the Group and its reputation, or third parties. This includes money laundering, terrorist financing, facilitation of tax evasion, sanctions, fraud, and bribery and corruption.
Strategic and enterprise risk	Is the risk of significant loss of earnings or damage from decisions or actions that impact the long-term interests of the Group's stakeholders, or from an inability to fund or manage required change projects or adapt to external developments.
Climate risk	Is the risk of exposure to physical and transition risks arising from climate change.

Strategic report (continued)

Emerging and evolving risks

Emerging and evolving risks are current or future risks arising from internal or external events, with a material unknown or unpredictable component, and the potential to significantly impact the future performance of the Group or prevent delivery of good outcomes for our customers over the medium to long term (12 months +). Emerging and evolving risks are regularly assessed, considering internal and external factors, with escalation and reporting to the Board.

Risks	Description
Geopolitical environment	The geopolitical environment remains volatile, with ongoing global conflicts and a range of global tensions. This uncertainty impacts the macroeconomic environment. Conflicts and disputes also have the potential to disrupt supply chains and increase cyber threats and economic crime.
Macroeconomic environment	The Group is inherently exposed to fluctuations in the UK's economic conditions, which are impacted by global trade disputes. The economic environment remains uncertain, as interest rate levels and the growth outlook continue to impact customer finances, as well as other institutions and counterparties. Government policy continues to evolve, including in response to these challenges, with consequential impacts for the UK economy.
Technology and resilience	The combination of a rapidly evolving and increasingly complex technological environment, alongside the increasing importance of services being available when customers need them, increases both the potential for, and the impact of, outages and system failures.
Emergent technologies	The emergence of viable generative artificial intelligence, as well as the continued development of quantum computing and associated technologies, creates new risks and opportunities as they are adopted internally, across the industry and potentially by malicious organisations or individuals.
Integration risk	There are a range of risks that could arise from integration activity following the acquisition by Nationwide. These may include reputational risks arising from incidents, technology failure, people risks, ineffective group governance and reporting, regulatory risks, and risk of unknowns.
Cyber	Given ongoing geopolitical tension, the threat of external parties exploiting cyber-security vulnerabilities to gain access to data, system, or assets; disrupt services; or otherwise affect the Group, our staff, and our customers, remains. Cyber-attacks are constantly evolving and increasing in terms of sophistication.
Climate change	The Group is exposed to both physical risks arising from climate change (such as damage to UK housing stock and property) and transitional risks (such as lower economic growth and government policy impacts on property values) as the country moves towards net-zero emissions. These threats continue to evolve as government policy develops and green technologies mature.

Risk report

Risk exists in everything we do, from strategic change initiatives to day-to-day operational activities. Without risk we will never achieve our strategic goals, but when taking risks, we must ensure we do so in an appropriate way.

Enterprise Risk Management Framework (ERMF)

The Group identifies and manages risk in line with the ERMF. It is made up of a number of components which, taken together, supports the Group to effectively manage its risks by:

- Establishing clear roles and responsibilities for day to day risk management activities;
- Ensuring a consistent lifecycle for risk management across the Group;
- Setting the standard definitions of risk management terms and classifications to ensure consistent application;
- Determining how risk appetite is set;
- Setting the governance mechanisms by which risk oversight is exercised and risk decisions are taken;
- Setting out the role of policies across the Group; and,
- Supporting delivery of a risk culture which is underpinned by our purpose.

Risk culture

The Group defines culture as the "unwritten rules" for how things work. It's the unique blend of shared values, beliefs, and behaviours that colleagues experience when at work. These inform and influence behaviours, actions and decision making. Risk culture is a view of the Group's culture through a risk lens, with a particular focus on the attitudes and behaviours of colleagues in relation to risk awareness, risk taking, risk management and controls that shape decisions on risks.

The Group is committed to maintaining a sound risk culture in which:

- Colleagues take personal responsibility for ensuring they are familiar with the Group's policies which describe the rules that everyone is expected to follow;
- The Group's senior leaders demonstrate the right 'tone from above' and leaders at all levels promote a positive attitude to risk and compliance and encourage others to do so;
- There is open and honest discussion and communication around risks and issues;
- Lessons are learnt when things do go wrong; and,
- Providing good customer outcomes is at the centre of our business, with a clear focus on supporting and empowering our customers to make good financial decisions.

Risk culture is monitored and assessed and findings are reported to the Board Risk Committee. This allows for focus on risk culture to be retained and provides an opportunity to address any identified areas of concern.

Risk appetite

Risk appetite is defined as the level and type of risk the Group is willing to assume within its risk capacity, to achieve its strategic objectives. It includes qualitative and quantitative limits which inform strategies, targets, policies, procedures and other controls that collectively ensure the Group remains within the Board's approved appetite.

The Chief Risk Officer (CRO) is responsible for setting metrics and thresholds within which the business must operate, taking into consideration risk developments, Group strategy and 1st line of defence input. Information on performance against relevant risk appetite metrics, breaches and trends is reported regularly to the Executive Risk Committee and the Board.

Risk policies

The Policy Management Framework (PMF) is in place to ensure that the material risks that the Group is exposed to are comprehensively addressed through effective policies, which outline clearly how specific risks need to be controlled. Effective policies provide colleagues with the guardrails within which they must operate, ensuring activities are undertaken within Board approved risk appetite.

Risk management and internal controls

The Board actively monitors the Group's risk management and internal control systems. A review of the effectiveness of those systems has been performed incorporating all material financial, operational and compliance controls, to highlight and address any material movement in the effectiveness of those controls since the last assessment. Overall, the control environment remains stable, with the system of internal controls being broadly effective in managing the key risks to the Group, and an appropriate level of monitoring and reporting to support effective decision making. Identification of any controls that require enhancing are escalated as required and adequate action plans are put in place where necessary. These actions support the on-going strengthening of the control environment in line with the Group's evolving risk profile.

Risk governance and oversight

The Board is committed to high standards of corporate governance and the Group has a well-defined and well-structured framework in place to support the aim of achieving long-term and sustainable growth. Included within the framework are a number of committees with a specific risk management focus, although all committees consider risk matters in accordance with the Group's ERMF as part of their wider remit. The Group's risk governance structure strengthens risk evaluation and management, while also positioning the Group to manage the changing regulatory environment in an efficient and effective manner. The following executive governance committees have been established under the authority of the CEO:

Committees	**Risk focus**
Executive Committee	The Executive Committee supports the CEO by setting the Strategic and Financial Plans for the Group, overseeing the plan execution, approving strategic messaging, material investments, and the People related strategy for the Group, overseeing culture, and setting the Group Purpose.
Executive Risk Committee	The Executive Risk Committee (ERC) supports the CEO in having responsibility to oversee the management of risk across the Group, taking a forward-looking perspective, anticipating changes in business conditions and promoting risk awareness culture within the Group. The committee is serves to provide leadership focus on key risk issues, including: setting the Group's risk appetite and ensuring the Group maintains an effective ERMF; assessing the principal and emerging risks facing the Group, including their management, controls and mitigation; reviewing and approving the annual risk assurance plan and monitoring progress against the plan; leading the development and embedding of a culture that supports risk awareness and the fair treatment of customers; and exercising oversight over the effectiveness of the Risk Management function (including Compliance).
The Executive Risk Committee is supported by the following committees:	
Non-Financial Risk Committee	The Non-Financial Risk Committee is responsible for: recommending the Group risk appetite thresholds to the Executive Risk Committee for the Group's non-financial risks; recommending non-financial risk policy statements and standards and elements of the risk and control self-assessment, control effectiveness statement, and risk management framework to the ERC; and overseeing non-financial risk performance thresholds.
Credit Risk Committee	The Credit Risk Committee (CRC) is responsible for recommending the Group Credit Risk policy statement and standards; approving the credit risk framework, decisioning strategies, changes to credit provisioning methodology and specific provisions; approving the Group credit commitments in line with the Delegated Commitment Authority (DCA) framework; and overseeing Group credit risk performance.
Model Governance Committee	The Model Governance Committee supports the Executive Risk Committee and endorses the Group model risk policy and rating systems, rating assignment, risk parameters, model materiality thresholds and independent validation; oversees the purpose, use and scalability of models, and the performance of rating systems, risk exposure and parameters; and reviews the Group internal ratings-based (IRB) self-assessment.

In addition, the ERC delegates authority to the Reward Risk Adjustment Committee for matters relating to risk adjustment of variable remuneration. Technical committees established under the CEO include the Purpose Council which oversees the embedding of purpose across the Group and the Disclosure Committee, which is responsible for compliance with disclosure obligations.

The Executive Committee is supported by three sub-committees: the Environment Committee, the Operating Committee and the Asset and Liability Committee (ALCO).

Risk report (continued)

Risk governance and oversight (continued)

Three lines of defence

Effective operation of a three lines of defence model is integral to the Group's approach to risk management and is based on the overriding principle that risk capability must be embedded within the first line of defence teams to be effective. This principle embodies the following concepts:

- risk management responsibilities are clearly understood and adhered to by all colleagues when carrying out their day-to-day activities;
- risk management decisions are made with proactive consideration of the potential risk and impact on customers;
- business areas must self-identify and report management issues, which are captured centrally, showing good levels of risk awareness, management remediation, and promoting a strong risk culture; and
- regular control assessments are undertaken to confirm the effectiveness of the control environment, based on control monitoring and testing, in relation to both the current and emerging and evolving risk profile.

Control is exercised through a clearly defined delegation of authority framework, with communication and escalation channels throughout the Group.

First line of defence

The first line of defence covers most roles across the Group and incorporates business units and associated support functions. The first line of defence is responsible for owning, identifying, mitigating and reporting internal and external risks and issues, with a focus on a strong, well-designed, tested and evidenced control environment.

Second line of defence

The second line of defence is independent to the first line and comprises of the Risk function. The second line of defence designs and owns the risk methodologies, risk appetite, policy and risk management frameworks, as well as providing oversight, challenge, assurance and advice, with appropriate escalation and reporting.

Third line of defence

The third line of defence is independent to the first and second lines and is made up of the Internal Audit function. The third line of defence provides independent assurance over the risk management, governance and internal control processes.

Stress testing

Stress testing is an important and widely recognised risk management tool, used to assess the vulnerability of financial institutions and identify risks under adverse economic scenarios. The Group uses stress testing in strategic, capital and liquidity planning, and to inform risk appetite, risk mitigation and contingency planning.

The Group undertakes stress testing using specific idiosyncratic scenarios and following the Basel Committee principles which utilise, where appropriate, scenarios provided by the Bank of England (BoE).

The Board and senior management are actively involved in the stress testing process, reviewing, challenging and approving all aspects of stress testing, from the consideration of scenarios to be tested, to the outcomes and mitigating actions. The involvement of the Board and senior management is considered essential for the effective operation of stress testing and the manner in which the results inform strategic planning and risk appetite. Reverse stress testing is also undertaken to assess the types of risk that would pose fundamental threats to the viability of the Group's business model.

Risk report (continued)
Credit risk

Outlook

The Group expects modest growth in the UK economy, with inflation expected to return to target in the years ahead. House prices are expected to grow steadily, whilst Bank rate is likely to be eased gradually. The outlook remains uncertain, given heightened geopolitical tensions, emerging policies of the UK Government and US trade policies.

The Group remains vigilant to the uncertainties within the geopolitical and economic landscape, assessing its impact on borrowers and the credit risks affecting our lending portfolios to ensure appropriate actions are taken to support our customers. To date, borrowers have remained resilient to affordability pressures and whilst arrears are expected to rise from their current levels, they are expected to remain relatively low.

Managing credit risk within our asset portfolios

Credit risk is the risk that a retail or business customer or counterparty fails to pay the interest or capital due on a loan, or other financial instrument. Credit risk needs to be managed through the life cycle of each loan from origination to repayment, redemption, write off or sale. Credit risk manifests itself in the products and financial instruments that the Group offers, and in which it invests, and can arise in respect of both on- and off-balance sheet exposures. Close monitoring, clear policies and a disciplined approach to credit risk management support the Group's operations and have underpinned its resilience.

Risk appetite

The Group controls its levels of credit risk by placing limits, via its risk appetite statement (RAS), on the amount of risk it is willing to take in order to achieve its strategic objectives. This approach involves a defined set of quantitative limits in relation to its credit risk concentrations to one borrower, or group of borrowers, and to product, industry and geographical segments. The management of credit risk within the Group is achieved through timely changes to application scorecards and credit strategies, ongoing approval and monitoring of individual transactions, regular asset quality reviews and the independent oversight of credit decisions and portfolios.

The Group maintained a controlled approach to portfolio management and appetite for new lending origination against an uncertain external environment, with updates to underwriting lending assessments to reflect the uncertain economic environment and interest rate pressures. The risk appetite continues to focus on tail risks and higher risk customer segments or concentrations to ensure mix and quality are appropriately managed through the life cycle.

Climate risk is a component of the ERMF and is included as a principal risk, further details can be found on page 85. Climate risk considerations are embedded across various aspects of customer lending and credit risk management practices.

Measurement

The Group uses a range of statistical models, supported by both internal and external data, to assess credit risk exposures. These models underpin the IRB capital calculation for the Residential mortgage and Business and commercial lending portfolios, and account management activity and acquisition assessments for all portfolios. Further information on the measurement and calculation of ECL and the Group's approach to the impairment of financial assets can be found on page 15.

As highlighted on page 7 of the Strategic report, the geopolitical environment and macroeconomic environment are emerging risks for the Group and include the future impact on macroeconomic variables, which are used in the calculation of the Group's modelled ECL output. Further detail on the Group's use of macroeconomic variables in the period can be found on pages 41 to 51.

Mitigation

The Group maintains a dynamic approach to credit management and takes appropriate steps if individual issues are identified, or if credit performance has, or is expected to, deteriorate due to borrower, economic or sector-specific weaknesses.

The mitigation of credit risk within the Group is achieved through approval and monitoring of automated credit strategies, individual transactions, asset quality, analysis of the performance of the various credit portfolios, and oversight of credit portfolios across the Group. Portfolio monitoring techniques include customer, product, industry, geographic concentrations, and delinquency trends, as well as considering layered risks where customers may have more than one higher risk characteristic. The Group has taken additional steps to update affordability assessments in response to the economic environment. Credit risk mitigation is also supported, in part, by obtaining collateral, and corporate and personal guarantees where appropriate across the business portfolio. The key mitigating measures are described below.

Credit assessment and mitigation

Credit risk is managed in accordance with lending policies, the Group's risk appetite and the ERMF. Lending policies and performance against risk appetite are reviewed regularly.

The Group uses a variety of lending criteria when assessing applications for Residential mortgage and Consumer lending customers. The approval process uses credit scorecards, credit strategies and affordability assessments, and involves a review of an applicant's previous credit history using information held by credit reference agencies as well as internal information.

Manual underwriting assessments are also used as and when required. The Group also utilises quantitative thresholds, for example debt to income ratios, as well as the ratio of borrowing to collateral. Some of these limits relate to internal approval levels and others are hard limits above which the Group will reject the application.

For mortgages lending, the Group's policy is to accept only within the maximum percentage LTV limit which in turn is subject to loan size and customer income requirements. Product availability may change depending on market conditions and outlook.

For business and commercial lending customers, credit risk is further mitigated by focusing on business sectors where the Group has specific expertise, and through limiting exposures on higher value loans and to certain sectors. When making credit decisions for business customers the Group will routinely assess the primary source of repayment, most typically the cash generated by the customer through its normal trading cycle. Secondary sources of repayment are also considered and while not the focus of the lending decision, collateral will be taken as appropriate. The Group seeks to obtain security cover and, where relevant, guarantees from borrowers.

Specialist expertise

Credit quality is managed and monitored by skilled teams including, where required, specialists that provide dedicated support for vulnerable customers experiencing financial or other types of difficulties. These specialists act within agreed delegated authority levels set in accordance with experience and capabilities.

Credit strategy and policy

Credit risks associated with lending are managed through the application of detailed lending policies and standards that outline the approach to lending, underwriting criteria, credit mandates, concentration limits and product terms. The Chief Credit Officer and Credit Risk Committee provide a policy framework that identifies, quantifies and mitigates credit risk. These policies and frameworks are delegated to, and disseminated under, the guidance and control of the Board and senior management, with appropriate oversight through governance committees. Specialist credit teams provide oversight of credit portfolio performance as well as adherence to credit risk policies and standards. Activities include targeted risk-based reviews, providing an assessment of the effectiveness of internal controls and risk management practices. Bespoke assignments are also undertaken in response to emerging risks and regulatory requirements. Independent assurance reviews are regularly undertaken by Internal Audit.

Portfolio oversight

The Group's credit portfolios, and the key benchmarks, behaviours and characteristics that are used to manage portfolios, are regularly monitored, with portfolio monitoring packs provided for review by senior management.

Controls over rating systems

The Group has a Model Risk Management team that sets common minimum standards for risk models and associated rating systems to ensure these are developed and monitored consistently, and are of sufficient quality to support business decisions and meet regulatory requirements. The Group performs an annual self-assessment of its rating systems to ensure ongoing Capital Requirements Regulation (CRR) compliance.

The Group also utilises other instruments and techniques across its wider balance sheet. These are summarised below:

Derivatives

The Group maintains control limits on net open derivative positions. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets where the fair value is positive) and in relation to derivatives, may only be a small fraction of the contract, or notional values associated with instruments outstanding. This credit risk is managed as part of the customer's overall exposure together with potential exposures from market movements.

Master netting agreements

The Group further restricts its exposure to credit losses by entering master netting arrangements with counterparties with whom it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, credit risk associated with the favourable contracts is reduced by a master netting arrangement to the extent that, if any counterparty failed to meet its obligations in accordance with the agreed terms, all amounts with the counterparty are terminated and settled on a net basis. Derivative financial instrument contracts are typically subject to the International Swaps and Derivatives Association (ISDA) master netting agreements, as well as Credit Support Annexes, where relevant, around collateral arrangements attached to those ISDA agreements. Derivative exchange or clearing counterparty agreements exist where contracts are settled via an exchange or clearing house.

Collateral

The Group evaluates each customer's creditworthiness on a case by case basis. The amount of collateral obtained, if deemed necessary by the Group upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held as security, and other credit enhancements include the following:

Residential mortgages

Residential property is the Group's main source of collateral on mortgage lending and means of mitigating loss in the event of the default risk inherent in its residential mortgage portfolios. All lending activities are supported by an appropriate form of valuation. This valuation is applied using either a physical valuation, or another method that is not reliant on a physical inspection, but utilises data and modelled information, such as desktop, automated valuation model or indexed valuations (subject to policy rules and requirements). It is the Group's policy to dispose of repossessed properties, with the proceeds used to reduce or repay the outstanding balance. The Group does not occupy repossessed properties for its own business use.

Commercial property

Commercial property is a source of collateral on Business and commercial lending and means of mitigating loss in the event of default. For commercial loans, collateral comprises first legal charges over freehold, or long leasehold property (including formal Companies House registration where appropriate). All commercial property collateral is subject to an independent, professional valuation when taken and thereafter subject to periodic review in accordance with policy requirements.

Non-property related collateral

In addition to residential and commercial property-based security, the Group also takes other forms of collateral when lending. This collateral can involve obtaining security against the underlying loan through the use of cash collateral and/or netting agreements, both of which reduce the original exposure by the amount of collateral held, subject to volatility and maturity adjustments where applicable. It can also include specific or interlocking guarantees, and loan agreements, which include affirmative and negative covenants and, in some instances, guarantees of counterparty obligations. The Group also provides asset-backed lending in the form of asset and invoice finance. Security for these exposures is held in the form of direct recourse to the underlying asset financed. Generally, the Group does not take possession of collateral it holds as security, or call on other credit enhancements, that would result in recognition of an asset on its balance sheet.

Monitoring

Credit policies and procedures, which are subject to ongoing review, are documented and disseminated in a form that supports the credit operations of the Group.

- *Credit Risk Committee:* has oversight of the quality, composition and concentrations of the credit risk portfolio. It also determines and approves credit risk strategies to adjust the portfolio performance for a number of factors, including changes in market conditions.
- *Risk appetite measures:* measures are reported monthly to ensure adherence to appetite. A formal annual review is carried out to ensure that the measures accurately reflect the Group's risk appetite, strategy and concerns relative to the wider macro environment. All measures are subject to agreement with the Executive Risk Committee, with Business Risk Appetite measures further approved by the Board.
- *Risk concentration:* concentration of risk is managed by counterparty, product, geographical region and industry sector. In addition, single name exposure limits exist to control exposures to a single counterparty. Concentrations are also considered through the risk appetite process, focusing particularly on the external environment, outlook and comparison against market benchmarks, as well as considering layered risks where customers may have more than one higher risk characteristic.
- *Single large exposure excesses:* excesses on exposures under the delegated commitment authority of the Transactional Credit Committee are reported to the Committee when above defined limits. All excess reports include a proposed route to remediation. Exposures are also managed in accordance with the large exposure reporting requirements of the CRR.
- *Portfolio monitoring:* continuous monitoring of the portfolio composition and performance is undertaken through monthly reviews.

Forbearance

Forbearance is considered to exist where customers are experiencing, or about to experience, financial difficulty and the Group grants a concession on a non-commercial basis. The Group's forbearance policies and definitions comply with the guidance established by the European Banking Authority for financial reporting. Forbearance concessions include the granting of more favourable terms and conditions than those provided at drawdown of the facility, or conditions that would not ordinarily be available to other customers with a similar risk profile. Forbearance parameters are regularly reviewed and refined as necessary to ensure they are consistent with the latest industry guidance and prevailing practice, as well as ensuring that any assessment adequately captures and reflects the most recent customer behaviours and market conditions.

Measuring credit risk within asset portfolios

At each reporting date, the Group assesses financial assets measured at amortised cost, as well as loan commitments and financial guarantees, for impairment. The impairment loss allowance is calculated using an ECL methodology and reflects: (i) an unbiased and probability weighted amount; (ii) the time value of money, which discounts the impairment loss; and (iii) reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group adopts two approaches in the measurement of credit risk: (i) modelled assessed – where the Group uses a combination of strategies and statistical models that utilise internal and external data to measure the exposure to credit risk within the portfolios (supplemented by management adjustments (MAs) where necessary); and (ii) individually assessed – where a charge is taken to the income statement when an individually assessed provision (IA) has been recognised, or a direct write-off has been applied to an asset balance.

ECL methodology

ECL methodology is based upon the combination of probability of default (PD), loss given default (LGD) and exposure at default (EAD) estimates that consider a range of factors that impact on credit risk and the level of impairment loss provisioning. The Group uses reasonable and supportable forecasts of future economic conditions in estimating the ECL allowance. The methodology and assumptions used in the ECL calculation are reviewed regularly and updated as necessary.

The calculated model ECL is determined using the following classifications:

Stage	ECL assessment period	Description
1	12-month	An exposure that is not credit-impaired on initial recognition and has not experienced a significant increase in credit risk (SICR) since initial recognition.
2	Lifetime	An exposure that has experienced a SICR since initial recognition but is not yet deemed to be credit impaired.
3	Lifetime	An exposure that is credit impaired.

A Stage 2 ECL is required where a SICR has been identified, such as a deterioration in the PD since origination. Absent any specific SICR factors, the Group operates a 30 DPD backstop for classification as Stage 2, and 90 DPD for Stage 3. Forborne exposures can be classed as either Stage 2 or Stage 3 depending on the type of forbearance programme that has been applied to the customer.

Individually assessed (IA) provisions are classed as Stage 3. When a loan is deemed uncollectable, and all necessary internal procedures have been completed, it is written off against the related impairment loss. Subsequent recoveries of amounts previously written off reduce the expense in the income statement.

Purchased or originated credit-impaired (POCI) financial assets are those that are assessed as being credit-impaired upon initial recognition, and once classified as POCI, remain in Stage 3 until derecognition irrespective of any change in credit quality. The Group regards the date of acquisition as the origination date for purchased portfolios.

SICR criteria and triggers are parameters subject to the same governance pathway as the Group’s IFRS 9 models; with changes to triggers initially submitted to and endorsed by the Credit Model Technical Forum and formal approval provided by the Model Governance Committee. The Provisions Adequacy Committee (PAC) considers provision adequacy, approves the addition and removal of MAs and provides oversight on the adequacy of ECL provisioning. The Audit Committee provides oversight to the ECL calculation and measurement, with reviews and robust challenge of all calculated outcomes and management judgements. This includes the rationale behind the inclusion of MAs.

Following the acquisition by NBS, these committees were crucial in the harmonisation of the Groups IFRS 9 provision approach, with that of NBS. The harmonisation activity consisted of the following key components:

- Changes to the source of macroeconomic assumptions and selection of scenario weightings within the multiple economic scenarios (‘MES’) used in the calculation of ECL under IFRS 9;
- Aligning the severe downside scenario to stressed ECL outcomes;
- Aligning, where appropriate, judgmental Management Adjustments (‘MA’s) and;
- The assessment of the behavioural lifetime of revolving credit cards.

Further detail on the accounting policy applied to ECLs can be found in note 3.1.1 to the financial statements.

Risk report (continued)
Credit risk (continued)

Accounting and regulatory credit loss frameworks

The approach to calculating credit losses differs between the accounting and regulatory frameworks applicable to the Group, with the most significant difference being that the concept of SICR, which moves exposures from a 12-month to a lifetime ECL calculation in the accounting framework, does not exist under the regulatory framework. The approach to staging under IFRS 9 is also not applicable under regulatory credit loss reporting. Both frameworks calculate credit losses under a PD x LGD x EAD approach, with the regulatory IRB approach assessing these in the next 12 months, whereas the accounting framework under IFRS 9 requires these losses to be assessed on a forward-looking view, with a lifetime loss calculated where appropriate. Credit losses are supplemented by MAs, where required, under the accounting framework. Both the accounting and regulatory definitions of default are materially aligned, with default being triggered at 90 DPD, with the exception of the heritage Virgin Money mortgage models, that apply a 180 DPD regulatory default trigger under existing approved permissions. The definition of default will be fully aligned to 90 DPD when the regulatory models are updated in line with the hybrid model adoption.

Cure periods

The Group aligns the regulatory cure periods for forborne exposures in its IFRS 9 staging criteria (as Stage 2 or 3) at a minimum period of either 24, or 36 months, depending on the forbearance programme utilised. Where exposures are classified as Stage 2 or 3 as a result of not being in a forbearance programme, these can as a general rule cure and transfer to the appropriate stage when the relevant staging trigger is no longer applicable (i.e., there is no identifiable SICR or the exposure is no longer considered credit-impaired) although this treatment can vary by portfolio (for example defaulted Cards remain in Stage 3 until derecognition).

Group credit risk exposures

The Group is exposed to credit risk across all of its financial asset classes, however, its principal exposure to credit risk arises on customer lending balances. Given the relative significance of customer lending exposures to the Group's overall credit risk position, the disclosures that follow are focused principally on customer lending.

The Group is also exposed to credit risk on its other banking and treasury-related activities, and holds £10.9bn (30 September 2023: £11.3bn) of cash and balances with central banks and £0.4bn (30 September 2023: £0.7bn) due from other banks and similar institutions at amortised cost, with a further £6.2bn (30 September 2023: £6.2bn) of financial assets at fair value through other comprehensive income (FVOCI). Cash and balances with central banks includes £9.9bn of cash held with the BoE (30 September 2023: £10.2bn). Balances with other banks and similar institutions and financial assets at FVOCI are primarily held with senior investment grade counterparties. All other banking and treasury-related financial assets are classed as Stage 1 with no material ECL provision held.

Maximum exposure to credit risk on financial assets, contingent liabilities and credit-related commitments (audited)

31 March 2025	Gross balances £m	Impairment provisions[1] £m	Carrying value £m	Credit-related commitments £m	Maximum credit risk exposure £m	% of total credit risk exposure %
Residential mortgages	**55,647**	**(61)**	**55,586**	**2,589**	**58,175**	**54%**
Consumer lending	**6,656**	**(519)**	**6,137**	**12,234**	**18,371**	**17%**
Business and commercial lending	**9,504**	**(159)**	**9,345**	**4,280**	**13,625**	**13%**
Maximum credit risk exposure on lending assets	**71,807**	**(739)**	**71,068**	**19,103**	**90,171**	**84%**
Cash and balances with central banks					**10,882**	**10%**
Financial instruments at FVOCI					**6,197**	**6%**
Due from other banks and similar institutions					**364**	**-**
Other financial assets at fair value					**48**	**-**
Derivative financial assets					**48**	**-**
Due from related parties					**3**	**-**
Fair value hedge adjustment					**(116)**	**-**
Maximum credit risk exposure on all financial assets [2]					**107,597**	**100%**
30 September 2023 (Restated)[3]						
Residential mortgages	57,618	(57)	57,561	2,685	60,246	55%
Consumer lending	6,555	(429)	6,126	11,242	17,368	16%
Business and commercial lending	8,684	(131)	8,553	4,073	12,626	12%
Maximum credit risk exposure on lending assets	72,857	(617)	72,240	18,000	90,240	83%
Cash and balances with central banks					11,282	10%
Financial instruments at FVOCI					6,184	6%
Due from other banks and similar institutions					675	1%
Other financial assets at fair value					61	-
Derivative financial assets					135	-
Due from related parties					-	-
Fair value hedge adjustment					(492)	-
Maximum credit risk exposure on all financial assets[2]					108,085	100%

(1) The total ECL provision covers both on and off-balance sheet exposures, which are reflected in notes 3.1.1.1 and 3.7 respectively. All tables and ratios that follow are calculated using the combined on- and off-balance sheet ECL, which is consistent for all periods reported. Off-balance sheet exposures include financial guarantees and other credit commitments.

(2) Unless otherwise noted, the amount that best represents the maximum credit exposure at the reporting date is the carrying value of the financial asset.

(3) The prior year balances have been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

Risk report (continued)
Credit risk (continued)

In addition to the balance sheet position on the previous page, key metrics of relevance are as follows:

Key credit metrics (audited)

	18 months to 31 Mar 2025 £m	12 months to 30 Sep 2023[(2)] £m
Impairment charge on credit exposures		
Residential mortgages	**8**	2
Consumer lending	**350**	269
Business and commercial lending	**71**	38
Total Group impairment charge	**429**	309
Impairment charge[(1)] to average customer loans (cost of risk (CoR))	**0.40%**	0.42%
Key asset quality ratios		
Loans in Stage 2	**11.63%**	8.77%
Loans in Stage 3	**1.89%**	1.50%
Total book coverage	**1.03%**	0.85%
Stage 2 coverage	**4.87%**	6.25%
Stage 3 coverage	**15.62%**	11.77%

(1) Inclusive of gains/losses on assets held at fair value and elements of fraud loss.

(2) The prior year balances have been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

The total gross lending to customers reduced by £1.1bn to £71.8bn at 31 March 2025 (30 September 2023 restated: £72.9bn). The total lending in the Residential mortgage portfolio reduced to £55.6bn at 31 March 2025 (30 September 2023 restated: £57.6bn) with the demand for new lending reduced due to the higher rate environment, stressed affordability pressure and wider cost of living considerations, although conditions have improved over the most recent period. The Business and commercial lending portfolio has grown to £9.5bn at 31 March 2025 (30 September 2023: £8.7bn) with broad based growth across the sector specialisms in our target market segments. The Consumer lending book has remained relatively stable at £6.7bn at 31 March 2025 (30 September 2023 restated: £6.6bn), with new business growth in the credit card portfolio partially offset by reductions in Personal Loan and Current account borrowing.

The performance of the portfolio and overall asset quality remains robust and the proportion of the Stage 2 portfolio not past due, remains high at 95% at 31 March 2025 (30 September 2023: 94%). The Group remains focused on reaching good customer outcomes with the Group's risk appetite and continued focus on responsible lending.

The Group has a total impairment provision of £739m at 31 March 2025, reflecting a 20% increase from £617m at 30 September 2023, and a corresponding increase in coverage to 103bps from 85bps. This increase has primarily been driven by the harmonisation of the IFRS 9 methodology and calculations following the Nationwide acquisition, rather than any wider credit deterioration within the lending portfolios.

Significant external economic and geopolitical factors continues to have the potential to impact the short to medium-term performance of the portfolio.

Within the total provision held, the modelled and IA provision has increased to £661m (30 September 2023: £541m) driven by the harmonisation. The selection of appropriate MAs is a major component in determining the Group's ECL. The MAs have remained broadly stable at £78m (30 September 2023: £76m) although the composition has changed due to the alignment with Nationwide. Further detail on MAs can be found on page 48.

The increase in the impairment provision coupled with the individually assessed impairment charge of £370m in the period (30 September 2023: £142m) results in a net charge to the income statement of £429m (12 months to 30 September 2023: £309m) and an associated cost of risk of 40bps (12 months to 30 September 2023: 42bps).

Gross loans and advances[1] ECL and coverage (audited)

	Residential mortgages		Consumer lending: Credit cards		Consumer lending: Loans and overdrafts		Consumer lending: Combined		Business and commercial lending		Total	
31 March 2025	**£m**	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
Stage 1	49,793	89.5%	4,724	76.7%	260	52.6%	4,984	74.9%	7,311	77.0%	62,088	86.5%
Stage 2 - total	5,292	9.5%	1,301	21.1%	16	3.2%	1,317	19.8%	1,741	18.3%	8,350	11.6%
Stage 2: 0 DPD	4,968	8.9%	1,244	20.1%	14	2.7%	1,258	18.9%	1,722	18.1%	7,948	11.1%
Stage 2: <30 DPD	129	0.2%	28	0.5%	1	0.2%	29	0.4%	9	0.1%	167	0.2%
Stage 2: >30 DPD	195	0.4%	29	0.5%	1	0.3%	30	0.5%	10	0.1%	235	0.3%
Stage 3[3]	562	1.0%	137	2.2%	218	44.2%	355	5.3%	452	4.7%	1,369	1.9%
	55,647	100.0%	6,162	100.0%	494	100.0%	6,656	100.0%	9,504	100.0%	71,807	100.0%
ECLs[4]												
Stage 1	10	16.7%	72	15.5%	4	6.6%	76	14.5%	33	21.0%	119	16.1%
Stage 2 - total	26	42.5%	323	69.6%	2	4.4%	325	62.7%	55	34.6%	406	55.0%
Stage 2: 0 DPD	17	29.0%	290	62.7%	1	2.0%	291	56.2%	55	34.6%	363	49.4%
Stage 2: <30 DPD	3	4.1%	14	2.9%	-	0.8%	14	2.7%	-	-	17	2.2%
Stage 2: >30 DPD	6	9.4%	19	4.0%	1	1.6%	20	3.8%	-	-	26	3.4%
Stage 3[3]	25	40.8%	69	14.9%	49	89.0%	118	22.8%	71	44.4%	214	28.9%
	61	100.0%	464	100.0%	55	100.0%	519	100.0%	159	100.0%	739	100.0%
Coverage												
Stage 1		0.02%		1.52%		1.42%		1.52%		0.46%		0.19%
Stage 2 - total		0.49%		24.83%		15.37%		24.72%		3.16%		4.87%
Stage 2: 0 DPD		0.36%		23.38%		8.49%		23.22%		3.19%		4.59%
Stage 2: <30 DPD		1.95%		49.10%		37.88%		48.67%		0.49%		9.99%
Stage 2: >30 DPD		2.94%		63.44%		59.71%		63.26%		0.36%		10.66%
Stage 3[3]		4.42%		50.46%		22.59%		33.32%		15.65%		15.72%
		0.11%		7.53%		11.21%		7.80%		1.67%		1.03%
Undrawn exposures												
Stage 1	2,463	95.1%	11,661	97.7%	265	86.9%	11,926	97.5%	3,581	83.7%	17,970	94.1%
Stage 2	113	4.4%	259	2.2%	-	-	259	2.1%	662	15.4%	1,034	5.4%
Stage 3[3]	13	0.5%	9	0.1%	40	13.1%	49	0.4%	37	0.9%	99	0.5%
	2,589	100.0%	11,929	100.%	305	100.0%	12,234	100.0%	4,280	100.0%	19,103	100.0%

Gross loans and advances[1] ECL and coverage (audited) (continued)

30 September 2023 (restated)[2]	Residential mortgages		Consumer lending: Credit cards		Consumer lending: Loans and overdrafts		Consumer lending: Combined		Business and commercial lending		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
Stage 1	54,295	94.2%	4,459	76.5%	390	53.8%	4,849	74.0%	6,235	71.8%	65,379	89.7%
Stage 2 - total	2,766	4.8%	1,266	21.7%	329	45.3%	1,595	24.3%	2,027	23.3%	6,388	8.8%
Stage 2: 0 DPD	2,461	4.2%	1,199	20.5%	324	44.6%	1,523	23.2%	1,997	22.9%	5,981	8.3%
Stage 2: <30 DPD	102	0.2%	35	0.6%	2	0.3%	37	0.6%	14	0.2%	153	0.2%
Stage 2: >30 DPD	203	0.4%	32	0.6%	3	0.4%	35	0.5%	16	0.2%	254	0.3%
Stage 3[3]	557	1.0%	104	1.8%	7	0.9%	111	1.7%	422	4.9%	1,090	1.5%
	57,618	100%	5,829	100%	726	100%	6,555	100%	8,684	100%	72,857	100%
ECLs[4]												
Stage 1	13	22.6%	42	10.8%	4	12.1%	46	10.9%	30	22.6%	89	14.5%
Stage 2 - total	27	47.9%	294	74.9%	28	73.5%	322	74.8%	51	39.4%	400	64.7%
Stage 2: 0 DPD	23	42.0%	256	65.3%	25	67.1%	281	65.5%	51	39.2%	355	57.6%
Stage 2: <30 DPD	1	1.3%	17	4.3%	1	1.9%	18	4.1%	-	0.2%	19	3.0%
Stage 2: >30 DPD	3	4.6%	21	5.3%	2	4.5%	23	5.2%	-	-	26	4.1%
Stage 3[3]	17	29.5%	56	14.3%	5	14.4%	61	14.3%	50	38.0%	128	20.8%
	57	100%	392	100%	37	100%	429	100%	131	100%	617	100%
Coverage												
Stage 1		0.02%		0.95%		1.13%		0.96%		0.47%		0.14%
Stage 2 - total		0.99%		23.16%		8.16%		20.07%		2.55%		6.25%
Stage 2: 0 DPD		0.98%		21.31%		7.56%		18.38%		2.58%		5.95%
Stage 2: <30 DPD		0.74%		48.66%		35.30%		47.94%		1.42%		12.09%
Stage 2: >30 DPD		1.28%		64.90%		56.02%		64.16%		0.21%		9.88%
Stage 3[3]		3.03%		54.15%		77.16%		55.57%		11.83%		11.77%
		0.10%		6.72%		5.03%		6.53%		1.51%		0.85%
Undrawn exposures												
Stage 1	2,560	95.4%	10,493	96.2%	280	82.1%	10,773	95.8%	3,453	84.7%	16,786	93.3%
Stage 2	114	4.2%	387	3.6%	60	17.6%	447	4.0%	597	14.7%	1,158	6.4%
Stage 3	11	0.4%	21	0.2%	1	0.3%	22	0.2%	23	0.6%	56	0.3%
	2,685	100%	10,901	100%	341	100%	11,242	100%	4,073	100%	18,000	100%

(1) Excludes loans designated at fair value through profit or loss (FVTPL), balances due from customers on acceptances, accrued interest and deferred and unamortised fee income.

(2) The prior year balances have been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details. In addition to the restatements set out in note 1.7, the apportionment of balances such as accrued interest and deferred and unamortised fee income between stages has been aligned to Nationwide. This has not impacted the total gross loans and advances balance shown within the table above.

(3) Stage 3 includes POCI for gross loans and advances of £34m for Residential mortgages and £1m for Consumer lending (30 September 2023: £48m and £1m respectively); and ECL of £Nil for Residential mortgages and (£1m) for Consumer lending (30 September 2023: (£1m) and (£1m) respectively).

(4) Includes £4m ECL held for off-balance sheet exposures (30 September 2023: £5m), of which £1m (30 September 2023: £1m) is held under Stage 1, £2m (30 September 2023: £4m) under Stage 2 and £1m held under Stage 3 (30 September 2023: £Nil).

Stage 2 balances (audited)

There can be a number of reasons that require a financial asset to be subject to a Stage 2 lifetime ECL calculation other than reaching the 30 DPD backstop. The following table highlights the relevant trigger point leading to a financial asset being classed as Stage 2:

31 March 2025	**Residential mortgages**		**Consumer lending: Credit cards**		**Consumer lending: Loans and overdrafts**		**Consumer lending: Combined**		**Business and commercial lending**		**Total**	
	£m	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
PD deterioration	**4,202**	**79%**	**905**	**70%**	**15**	**94%**	**920**	**70%**	**842**	**48%**	**5,964**	**71%**
Forbearance	**113**	**2%**	**17**	**1%**	**-**	**-**	**17**	**1%**	**280**	**16%**	**410**	**5%**
AFD or Watch List [(1)]	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**609**	**35%**	**610**	**7%**
> 30 DPD	**195**	**4%**	**29**	**2%**	**1**	**6%**	**30**	**2%**	**10**	**1%**	**235**	**3%**
Other [(2)]	**781**	**15%**	**350**	**27%**	**-**	**-**	**350**	**27%**	**-**	**-**	**1,131**	**14%**
	5,292	**100%**	**1,301**	**100%**	**16**	**100%**	**1,317**	**100%**	**1,741**	**100%**	**8,350**	**100%**
ECLs												
PD deterioration	**14**	**54%**	**213**	**66%**	**1**	**50%**	**214**	**66%**	**21**	**38%**	**249**	**62%**
Forbearance	**2**	**8%**	**6**	**2%**	**-**	**-**	**6**	**2%**	**12**	**22%**	**20**	**5%**
AFD or Watch List [(1)]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**22**	**40%**	**22**	**5%**
> 30 DPD	**6**	**23%**	**19**	**6%**	**1**	**50%**	**20**	**6%**	**-**	**-**	**26**	**6%**
Other [(2)]	**4**	**15%**	**85**	**26%**	**-**	**-**	**85**	**26%**	**-**	**-**	**89**	**22%**
	26	**100%**	**323**	**100%**	**2**	**100%**	**325**	**100%**	**55**	**100%**	**406**	**100%**

30 September 2023 (Restated)[(3)]	Residential mortgages		Consumer lending: Credit cards		Consumer lending: Loans and overdrafts		Consumer lending: Combined		Business and commercial lending		**Total**	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
PD deterioration	1,780	65%	746	59%	325	99%	1,071	67%	1,258	62%	4,109	65%
Forbearance	83	3%	15	1%	1	-	16	1%	287	14%	386	6%
AFD or Watch List [(1)]	1	-	-	-	-	-	-	-	466	23%	467	7%
> 30 DPD	203	7%	32	3%	3	1%	35	2%	16	1%	254	4%
Other [(2)]	699	25%	473	37%	-	-	473	30%	-	-	1,172	18%
	2,766	100%	1,266	100%	329	100%	1,595	100%	2,027	100%	6,388	100%
ECLs												
PD deterioration	18	67%	143	49%	26	93%	169	52%	23	45%	210	52%
Forbearance	3	11%	5	2%	-	-	5	2%	14	28%	22	6%
AFD or Watch List [(1)]	-	-	-	-	-	-	-	-	14	27%	14	4%
> 30 DPD	3	11%	21	7%	2	7%	23	7%	-	-	26	7%
Other [(2)]	3	11%	125	42%	-	-	125	39%	-	-	128	31%
	27	100%	294	100%	28	100%	322	100%	51	100%	400	100%

(1) Approaching Financial Difficulty (AFD) and Watch markers are early warning indicators of Business customers who may be approaching financial difficulties. If these indicators are not reversed, they may lead to a requirement for more proactive management by the Group.
(2) Other refers primarily to rules using additional credit reference agency data as well as a number of smaller value drivers.
(3) The prior year balances have been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

Risk report (continued)
Credit risk (continued)

Credit risk exposure and ECL, by internal PD rating, by IFRS 9 stage allocation (audited)

The distribution of the Group's credit exposures and ECL by internal PD rating is analysed below:

31 March 2025		Stage 1 Lending £m	Stage 1 ECL £m	Stage 2 Lending £m	Stage 2 ECL £m	Stage 3[2] Lending £m	Stage 3[2] ECL £m	Total Lending £m	Total ECL £m
PD range %									
Residential mortgages									
Strong	0.00 to < 0.15	**36,621**	**1**	**1,710**	**-**	**-**	**-**	**38,331**	**1**
	0.15 to < 0.25	**7,312**	**2**	**370**	**1**	**-**	**-**	**7,682**	**3**
	0.25 to < 0.50	**4,182**	**2**	**1,034**	**2**	**-**	**-**	**5,216**	**4**
	0.50 to < 0.75	**640**	**1**	**544**	**2**	**-**	**-**	**1,184**	**3**
Good	0.75 to < 2.50	**907**	**2**	**706**	**4**	**-**	**-**	**1,613**	**6**
Satisfactory	2.50 to <10.0	**99**	**1**	**495**	**7**	**-**	**-**	**594**	**8**
	10.0 to < 100	**32**	**1**	**433**	**10**	**-**	**-**	**465**	**11**
Default	100	**-**	**-**	**-**	**-**	**562**	**25**	**562**	**25**
Total		**49,793**	**10**	**5,292**	**26**	**562**	**25**	**55,647**	**61**
Consumer lending									
Strong	0.00 to < 0.15	**221**	**1**	**-**	**-**	**-**	**-**	**221**	**1**
	0.15 to < 0.25	**143**	**1**	**-**	**-**	**-**	**-**	**143**	**1**
Good	0.25 to < 0.50	**677**	**5**	**3**	**-**	**-**	**-**	**680**	**5**
	0.50 to < 0.75	**695**	**6**	**11**	**1**	**-**	**-**	**706**	**7**
	0.75 to < 2.50	**2,354**	**34**	**91**	**8**	**-**	**-**	**2,445**	**42**
	2.50 to <10.0	**890**	**28**	**737**	**135**	**-**	**-**	**1,627**	**163**
Satisfactory	10.0 to < 100	**4**	**1**	**475**	**181**	**-**	**-**	**479**	**182**
Default	100	**-**	**-**	**-**	**-**	**355**	**118**	**355**	**118**
Total		**4,984**	**76**	**1,317**	**325**	**355**	**118**	**6,656**	**519**
Business and commercial lending									
Strong	0.00 to < 0.15	**482**	**1**	**22**	**-**	**-**	**-**	**504**	**1**
	0.15 to < 0.25	**602**	**-**	**7**	**-**	**-**	**-**	**609**	**-**
	0.25 to < 0.50	**822**	**1**	**61**	**-**	**-**	**-**	**883**	**1**
Good	0.50 to < 0.75	**438**	**1**	**126**	**-**	**-**	**-**	**564**	**1**
	0.75 to < 2.50	**3,190**	**10**	**556**	**8**	**-**	**-**	**3,746**	**18**
	2.50 to <10.0	**1,772**	**20**	**820**	**32**	**-**	**-**	**2,592**	**52**
Satisfactory	10.0 to < 100	**5**	**-**	**149**	**15**	**-**	**-**	**154**	**15**
Default	100	**-**	**-**	**-**	**-**	**452**	**71**	**452**	**71**
Total		**7,311**	**33**	**1,741**	**55**	**452**	**71**	**9,504**	**159**

Risk report (continued)
Credit risk (continued)

30 September 2023 (Restated)(1)		Stage 1 Lending £m	Stage 1 ECL £m	Stage 2 Lending £m	Stage 2 ECL £m	Stage 3(2) Lending £m	Stage 3(2) ECL £m	Total Lending £m	Total ECL £m
Residential mortgages	PD range %								
Strong	0.00 to < 0.15	36,393	3	390	-	-	-	36,783	3
	0.15 to < 0.25	5,834	1	172	-	-	-	6,006	1
	0.25 to < 0.50	7,656	2	440	1	-	-	8,096	3
Good	0.50 to < 0.75	2,493	2	383	1	-	-	2,876	3
	0.75 to < 2.50	1,533	2	567	3	-	-	2,100	5
Satisfactory	2.50 to < 10.00	353	2	403	14	-	-	756	16
	10.00 to < 100	33	1	411	8	-	-	444	9
Default	100	-	-	-	-	557	17	557	17
Total		54,295	13	2,766	27	557	17	57,618	57
Consumer lending									
Strong	0.00 to < 0.15	232	1	-	-	-	-	232	1
	0.15 to < 0.25	377	1	1	-	-	-	378	1
Good	0.25 to < 0.50	1,120	5	7	1	-	-	1,127	6
	0.50 to < 0.75	920	5	12	1	-	-	932	6
	0.75 to < 2.50	1,612	17	100	10	-	-	1,712	27
Satisfactory	2.50 to < 10.00	582	16	1,032	148	-	-	1,614	164
	10.00 to < 100	6	1	443	162	-	-	449	163
Default	100	-	-	-	-	111	61	111	61
Total		4,849	46	1,595	322	111	61	6,555	429
Business and commercial lending									
Strong	0.00 to < 0.15	1,052	-	49	-	-	-	1,101	-
	0.15 to < 0.25	94	-	17	-	-	-	111	-
	0.25 to < 0.50	432	1	40	-	-	-	472	1
Good	0.50 to < 0.75	266	1	54	-	-	-	320	1
	0.75 to < 2.50	1,569	5	301	3	-	-	1,870	8
	2.50 to < 10.00	2,750	22	1,175	27	-	-	3,925	49
Satisfactory	10.00 to < 100	72	1	391	21	-	-	463	22
Default	100	-	-	-	-	422	50	422	50
Total		6,235	30	2,027	51	422	50	8,684	131

(1) The prior year balances have been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details. In addition to the restatements set out in note 1.7, the apportionment of balances such as accrued interest and deferred and unamortised fee income between stages has been aligned to Nationwide. This has not impacted the total gross loans and advances balance shown within the table above.
(2) Stage 3 includes POCI for gross lending of £34m for Residential mortgages and £1m for Consumer lending (30 September 2023: £48m and £1m respectively); and ECL of £Nil for Residential mortgages and (£1m) for Consumer lending (30 September 2023: (£1m) and (£1m) respectively).

In terms of the credit quality of the loan commitments and financial guarantee contracts, at least 97% classified as either 'Good' or 'Strong' under the Group's internal PD rating scale (30 September 2023 (restated): 97%) and the level of default remaining low.

IFRS 9 staging (audited)[1]

The following table shows the changes in the loss allowance and gross carrying value of the portfolios. Values are calculated using the individual customer account balances, and the stage allocation is taken as at the end of each month. The monthly position of each account is aggregated to report a net closing position for the period, thereby incorporating all movements an account has made during the 18 month period.

	Stage 1		Stage 2		Stage 3[2]		Total		
	Gross loans	ECL	Gross loans	ECL	Gross loans	ECL	gross loans	Total provisions	Income statement
18 months to 31 March 2025	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Restated opening balance at 1 October 2023[3]	**65,379**	**89**	**6,388**	**400**	**1,090**	**128**	**72,857**	**617**	
Transfers from Stage 1 to Stage 2	**(4,870)**	**(11)**	**4,870**	**11**	**-**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**1,433**	**112**	**(1,433)**	**(112)**	**-**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(258)**	**(2)**	**(265)**	**(26)**	**523**	**28**	**-**	**-**	**-**
Transfers from Stage 3	**59**	**1**	**84**	**4**	**(143)**	**(5)**	**-**	**-**	**-**
Net remeasurement of ECL arising from transfer of stage	**-**	**(97)**	**-**	**177**	**-**	**34**	**-**	**114**	**114**
Net movement	**(3,636)**	**3**	**3,256**	**54**	**380**	**57**	**-**	**114**	**114**
New assets originated or purchased[4]	**17,013**	**50**	**1,045**	**81**	**342**	**24**	**18,400**	**155**	**155**
Net impact of further lending, payments and other movements	**(4,001)**	**(7)**	**(458)**	**(16)**	**333**	**9**	**(4,126)**	**(14)**	**(14)**
Changes in risk parameters in relation to credit quality	**-**	**8**	**-**	**8**	**-**	**3**	**-**	**19**	**19**
Redemptions	**(12,667)**	**(24)**	**(1,881)**	**(121)**	**(385)**	**(70)**	**(14,933)**	**(215)**	**(215)**
Write-offs	**-**	**-**	**-**	**-**	**(391)**	**(391)**	**(391)**	**(391)**	**-**
Cash recoveries	**-**	**-**	**-**	**-**	**-**	**84**	**-**	**84**	**-**
Individually assessed impairment charge	**-**	**-**	**-**	**-**	**-**	**370**	**-**	**370**	**370**
Closing balance at 31 March 2025	**62,088**	**119**	**8,350**	**406**	**1,369**	**214**	**71,807**	**739**	**429**

IFRS 9 staging (audited)[1]

12 months to 30 September 2023 (restated)	Stage 1 Gross loans £m	Stage 1 ECL £m	Stage 2 Gross loans £m	Stage 2 ECL £m	Stage 3[2] Gross loans £m	Stage 3[2] ECL £m	Total gross loans £m	Total provisions £m	Income statement £m
Opening balance at 1 October 2022	66,385	85	5,723	268	1,036	104	73,144	457	
Adjustment following change in accounting policy[3]	(456)	-	-	-	-	-	(456)	-	
Impact of other Nationwide presentational adjustments[3]	(80)	-	73	-	7	-	-	-	
Restated opening balance at 1 October 2022	65,849	85	5,796	268	1,043	104	72,688	457	
Transfers from Stage 1 to Stage 2	(2,882)	(15)	2,882	15	-	-	-	-	-
Transfers from Stage 2 to Stage 1	1,685	56	(1,685)	(56)	-	-	-	-	-
Transfers to Stage 3	(210)	(1)	(198)	(18)	408	19	-	-	-
Transfers from Stage 3	97	1	71	2	(168)	(3)	-	-	-
Net remeasurement of ECL arising from transfer of stage	-	(37)	-	187	-	20	-	170	170
Net movement	(1,310)	4	1,070	130	240	36	-	170	170
New assets originated or purchased[4]	14,015	33	637	58	77	18	14,729	109	109
Adjustment following change in accounting policy[3]	18	-	-	-	-	-	18	-	-
Net impact of further lending, payments and other movements	(2,406)	(17)	(202)	(9)	173	19	(2,435)	(7)	(7)
Changes in risk parameters in relation to credit quality	-	(3)	-	8	-	1	-	6	6
Redemptions	(10,787)	(13)	(913)	(55)	(256)	(43)	(11,956)	(111)	(111)
Write-offs	-	-	-	-	(187)	(187)	(187)	(187)	-
Cash recoveries	-	-	-	-	-	38	-	38	-
Individually assessed impairment charge	-	-	-	-	-	142	-	142	142
Closing balance at 30 September 2023 (restated)	65,379	89	6,388	400	1,090	128	72,857	617	309

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

(2) Stage 3 includes POCI for gross loans and advances of £34m for residential mortgages and £1m for Consumer lending (30 September 2023: £48m and £1m respectively), and ECL of £Nil for residential mortgages and (£1m) for Consumer lending (30 September 2023: (£1m) and (£1m) respectively). Nil for commercial lending in both periods.

(3) The prior year balances have been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details. In addition to the restatements set out in note 1.7, the apportionment of balances such as accrued interest and deferred and unamortised fee income between stages has been aligned to Nationwide. This has not impacted the total gross loans and advances balance shown within the table above.

(4) Includes assets where the term has ended, and a new facility has been provided.

The IFRS 9 staging movements are driven by a variety of factors at individual product portfolio levels, with further detail provided in the following portfolio performance pages. Overall portfolio activity remains in line with expectations, with the net movements across staging primarily affected by MES and the harmonisation of the IFRS calculator rather than underlying customer movement.

The contractual amount outstanding on loans and advances that were written off during the reporting period and are still subject to enforcement activity was £15.5m (30 September 2023: £5.1m). The increase relates to a small number of significant exposures where a write off has been made, and the remaining balance is on the balance sheet and under collection activity, with no further material loss expected, rather than any broad based portfolio deterioration. The Group has not purchased any lending assets in the period (30 September 2023: none).

Further information on staging profile is provided at a portfolio level in the respective portfolio performance section on the following pages.

Residential mortgage credit performance

The table below presents key information on the asset quality of the Group's Residential mortgage portfolio and should be read in conjunction with the supplementary data presented in the following pages of this section.

Breakdown of Residential mortgage portfolio (audited)

31 March 2025	Gross lending £m	Modelled & IA ECL £m	MA £m	Total ECL £m	Net lending £m	Coverage %	Average LTV %
Residential - capital repayment	**34,236**	**18**	**7**	**25**	**34,211**	**0.07%**	**58.1%**
Residential - interest only	**6,909**	**11**	**4**	**15**	**6,894**	**0.22%**	**50.2%**
Buy-to-let (BTL)	**14,502**	**15**	**6**	**21**	**14,481**	**0.14%**	**56.2%**
Total Residential mortgage portfolio	**55,647**	**44**	**17**	**61**	**55,586**	**0.11%**	**56.7%**
30 September 2023 (restated)(1)							
Residential - capital repayment	34,976	10	5	15	34,961	0.04%	54.2%
Residential - interest only	7,480	8	1	9	7,471	0.12%	47.0%
BTL	15,162	7	26	33	15,129	0.22%	52.8%
Total Residential mortgage portfolio	57,618	25	32	57	57,561	0.10%	52.9%

(1) The prior year balances have been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details

Residential mortgage lending has reduced on a net basis to £55.6bn (30 September 2023 (restated): £57.6bn) with a reduced demand for new lending owing to the higher rate environment, stressed affordability pressures and wider cost of living considerations, being outpaced by repayments and redemptions. The 6-month period to 31 March 2025, has seen some easing of these pressure points with base rate and stressed affordability improving.

The portfolio continues to evidence solid underlying credit performance, with the majority (98%) of lending not yet past due at the balance sheet date (30 September 2023 (restated): 99%), and 89% of loans held in Stage 1 (30 September 2023 restated: 94%). Whilst Residential mortgage arrears remain below industry levels, they have increased over the 18 month period to 31 March 2025, primarily driven by interest rate shocks which disproportionately affected customers with residential interest-only, high-value loans and customers on variable rates, although this has eased over the 6 month period to March 2025. The harmonisation of the IFRS 9 calculator has driven the migration of loans from Stage 1 to Stage 2 not past due, rather than underlying customer deterioration. The proportion of the portfolio rated Strong or Good at the balance sheet date under the Group's internal PD rating scale remains high at 97% (30 September 2023(restated): 93%), and the volume of loans in forbearance has reduced to 3,539/£517m from 3,801/£498m, primarily due to customers successfully completing the forbearance reporting probation period and returning to fully performing status.

Stage 3 balances have remained low at 1.0% (30 September 2023: 1.0%) and 89% of the portfolio has an LTV of less than 80% (30 September 2023: 95%), with the weighted average LTV up slightly through the period at 56.7% (30 September 2023: 52.9%) primarily due to repayments and redemptions from the less than 60% LTV portfolio, which reduced to 54% of the total portfolio (30 September 2023: 64%). Further detail on LTV bandings and forbearance measures is provided on the following pages.

Residential mortgage portfolio – interest rate profile (audited)

	31 March 2025		30 September 2023 (restated)(1)	
	£m	**%**	£m	%
Fixed rate	**51,208**	**92.1%**	52,678	91.5%
Variable rate	**2,861**	**5.1%**	3,071	5.3%
Standard variable rate (SVR)	**1,578**	**2.8%**	1,869	3.2%
Total	**55,647**	**100%**	57,618	100.0%

(1) The prior year balances have been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details

The Group is a signatory to the Mortgage Charter introduced by the Government to support mortgage customers impacted by higher mortgage interest rates and provide help and support to those who are in financial difficulty. This provides an option for borrowers who are up to date on their mortgage payments to switch to interest only payments for a six-month period. To date the number of customers requiring this support has been low.

Credit risk (continued)

Collateral

The quality of the Group's Residential mortgage portfolio can be considered in terms of the average LTV of the portfolio and the staging of the portfolio, as set out in the following tables:

Average LTV of Residential mortgage portfolio by staging (audited)

31 March 2025	**Stage 1**			**Stage 2**			**Stage 3[2]**			**Total**		
	Loans		**ECL**	**Loans**		**ECL**	**Loans**		**ECL**	**Loans**		**ECL**
LTV[1]	**£m**	**%**	**£m**	**£m**	**%**	**£m**	**£m**	**%**	**£m**	**£m**	**%**	**£m**
Up to 50%	**16,942**	**35**	**1**	**3,002**	**58**	**3**	**239**	**43**	**4**	**20,183**	**35**	**8**
50% to 60%	**9,572**	**19**	**1**	**922**	**17**	**3**	**99**	**18**	**1**	**10,593**	**19**	**5**
60% to 70%	**10,047**	**20**	**2**	**723**	**14**	**7**	**87**	**15**	**3**	**10,857**	**20**	**12**
70% to 80%	**7,666**	**15**	**2**	**395**	**7**	**6**	**58**	**10**	**3**	**8,119**	**15**	**11**
80% to 90%	**4,157**	**8**	**2**	**171**	**3**	**4**	**33**	**6**	**3**	**4,361**	**8**	**9**
90% to 100%	**1,388**	**3**	**1**	**67**	**1**	**2**	**22**	**4**	**3**	**1,477**	**3**	**6**
Over 100%	**21**	**-**	**1**	**12**	**-**	**1**	**24**	**4**	**8**	**57**	**-**	**10**
	49,793	**100**	**10**	**5,292**	**100**	**26**	**562**	**100**	**25**	**55,647**	**100**	**61**

30 September 2023 (restated)[3]	Stage 1			Stage 2			Stage 3[2]			Total		
	Loans		ECL	Loans		ECL	Loans		ECL	Loans		ECL
LTV[1]	£m	%	£m	£m	%	£m	£m	%	£m	£m	%	£m
Up to 50%	22,596	42%	4	1,588	58%	4	286	51%	3	24,470	43%	11
50% to 60%	11,715	22%	2	505	18%	4	99	18%	2	12,319	21%	8
60% to 70%	10,878	20%	3	396	14%	7	74	13%	3	11,348	20%	13
70% to 80%	6,462	12%	2	213	8%	5	53	9%	3	6,728	12%	10
80% to 90%	2,375	4%	1	56	2%	2	21	4%	3	2,452	4%	6
90% to 100%	243	-	-	6	-	1	14	3%	2	263	-	3
Over 100%	26	-	1	2	-	4	10	2%	1	38	-	6
	54,295	100%	13	2,766	100%	27	557	100%	17	57,618	100%	57

(1) LTV of the Residential mortgage portfolio is defined as Residential mortgage portfolio weighted by balance. The portfolio is indexed using the MIAC Acadametrics indices at a given date.
(2) Stage 3 includes £34m (30 September 2023: £48m) of POCI gross loans and advances and £Nil ECL (30 September 2023: (£1m)).
(3) The prior year balances have been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details. In addition to the restatements set out in note 1.7, the apportionment of balances such as accrued interest and deferred and unamortised fee income between stages has been aligned to Nationwide. This has not impacted the total gross loans and advances balance shown within the table above.

The Residential mortgage portfolio remains highly secured with the majority of the portfolio less than 70% LTV. The change in profile since 30 September 2023 has been driven by repayments and redemptions of loans in the lower LTV ranges, updates to the LTV indices, and a continuation of a policy to support first time buyers to get onto the market.

Residential mortgage credit performance (continued)

Forbearance (audited)

A key indicator of underlying Residential mortgage portfolio health is the level of loans subject to forbearance measures. Forbearance can occur when a customer experiences financial difficulty. In such circumstances, the Group considers the customer's individual circumstances, uses judgement in assessing whether they are in, or approaching financial difficulty, or if an impairment or default event has occurred, and then applies tailored forbearance measures in order to support the customer in a route to stability. Customers may potentially be subject to more than one forbearance strategy at any one time where this is considered to be the most appropriate course of action.

The table below summarises the level of forbearance in respect of the Group's Residential mortgage portfolio at each balance sheet date.

	Total loans and advances subject to forbearance measures			Impairment allowance on loans and advances subject to forbearance measures	
31 March 2025	**Number of loans**	**Gross carrying amount £m**	**% of total portfolio**	**Impairment allowance £m**	**Coverage %**
Total Residential mortgage forbearance	**3,539**	**517**	**0.93%**	**15.8**	**3.05%**
30 September 2023					
Total Residential mortgage forbearance	3,801	498	0.87%	12.2	2.44%

As at 31 March 2025, forbearance totalled £517m (3,539 loans), from the 30 September 2023 position of £498m (3,801 loans). This level represents 0.93% of total mortgage balances (2023: 0.87%), with the decrease in volume primarily driven by customers successfully completing the forbearance reporting probation period and returning to fully performing status.

When all other avenues of resolution, including forbearance, have been explored, the Group will take steps to repossess and sell underlying collateral. In the 18 month period to 31 March 2025, there were 125 repossessions of which 3 were voluntary (12 months to 30 September 2023: 55 including 4 voluntary). The increase in Repossessions is in line with expectations following the lifting of COVID-related restrictions, which had previously delayed enforcement activity. The increase also reflects the clearing of backlogs in court scheduling and the availability of bailiffs to execute warrants. The Group remains committed to supporting the customer and places good customer outcomes at the centre of this strategy.

Residential mortgage credit performance (continued)

IFRS 9 staging (audited)[1]

The Group closely monitors the staging profile of the Residential mortgage portfolio over time, which can be indicative of general trends in book health. Movements in the staging profile of the portfolio are presented in the tables below

	Stage 1		Stage 2		Stage 3[2]				
18 months to 31 March 2025	Gross loans £m	ECL £m	Gross loans £m	ECL £m	Gross loans £m	ECL £m	Total gross loans £m	Total provisions £m	Income statement £m
Restated opening balance at 1 October 2023[3]	**54,295**	**13**	**2,766**	**27**	**557**	**17**	**57,618**	**57**	
Transfers from Stage 1 to Stage 2	**(3,630)**	**(1)**	**3,630**	**1**	**-**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**644**	**6**	**(644)**	**(6)**	**-**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(147)**	**-**	**(125)**	**(2)**	**272**	**2**	**-**	**-**	**-**
Transfers from Stage 3	**49**	**-**	**54**	**1**	**(103)**	**(1)**	**-**	**-**	**-**
Net remeasurement of ECL arising from transfer of stage	**-**	**(5)**	**-**	**20**	**-**	**(3)**	**-**	**12**	**12**
Net movement	**(3,084)**	**-**	**2,915**	**14**	**169**	**(2)**	**-**	**12**	**12**
New assets originated or purchased[4]	**10,312**	**2**	**321**	**4**	**7**	**-**	**10,640**	**6**	**6**
Net impact of further lending, repayments and other movements	**(2,303)**	**(2)**	**(301)**	**(8)**	**(10)**	**9**	**(2,614)**	**(1)**	**(1)**
Changes in risk parameters in relation to credit quality	**-**	**(1)**	**-**	**(8)**	**-**	**10**	**-**	**1**	**1**
Redemptions	**(9,427)**	**(2)**	**(409)**	**(3)**	**(157)**	**(4)**	**(9,993)**	**(9)**	**(9)**
Write-offs	**-**	**-**	**-**	**-**	**(4)**	**(4)**	**(4)**	**(4)**	**-**
Individually assessed impairment charge	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**(1)**	**(1)**
Closing balance at 31 March 2025	**49,793**	**10**	**5,292**	**26**	**562**	**25**	**55,647**	**61**	**8**
of which:									
Residential - capital repayment	**31,190**	**5**	**2,779**	**13**	**267**	**7**	**34,236**	**25**	
Residential - interest only	**5,628**	**2**	**1,098**	**4**	**183**	**9**	**6,909**	**15**	
BTL	**12,975**	**3**	**1,415**	**9**	**112**	**9**	**14,502**	**21**	

Residential mortgage credit performance (continued)

IFRS 9 staging (audited)[(1)]

12 months to 30 September 2023 (restated)	Stage 1 Gross loans £m	Stage 1 ECL £m	Stage 2 Gross loans £m	Stage 2 ECL £m	Stage 3[(2)] Gross loans £m	Stage 3[(2)] ECL £m	Total gross loans £m	Total provisions £m	Income statement £m
Opening balance at 1 October 2022	54,791	10	3,090	32	583	14	58,464	56	
Adjustment following change in accounting policy[(3)]	(171)	-	-	-	-	-	(171)	-	
Impact of other Nationwide presentational alignments[(3)]	(106)	-	101	-	5	-	-	-	
Restated opening balance at 1 October 2022	54,514	10	3,191	32	588	14	58,293	56	-
Transfers from Stage 1 to Stage 2	(1,341)	-	1,341	-	-	-	-	-	-
-Transfers from Stage 2 to Stage 1	1,311	13	(1,311)	(13)	-	-	-	-	-
Transfers to Stage 3	(110)	-	(104)	(4)	214	4	-	-	-
Transfers from Stage 3	93	-	50	1	(143)	(1)	-	-	-
Net remeasurement of ECL arising from transfer of stage	-	(15)	-	18	-	-	-	3	3
Net movement	(47)	(2)	(24)	2	71	3	-	3	3
Adjustment following change in accounting policy[(3)]	(8)	-	-	-	-	-	(8)	-	-
New assets originated or purchased[(4)]	9,286	2	105	1	1	-	9,392	3	3
Net impact of further lending and repayments	(1,236)	2	(127)	(3)	(3)	1	(1,366)	-	-
Changes in risk parameters in relation to credit quality	-	2	-	(2)	-	2	-	2	2
Redemptions	(8,214)	(1)	(379)	(3)	(99)	(2)	(8,692)	(6)	(6)
Write-offs	-	-	-	-	(1)	(1)	(1)	(1)	-
Individually assessed impairment charge	-	-	-	-	-	-	-	-	-
Closing balance at 30 September 2023	54,295	13	2,766	27	557	17	57,618	57	2
of which:									
Residential - capital repayment	33,179	3	1,525	6	272	6	34,976	15	
Residential - interest only	6,618	1	667	2	195	6	7,480	9	
BTL	14,498	9	574	19	90	5	15,162	33	

(1) The basis of preparation for this table has been updated. Previously, the table was presented on a gross basis, with the reported values representing an aggregation of monthly movements over the period. To present more directly the change in credit quality the table is now prepared on a net basis.
(2) Stage 3 includes POCI for gross loans and advances of £34m and ECL of £Nil (30 September 2023: £48m and (£1m) respectively).
(3) The prior year balances have been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details. In addition to the restatements set out in note 1.7, the apportionment of balances such as accrued interest and deferred and unamortised fee income between stages has been aligned to Nationwide. This has not impacted the total gross loans and advances balance shown within the table above.
(4) Includes assets where the term has ended, and a new facility has been provided.

The Residential mortgage portfolio continues to evidence strong performance, and whilst the levels of arrears has increased over the 18 month period to 31 March 2025, this has eased over the 6 month period to March 2025 and the levels of late stage arrears, impairment and write off remain relatively low.

The level of Residential mortgage lending classed as Stage 1 decreased from 94.2% at 30 September 2023 to 89.5% primarily due to the harmonisation of the IFRS 9 calculator rather than any underlying customer deterioration. As a result, the assets in Stage 2 increased from 4.8% to 9.5% with 94%, not past due at the balance sheet date (30 September 2023: 89%). The proportion of mortgages classified as Stage 3 remains modest at 1.0% (30 September 2023: 1.0%). The net movements across the stages are driven by a wide variety of factors with the impact of the harmonisation the primary one.

Residential mortgage lending classed as 'Strong' has increased to 94.2% from 93.3% at 30 September 2023, with over 97% (30 September 2023 (restated): 98%) of the Residential mortgage portfolio classed as 'Good' or 'Strong.' The sustained quality in the internal PD ratings and high quality of collateral underpinning the book are key factors supporting the provision coverage of 11bps (30 September 2023: 10bps).

Consumer lending credit performance

The table below presents key information important for understanding the asset quality of the Group's Consumer lending portfolio and should be read in conjunction with the supplementary data presented in the following pages of this section.

Breakdown of Consumer lending portfolio (audited)

31 March 2025	Gross lending £m	Modelled & IA ECL £m	PMA £m	Total ECL £m	Net lending £m	Coverage %
Credit cards	**6,162**	**428**	**36**	**464**	**5,698**	**7.53%**
Personal loans	**467**	**51**	**1**	**52**	**415**	**11.13%**
Overdrawn current accounts	**27**	**3**	**-**	**3**	**24**	**11.11%**
Total Consumer lending portfolio	**6,656**	**482**	**37**	**519**	**6,137**	**7.80%**
30 September 2023 (restated)[(1)]						
Credit cards	5,829	364	28	392	5,437	6.72%
Personal loans	699	32	1	33	666	4.72%
Overdrawn current accounts	27	4	-	4	23	14.81%
Total Consumer lending portfolio	6,555	400	29	429	6,126	6.53%

(1) The prior year balances have been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

Gross Consumer lending balances increased to £6.7bn (30 September 2023 (restated): £6.6bn) with modest underlying growth in the credit card portfolio partially offset by repayments in the personal loan portfolio.

The overall credit quality of the Consumer lending portfolio is stable with credit cards the predominant portfolio. In the 18 months ended 31 March 2025, portfolio arrears have gradually improved and stabilised. Appetite for growth into higher risk segments has reduced over the period, with Group ceasing Slyce and some higher risk pricing bands from October 2024. The proportion of the Consumer lending portfolio classed as Stage 1 or Stage 2 not past due is 94% (30 September 2023: 97%), with 87% of the portfolio rated Strong or Good at the balance sheet date under the Group's internal PD rating scale (30 September 2023 (restated): 91%).

Stage 3 balances have increased to 5.3% (30 September 2023: 1.7%). Following a strategic review of Salary Finance Loans Limited (Salary Finance), the joint venture (JV) will no longer be a core part of the go-forward strategy. A combination of the JV's historic trading losses and the decision to not extend any additional lending to the JV beyond end 2025 meant that the lending met the conditions to be classed as Stage 3. See note 5.3 for further details.

The value of Consumer lending written off in the 18 month period, net of recoveries, was £303m (12 months to 30 September 2023: £124m), with the increase commensurate with a continued growth in the credit card portfolio between 2019 and 2025 and an expansion into higher risk segments. The cost of risk for the 18 month period is 347bps (12 months to 30 September 2023: 430bps).

The overall impact of the above to the ECL held for the Consumer lending portfolio has been an increase of £90m to £519m (30 September 2023: £429m). ECL Harmonisation activity accounts for £84m of this increase, with the alignment of the severe downside scenarios to stress outcomes contributing the most material impact. Overall, coverage increased to 780bps (30 September 2023: 654bps).

Forbearance (audited)

The table below summarises the level of forbearance in respect of the Group's Consumer lending portfolios at each balance sheet date. All balances subject to forbearance are classed as either Stage 2 or Stage 3 for ECL purposes.

	Total loans and advances subject to forbearance measures			Impairment allowance on loans and advances subject to forbearance measures	
31 March 2025	Number of loans	Gross carrying amount £m	% of total portfolio	Impairment allowance £m	Coverage %
Total Consumer lending forbearance	**33,782**	**131**	**2.05%**	**59.3**	**45.13%**
30 September 2023					
Total Consumer lending forbearance	22,697	92	1.42%	42.5	46.00%

Consumer lending credit performance (continued)

The volume and value of forbearance has increased from 22,697/£92m at 30 September 2023 to 33,782/£131m at 31 March 2025, notably on the credit card portfolio, due to portfolio maturation and expansion into higher risk segments. The Group looks to agree concessions and payment arrangements which are in the best interest of the customers, in order to maximise their ability to repay the lending and return to fully performing status. Forbearance on the loan and overdrafts remain modest and in line with the reducing size of the portfolios.

IFRS 9 staging (audited)[1]

The Group closely monitors the staging profile of its Consumer lending portfolio over time, which can be indicative of general trends in book health. Movements in the staging profile of the portfolio are presented in the tables below.

	Stage 1		Stage 2		Stage 3[2]				
18 months to 31 March 2025	Gross loans £m	ECL £m	Gross loans £m	ECL £m	Gross loans £m	ECL £m	Total gross loans £m	Total provisions £m	Income statement £m
Restated opening balance at 1 October 2023[3]	**4,849**	**46**	**1,595**	**322**	**111**	**61**	**6,555**	**429**	
Transfers from Stage 1 to Stage 2	**(539)**	**(7)**	**539**	**7**	**-**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**507**	**98**	**(507)**	**(98)**	**-**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(38)**	**(1)**	**(62)**	**(22)**	**100**	**23**	**-**	**-**	**-**
Transfers from Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net remeasurement of ECL arising from transfer of stage	**-**	**(91)**	**-**	**137**	**-**	**30**	**-**	**76**	**76**
Net movement	**(70)**	**(1)**	**(30)**	**24**	**100**	**53**	**-**	**76**	**76**
New assets originated or purchased[4]	**1,957**	**26**	**254**	**62**	**231**	**11**	**2,442**	**99**	**99**
Net impact of further lending, repayments and other movements	**(1,101)**	**1**	**66**	**(3)**	**337**	**4**	**(698)**	**2**	**2**
Changes in risk parameters in relation to credit quality	**-**	**11**	**-**	**16**	**-**	**(5)**	**-**	**22**	**22**
Redemptions	**(651)**	**(7)**	**(568)**	**(96)**	**(83)**	**(49)**	**(1,302)**	**(152)**	**(152)**
Write-offs	**-**	**-**	**-**	**-**	**(341)**	**(341)**	**(341)**	**(341)**	**-**
Cash recoveries	**-**	**-**	**-**	**-**	**-**	**81**	**-**	**81**	**-**
Individually assessed impairment charge	**-**	**-**	**-**	**-**	**-**	**303**	**-**	**303**	**303**
Closing balance at 31 March 2025	**4,984**	**76**	**1,317**	**325**	**355**	**118**	**6,656**	**519**	**350**

Consumer lending credit performance (continued)

IFRS 9 staging (audited)(1)

12 months to 30 September 2023	Stage 1 Gross loans £m	Stage 1 ECL £m	Stage 2 Gross loans £m	Stage 2 ECL £m	Stage 3(2) Gross loans £m	Stage 3(2) ECL £m	Total gross loans £m	Total provisions £m	Income statement £m
Opening balance at 1 October 2022	5,324	63	1,109	181	80	40	6,513	284	
Adjustment following change in accounting policy(3)	(285)	-	-	-	-	-	(285)	-	
Impact of other Nationwide presentational alignments(3)	61	-	(56)	-	(5)	-	-	-	-
Restated opening balance at 1 October 2022	5,100	63	1,053	181	75	40	6,228	284	-
Transfers from Stage 1 to Stage 2	(627)	(13)	627	13	-	-	-	-	-
Transfers from Stage 2 to Stage 1	208	39	(208)	(39)	-	-	-	-	-
Transfers to Stage 3	(34)	(1)	(42)	(12)	76	13	-	-	-
Transfers from Stage 3	-	-	-	-	-	-	-	-	-
Net remeasurement of ECL arising from transfer of stage	-	(14)	-	145	-	19	-	150	150
Net movement	(453)	11	377	107	76	32	-	150	150
Adjustment following change in accounting policy(3)	26	-	-	-	-	-	26	-	-
New assets originated or purchased(4)	1,382	12	195	41	9	6	1,586	59	59
Net impact of further lending, repayments and other movements	(735)	(24)	83	10	163	16	(489)	2	2
Changes in risk parameters in relation to credit quality	-	(10)	-	17	-	(3)	-	4	4
Redemptions	(471)	(6)	(113)	(34)	(51)	(30)	(635)	(70)	(70)
Write-offs	-	-	-	-	(161)	(161)	(161)	(161)	-
Cash recoveries	-	-	-	-	-	37	-	37	-
Individually assessed impairment charge	-	-	-	-	-	124	-	124	124
Closing balance at 30 September 2023	4,849	46	1,595	322	111	61	6,555	429	269

(1) The basis of preparation for this table has been updated. Previously, the table was presented on a gross basis, with the reported values representing an aggregation of monthly movements over the period. To present more directly the change in credit quality the table is now prepared on a net basis.
(2) Stage 3 includes POCI for gross loans and advances of £1m and ECL of (£1m) (30 September 2023: £1m and (£2m) respectively).
(3) The prior year balances have been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details. In addition to the restatements set out in note 1.7, the apportionment of balances such as accrued interest and deferred and unamortised fee income between stages has been aligned to Nationwide. This has not impacted the total gross loans and advances balance shown within the table above.
(4) Includes assets where the term has ended, and a new facility has been provided.

The assets classed as Stage 1 have remained relatively stable at 74.9% (30 September 2023: 74.2%). The assets in Stage 2 have reduced from 24.3% to 19.8% primarily due to the Salary Finance JV which has moved to Stage 3. Within the Stage 2 category, 95.5% is not past due (30 September 2023: 95.4%). The proportion classified as Stage 3 increased to 5.3% (30 September 2023: 1.7%) due to the movement above.

The level of write offs in the Consumer lending portfolio has increased, commensurate with a portfolio which has grown into higher risk segments. The level of write offs in the Consumer lending portfolio has increased and the value of fraud losses has increased from £6m in the 12 month period to 30 September 2023, to £16m in the 18 month period to 31 March 2025 due primarily to portfolio maturation and expansion into higher risk segments. The total ECL held on balance sheet has increased from £429m at 30 September 2023 to £519m at 31 March 2025 with the harmonisation of the IFRS 9 calculator being the primary driver.

The total Consumer lending impairment charge in the period is £350m (12 months to 30 September 2023: £269m), which is net of an individually assessed charge of £303m (12 months to 30 September 2023: £124m). The associated CoR is 347bps (12 months to 30 September 2023: 430bps).

The total provision coverage has increased to 780bps (30 September 2023: 654bps).

Business and commercial lending credit performance

The table below presents key information on the asset quality of the Group's Business and consumer lending portfolio and should be read in conjunction with the supplementary data presented in the following pages of this section.

Breakdown of Business and commercial lending portfolio (audited)

31 March 2025	Gross lending £m	Model-led & IA ECL £m	MA £m	Total ECL £m	Net lending £m	Cover-age %
Agriculture	**1,253**	**5**	**1**	**6**	**1,247**	**0.48%**
Business services	**1,293**	**37**	**6**	**43**	**1,250**	**3.33%**
Commercial Real Estate	**666**	**4**	**-**	**4**	**662**	**0.60%**
Government, health & education	**1,604**	**13**	**2**	**15**	**1,589**	**0.94%**
Hospitality	**1,026**	**3**	**1**	**4**	**1,022**	**0.39%**
Manufacturing	**662**	**16**	**5**	**21**	**641**	**3.17%**
Resources	**170**	**1**	**1**	**2**	**168**	**1.18%**
Residential social landlords	**256**	**-**	**-**	**-**	**256**	**-**
Retail and wholesale trade	**883**	**28**	**4**	**32**	**851**	**3.62%**
Transport and storage	**393**	**5**	**-**	**5**	**388**	**1.27%**
Utilities, post and telecoms	**581**	**7**	**1**	**8**	**573**	**1.38%**
Other	**717**	**16**	**3**	**19**	**698**	**2.65%**
Total Business and commercial lending portfolio	**9,504**	**135**	**24**	**159**	**9,345**	**1.67%**
30 September 2023						
Agriculture	1,361	4	1	5	1,356	0.37%
Business services	1,365	38	3	41	1,324	3.00%
Commercial Real Estate	543	5	1	6	537	1.10%
Government, health & education	1,238	9	2	11	1,227	0.89%
Hospitality	839	3	1	4	835	0.48%
Manufacturing	746	17	3	20	726	2.68%
Resources	165	2	-	2	163	1.21%
Residential social landlords	176	-	-	-	176	-
Retail and wholesale trade	903	19	2	21	882	2.33%
Transport and storage	322	4	-	4	318	1.24%
Utilities, post and telecoms	387	4	1	5	382	1.29%
Other	639	11	1	12	627	1.88%
Total Business and commercial lending portfolio	8,684	116	15	131	8,553	1.51%

Business and commercial lending credit performance (continued)

Gross Business and commercial lending increased to £9.5bn (30 September 2023: £8.7bn). Growth remains targeted to sectors and sub sectors where we have well established expertise. The sector mix remained relatively stable with lending to the agriculture, business services and government, health and education sectors continuing to account for almost half of the total book, at 44% (30 September 2023: 46%). The government-guaranteed lending portfolio continues to reduce as borrowers repay balances and is now £0.5bn (30 September 2023: £0.8bn).

There has been no significant deterioration in asset quality metrics across the portfolio although a small number of significant individually assessed provisions have been raised. A range of external risks have remained prevalent throughout the period including general inflationary pressures, higher rate environment, governmental fiscal policy changes, as well as wider geopolitical risks.

The proportion of loans in Stage 1 has increased to 77.0% (30 September 2023 (restated): 71.8%) with a corresponding decrease in the proportion of loans in Stage 2 at 18.3% (30 September 2023 (restated): 23.3%). Within the Stage 2 category, 98.9% is not past due (30 September 2023: 98.5%) and 94% rated as ‘Strong’ or ‘Good’ (30 September 2023: 90%) under the Group’s internal PD rating scale. Stage 3 loans remain modest at 4.8% (30 September 2023 (restated): 4.9%).

Forbearance (audited)

Forbearance is considered to exist where customers are experiencing, or are about to experience financial difficulty, and the Group grants a concession on a non-commercial basis. The Group reports business and commercial forbearance at a customer level and at a value which incorporates all facilities and the related impairment allowance, irrespective of whether each individual facility is subject to forbearance. Authority to grant forbearance measures for business and commercial customers is held by the Group’s Strategic Business Services unit and is exercised, where appropriate, based on detailed consideration of the customer’s financial position and prospects.

Where a customer is part of a larger group, forbearance is exercised and reported across the Group at the individual entity level. Where modification of the terms and conditions of an exposure meeting the criteria for classification as forbearance results in derecognition of loans and advances from the balance sheet and the recognition of a new exposure, the new exposure will be treated as forborne.

The tables below summarise the total number of arrangements in place and the loan balances and impairment provisions associated with those arrangements. All balances subject to forbearance are classed as either Stage 2 or Stage 3 for ECL purposes.

	Total loans and advances subject to forbearance measures			Impairment allowance on loans and advances subject to forbearance measures	
31 March 2025	**Number of loans**	**Gross carrying amount £m**	**% of total portfolio**	**Impairment allowance £m**	**Coverage %**
Total Business and commercial forbearance	**283**	**481**	**4.82%**	**65**	**13.47%**
30 September 2023					
Total Business and commercial forbearance	291	493	5.35%	45	9.14%

The number of Business and commercial customers reported in receipt of forbearance concessions has remained relatively stable at 283 (30 September 2023: 291) with the total customer lending reducing to £481m (30 September 2023: £493m). Whilst the forbearance concession may only be applied to one account in the customer’s portfolio, in the disclosure above, the customer’s full lending portfolio is included. Forbearance remains a key support measure for customers in, or about to, experience financial difficulty, and the ability to agree a temporary concession on a non-commercial basis can often be the critical breathing room required to support a return to fully performing status. As a percentage of the Business and commercial portfolio, forborne balances have reduced to 4.82% (30 September 2023: 5.35%) with impairment coverage increasing to 13.47% (30 September 2023: 9.14%).

The table includes a portfolio of financial assets at fair value. The gross value of fair value loans subject to forbearance is £0.3m (30 September 2023: £0.5m), now representing less than 0.01% of the total business portfolio (30 September 2023: 0.01%). The credit risk adjustment on these amounts is immaterial.

Business and commercial lending credit performance (continued)

IFRS 9 staging (audited)[1]

The Group closely monitors the staging profile of its Business and commercial lending portfolio over time, which can be indicative of general trends in book health. Movements in the staging profile of the portfolio in the current and prior year are presented in the tables below.

	Stage 1		Stage 2		Stage 3[3]				
18 months to 31 March 2025[2]	**Gross loans £m**	**ECL £m**	**Gross loans £m**	**ECL £m**	**Gross loans £m**	**ECL £m**	**Total gross loans £m**	**Total provisions[1] £m**	**Income statement £m**
Opening balance at 1 October 2023[4]	**6,235**	**30**	**2,027**	**51**	**422**	**50**	**8,684**	**131**	
Transfers from Stage 1 to Stage 2	**(701)**	**(3)**	**701**	**3**	**-**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**282**	**8**	**(282)**	**(8)**	**-**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(73)**	**(1)**	**(78)**	**(2)**	**151**	**3**	**-**	**-**	**-**
Transfers from Stage 3	**10**	**1**	**30**	**3**	**(40)**	**(4)**	**-**	**-**	**-**
Net remeasurement of ECL arising from transfer of stage	**-**	**(1)**	**-**	**20**	**-**	**7**	**-**	**26**	**26**
Net movement	**(482)**	**4**	**371**	**16**	**111**	**6**	**-**	**26**	**26**
New assets originated or purchased[5]	**4,744**	**22**	**470**	**15**	**103**	**13**	**5,317**	**50**	**50**
Net impact of further lending, repayments and other movements	**(596)**	**(6)**	**(223)**	**(6)**	**5**	**(4)**	**(814)**	**(16)**	**(16)**
Changes in risk parameters in relation to credit quality	**-**	**(3)**	**-**	**1**	**-**	**(2)**	**-**	**(4)**	**(4)**
Redemptions	**(2,590)**	**(14)**	**(904)**	**(22)**	**(144)**	**(17)**	**(3,638)**	**(53)**	**(53)**
Write-offs	**-**	**-**	**-**	**-**	**(45)**	**(45)**	**(45)**	**(45)**	**-**
Cash recoveries	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**2**	**-**
Individually assessed impairment charge	**-**	**-**	**-**	**-**	**-**	**68**	**-**	**68**	**68**
Closing balance at 31 March 2025	**7,311**	**33**	**1,741**	**55**	**452**	**71**	**9,504**	**159**	**71**

Business and commercial lending credit performance (continued)

IFRS 9 staging (audited)[1]

12 months to 30 September 2023[2]	Stage 1 Gross loans £m	Stage 1 ECL £m	Stage 2 Gross loans £m	Stage 2 ECL £m	Stage 3[3] Gross loans £m	Stage 3[3] ECL £m	Total gross loans £m	Total provisions £m	Income statement £m
Opening balance at 1 October 2022	6,270	12	1,524	55	373	50	8,167	117	
Impact of other Nationwide presentational alignments[4]	(35)	-	28	-	7	-	-	-	
Restated opening balance at 1 October 2022	6,235	12	1,552	55	380	50	8,167	117	
Transfers from Stage 1 to Stage 2	(914)	(2)	914	2	-	-	-	-	-
Transfers from Stage 2 to Stage 1	167	5	(167)	(5)	-	-	-	-	-
Transfers to Stage 3	(65)	-	(52)	(2)	117	2	-	-	-
Transfers from Stage 3	2	-	21	1	(23)	(1)	-	-	-
Net remeasurement of ECL arising from transfer of stage	-	(8)	-	23	-	1	-	16	16
Net movement	(810)	(5)	716	19	94	2	-	16	16
New assets originated or purchased [5]	3,346	18	337	16	67	12	3,750	46	46
Net impact of further lending, repayments and other movements	(434)	4	(157)	(13)	12	1	(579)	(8)	(8)
Changes in risk parameters in relation to credit quality	-	5	-	(6)	-	2	-	1	1
Redemptions	(2,102)	(4)	(421)	(20)	(106)	(11)	(2,629)	(35)	(35)
Write-offs	-	-	-	-	(25)	(25)	(25)	(25)	-
Cash recoveries	-	-	-	-	-	1	-	1	-
Individually assessed impairment charge	-	-	-	-	-	18	-	18	18
Closing balance at 30 September 2023	6,235	30	2,027	51	422	50	8,684	131	38

(1) The basis of preparation for this table has been updated. Previously, the table was presented on a gross basis, with the reported values representing an aggregation of monthly movements over the period. To present more directly the change in credit quality the table is now prepared on a net basis.
(2) Excludes £202m (30 September 2023: £143m) of guarantee claim funds received from British Business Bank.
(3) Stage 3 includes POCI for gross loans and advances of £1m and ECL of (£1m) (30 September 2023: £1m and (£2m) respectively).
(4) The prior year balances have been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details. In addition to the restatements set out in note 1.7, the apportionment of balances such as accrued interest and deferred and unamortised fee income between stages has been aligned to Nationwide. This has not impacted the total gross loans and advances balance shown within the table above.
(5) Includes assets where the term has ended, and a new facility has been provided.

The level of Business and commercial lending classed as Stage 1 has increased to 77.0% (30 September 2023 (restated): 71.8%), with a corresponding decrease in Stage 2 to 18.3% (30 September 2023 (restated): 23.3%), primarily driven by new lending, improved economic outlooks and updates to the MES inputs over the period.

The majority (98.9%) of the portfolio in Stage 2 is not past due and is primarily in this category due to PD deterioration in addition to proactive management measures such as early intervention, heightened monitoring, and forbearance concessions. Stage 3 loans have remained relatively stable at 4.8% (30 September 2023: 4.7%) and are predominantly fully secured Bounce Back Loans.

The level of write offs have increased over the 18 months to 31 March 2025, and the individually assessed charge has increased to £68m (12 months to 30 September 2023: £18m) with a small number of individually assessed provisions raised and written off, rather than a broader deterioration in the portfolio or particular sectors.

The proportion of assets classed as 'Strong' has increased slightly to 27% (30 September 2023: 23%) and the proportion classed as 'Strong' or 'Good' remains robust at 94% (30 September 2023: 90%).

Business and commercial collateral (audited)

The following table shows collateral held at 31 March 2025. The exposure amount shown is net of credit provisions that have some form of associated collateral and is not the total exposure for each asset class as this is disclosed elsewhere in the credit risk report.

31 March 2025	Property £m	Cash £m	Guarantee £m	Netting £m	Debt securities £m	Other physical collateral £m	Receivables £m	Total £m	Exposure £m
Financial assets at amortised cost									
Loans and advances to customers	**5,729**	**5**	**829**	**159**	**-**	**715**	**292**	**7,729**	**8,464**
Of which: Defaulted	**74**	**-**	**228**	**1**	**-**	**1**	**4**	**308**	**312**

30 September 2023	Property £m	Cash £m	Guarantee £m	Netting £m	Debt securities £m	Other physical collateral £m	Receivables £m	Total £m	Exposure £m
Financial assets at amortised cost									
Loans and advances to customers	5,072	11	760	169	-	567	334	6,913	7,514
Of which: Defaulted	61	-	182	-	-	-	17	260	267

Other credit risks

Offsetting of financial assets and liabilities (audited)

The table below presents information on recognised financial assets and financial liabilities that are offset on the balance sheet under IAS 32, as well as those that are subject to master netting or similar arrangements, irrespective of whether they are offset.

The Group reduces exposure to credit risk through central clearing for eligible derivatives, and daily posting of cash collateral on such transactions as detailed in note 3.1.3.1 to the financial statements. The amounts offset on the balance sheet, as shown below, mainly represent derivatives and variation margin collateral with central clearing houses, which meet the criteria for offsetting under IAS 32.

The Group enters into derivatives and repurchase agreements with various counterparties, which are governed by industry-standard master netting agreements. The Group holds and provides collateral in respect of transactions covered by these agreements. The right to offset balances under these master netting agreements only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

Collateral amounts included in the table below are limited to the net balance sheet exposure in order to exclude any over collateralisation. The table excludes financial instruments not subject to offset and that are formally subject to collateral arrangements (for example loans and advances). The net amounts presented in the table are not intended to represent the Group's exposure to credit risk, as the Group will use a wide range of strategies to mitigate credit risk in addition to netting and collateral.

Group

	Offsetting recognised on the balance sheet under IAS 32			Netting potential not recognised on the balance sheet		
31 March 2025	Gross amounts before offset £m	Amounts offset on balance sheet £m	Net amounts presented on balance sheet £m	Subject to master netting agreements £m	Cash collateral pledged/ received[(2)] £m	Net amount £m
Derivative assets	**1,069**	**(1,021)**	**48**	**(7)**	**(3)**	**38**
Derivative liabilities	**(990)**	**858**	**(132)**	**7**	**35**	**(90)**
Net position[(1)]	**79**	**(163)**	**(84)**	**-**	**32**	**(52)**
Repurchase agreements	**(10)**	**-**	**(10)**	**10**	**-**	**-**
30 September 2023						
Derivative assets	2,606	(2,471)	135	(26)	(81)	28
Derivative liabilities	(1,643)	1,353	(290)	26	62	(202)
Net position[(1)]	963	(1,118)	(155)	-	(19)	(174)
Repurchase agreements	(552)	-	(552)	552	-	-

(1) The net position is offset against variation margin cash collateral with central clearing houses included within due from and due to other banks and similar institutions (these were originally presented in other assets and other liabilities – see note 1.7).

(2) Cash collateral amounts not offset under IAS 32 in respect of derivatives with other banks are included within due from and due to other banks and similar institutions. Variation margin cash collateral amounts not offset under IAS 32 in respect of derivatives with central clearing houses are included within due from and due to other banks and similar institutions (these originally presented within other assets and other liabilities – see note 1.7)

Offsetting of financial assets and liabilities (audited) (continued)

Bank

31 March 2025	Offsetting recognised on the balance sheet under IAS 32 Gross amounts before offset £m	Amounts offset on balance sheet £m	Net amounts presented on balance sheet £m	Netting potential not recognised on the balance sheet Subject to master netting agreements £m	Cash collateral pledged/ received(2) £m	Net amount £m
Derivative assets	**1,041**	**(1,021)**	**20**	**(4)**	**(3)**	**13**
Derivative liabilities	**(932)**	**858**	**(74)**	**4**	**37**	**(33)**
Net position(1)	**109**	**(163)**	**(54)**	**-**	**34**	**(20)**
Repurchase agreements	**(10)**	**-**	**(10)**	**10**	**-**	**-**
30 September 2023						
Derivative assets	2,597	(2,471)	126	(19)	(86)	21
Derivative liabilities	(1,515)	1,352	(163)	19	62	(82)
Net position(1)	1,082	(1,119)	(37)	-	(24)	(61)
Repurchase agreements	(552)	-	(552)	552	-	-

(1) The net position is offset against variation margin cash collateral with central clearing houses included within due from and due to other banks and similar institutions (these were originally presented in other assets and other liabilities – see note 1.7).

(2) Cash collateral amounts not offset under IAS 32 in respect of derivatives with other banks are included within due from and due to other banks and similar institutions. Variation margin cash collateral amounts not offset under IAS 32 in respect of derivatives with central clearing houses are included within due from and due to other banks and similar institutions (these originally presented within other assets and other liabilities – see note 1.7).

Macroeconomic assumptions, scenarios, and weightings

The Group's ECL allowance at 31 March 2025 was £739m (30 September 2023: £617m).

Macroeconomic assumptions

During the period, the Group adjusted its macroeconomic assumptions to align with those of its parent company, Nationwide, following the acquisition on 1 October 2024.

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 as appropriate 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 base case scenario is aligned to the Group's financial planning process. During the period the Group introduced a fourth macroeconomic scenario to the IFRS 9 models. Management determined that the inclusion of an additional scenario would more appropriately reflect a wider range of possible economic outcomes than the previous three scenario view provided. In addition, management also observed that by only selecting three scenarios, the Group was not fully aligned to prevailing industry best practice.

Probability weightings for each scenario are reviewed quarterly to reflect economic conditions as they evolve. The probability weightings applied to the scenarios were unchanged over the year and are shown in the table below. As a result of geopolitical tensions, the potential impact of UK Government tax changes, and US trade policies, the probability weighting for the severe downside scenario is 15%.

The scenarios and weightings selected were as follows:

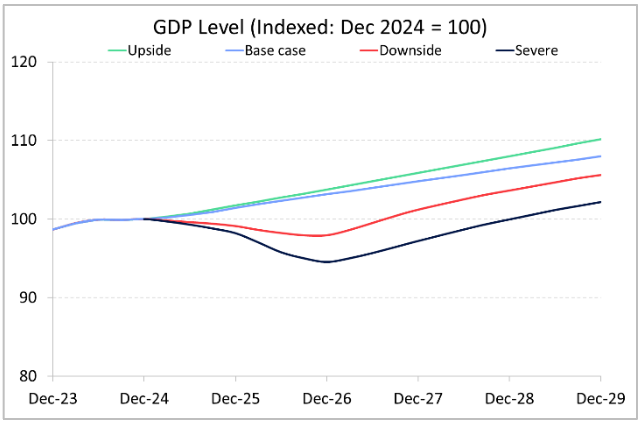
Scenario	**31 March 2025 (%)**	30 September 2023 (%)
Upside	**10**	10
Base	**45**	55
Downside	**30**	35
Severe downside	**15**	n/a

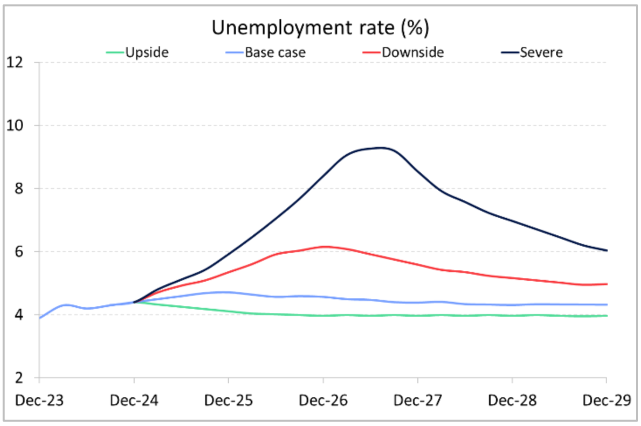
Macroeconomic assumptions (continued)

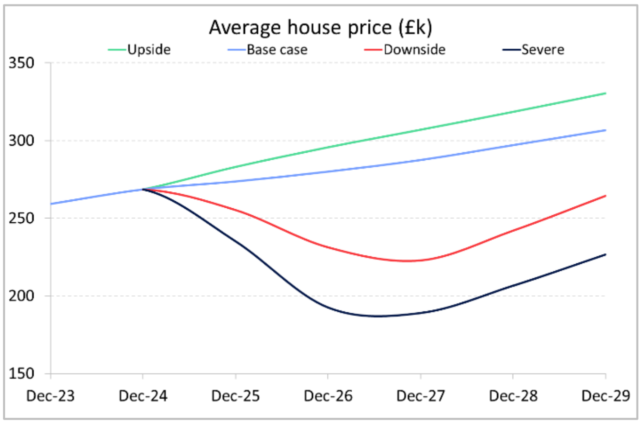
In the base case scenario, modest growth in GDP of 1.4% is expected during 2025, following a period of stagnation. In this scenario, unemployment is forecast to increase to 4.7% by the end of 2025. By contrast, in the downside scenario, GDP reflects a significant UK recession, and the peak unemployment increases to 6.2%, whilst the severe downside scenario unemployment peak of 9.3% corresponds with a severe and longer-lasting economic downturn.

Bank rate in the base case scenario is expected to continue to reduce to 3.75% during 2025 and 3.25% by the end of 2028. Inflation in this scenario is expected to reduce to the Bank of England target rate of 2.0% by the end of 2026. In the downside scenario, the recession results in Bank rate remaining at low levels from 2025 onwards, in order to stimulate economic demand. By contrast the severe downside scenario includes a sustained high level of inflation, which requires an increase in Bank rate to 8.5%.

The graphs below show the historical and 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.







Base case – 2025 v 2023 (audited)(1)

The following table shows how the Group's base case assumptions in the current period have changed from those used at 30 September 2023:

Year	Assumption	2023 %	2024 %	2025 %	2026 %	2027 %	2028 %	2029 %
31 March 2025(1)	Base rate			3.8	3.5	3.5	3.3	3.3
	Unemployment			4.7	4.6	4.4	4.3	4.3
	GDP			1.4	1.7	1.6	1.6	1.4
	Inflation			3.4	2.0	2.0	2.0	2.0
	HPI			1.9	2.3	2.7	3.3	3.2
30 September 2023(2)	Base rate	4.7	5.4	4.5	3.5	2.5		
	Unemployment	4.2	4.5	4.3	3.9	3.9		
	GDP	0.5	0.4	1.5	2.3	1.5		
	Inflation	7.6	3.2	1.5	1.0	1.7		
	HPI	(2.7)	(7.2)	(2.9)	4.6	7.1		

(1) Macroeconomic assumptions have been aligned to Nationwide following acquisition.
(2) Macroeconomic assumptions provided by Oxford Economics on 1 September 2023 and reported on a calendar year basis unless otherwise stated. The changes in macroeconomic assumptions between 1 September 2023 and 30 September 2023 were considered as part of the MAs.

Five-year simple averages for the most sensitive inputs of unemployment, GDP and HPI (audited)

31 March 2025(1)	Unemployment %	GDP %	HPI %
Upside	**4.0**	**2.0**	**4.2**
Base	**4.5**	**1.5**	**2.7**
Downside	**5.4**	**1.1**	**(0.3)**
Severe downside(2)	**7.1**	**0.4**	**(3.3)**
30 September 2023			
Upside	3.9	2.2	1.3
Base	4.2	1.2	(0.2)
Downside	6.1	0.2	(3.3)

(1) Macroeconomic assumptions have been aligned to Nationwide following acquisition.

(2) The number of scenarios included in the IFRS 9 macro-economic models was increased from three to four compared to the prior period.

The use of estimates, judgements and sensitivity analysis

The following are the main areas where estimates and judgements are applied to the ECL calculation:

The use of estimates

Asset lifetimes

The calculation of the ECL allowance is dependent on the expected life of the Group's portfolios. The Group assumes the remaining contract term as the maximum period to consider credit losses wherever possible. For the Group's credit card and overdraft portfolios, behavioural factors such as observed retention rates and other portfolio level assumptions are taken into consideration in determining the estimated asset life.

Economic scenarios

The calculation of the Group's impairment provision is sensitive to changes in the chosen weightings as highlighted above. The effect on the closing modelled provision of each portfolio as a result of applying a 100% weighting to each of the selected scenarios is shown below:

31 March 2025	**Probability Weighted[1] £m**	**Upside £m**	**Base £m**	**Downside £m**	**Severe downside £m**
Residential mortgages	**44**	**29**	**31**	**37**	**237**
Consumer lending of which:	**437**	**359**	**366**	**367**	**990**
Cards	*428*	*350*	*357*	*358*	*974*
Personal loans and overdrafts	*9*	*9*	*9*	*9*	*16*
Business and commercial lending	**86**	**67**	**73**	**87**	**242**
Total	**567**	**455**	**470**	**491**	**1,469**

30 September 2023	Probability Weighted[1] £m	Upside £m	Base £m	Downside £m
Residential mortgages	20	17	18	24
Consumer lending of which:	399	382	382	433
Cards	364	352[3]	350	391
Personal loans and overdrafts[2]	35	30	32	42
Business and commercial lending	91	81	86	107
Total	510	480	486	564

(1) In addition to the probability weighted modelled provision shown in the table, the Group holds £78m relative to MAs and £94m of IA provision (30 September 2023: £76m and £30m respectively).
(2) Salary Finance contributes more than 50% of the combined personal loans and overdrafts ECL.
(3) Due to a minor model interaction effect, the 100% ECL for upside is marginally higher than the base case.

The table below shows the sensitivity at 31 March 2025 to some of the key assumptions used within the ECL calculation:

	Increase in provision £m
10% increase in the probability of the downside scenario (reducing the upside by a corresponding 10%)	**3**
5% increase in the probability of the severe downside scenario (reducing the downside by a corresponding 5%)	**49**

The use of estimates (continued)

One of the criteria for moving exposures between stages is the lifetime PD which incorporates macroeconomic factors. As a result, the stage allocation will be different in each scenario and so the probability weighted ECL cannot be recalculated using the scenario ECL provided and the scenario weightings.

Certain asset classes are less sensitive to specific macroeconomic factors, showing lower relative levels of sensitivity. To ensure appropriate levels of ECL, the relative lack of sensitivity is compensated for through the application of MAs, further detail of which can be found on page 48. Within each portfolio, the following are the macroeconomic inputs that are more sensitive, and therefore more likely to drive the move from Stage 1 to Stage 2 under a stress scenario:

- *Residential mortgages:* Unemployment and HPI
- *Consumer:* Unemployment
- *Business and commercial:* Unemployment and HPI

In addition to assessing the ECL impact of applying a 100% weighting to each of the three chosen scenarios, the Group has also considered the effect changes to key economic inputs would make to the modelled ECL output.

The Group considers the unemployment rate and HPI as the inputs that would have the most significant impact on ECL and has assessed how these metrics would change ECL across the relevant portfolios, with the reported output assessed against the base case. All changes have been implemented as immediate effects within the first year of the base case scenario, persisting throughout the scenario.

The following table discloses the ECL impact of a 10% decrease in HPI on the Group's Residential mortgage and Business and commercial lending portfolios:

(audited)	**31 Mar 2025 £m**	30 Sep 2023 £m
Residential mortgages -10%	**3**	2
Business and commercial -10%	**7**	2

Unemployment is a key input that affects all of the Group's lending categories and the following table highlights the ECL impact of a one percent increase in the unemployment rate:

(audited)	**31 Mar 2025 £m**	30 Sep 2023 £m
Residential mortgages +1%	**1**	1
Consumer lending +1%	**20**	21
Business and commercial +1%	**5**	4

While the above sensitivities provide a view of how the ECL would be impacted based on these single changes, such changes would not ordinarily occur in isolation and the economic inputs used are linked within each chosen scenario.

The use of judgement

SICR

Judgement is required in determining the point at which a SICR has occurred, as it is the point at which a 12-month ECL is replaced by a lifetime ECL. The Group has developed a series of triggers that indicate where a SICR has occurred when assessing exposures for the risk of default occurring at each reporting date compared to the risk at origination. There is no single factor that influences this decision, rather a combination of different criteria that enables the Group to make an assessment based on the quantitative and qualitative information available. This assessment includes the impact of forward-looking macroeconomic factors but excludes the existence of any collateral implications. Indicators of a SICR include deterioration of the residual lifetime PD by set thresholds that are unique to each product portfolio, non-default forbearance programmes, and watch list status. The Group adopts the backstop position that a SICR will have taken place when the financial asset reaches 30 DPD. The Group does not have a set absolute threshold by which the PD would have to increase by, in order to establish that a SICR has occurred, and has implemented an approach with the required SICR threshold trigger varying on a portfolio and product basis according to the origination PD. The table below illustrates this approach with reference to the Group's Residential mortgage, Consumer (credit cards) and Business and commercial portfolios. In each case the illustration is of the PD threshold based on a five year full lifetime PD (not the annualised equivalent). The business example reflects the thresholds appropriate for term lending.

Indicators of a SICR include deterioration of the residual lifetime PD by set thresholds that are unique to each product portfolio, non-default forbearance programmes, and watch list status.

(audited)		**Origination PD**	**SICR Trigger**
Residential mortgages	Low origination lifetime PD	2.00%	5.69%
	High origination lifetime PD	10.00%	17.69%
Credit cards	Low origination lifetime PD	2.00%	22.34%
	High origination lifetime PD	10.00%	25.52%
Business and commercial	Low origination lifetime PD	2.00%	6.03%
	High origination lifetime PD	10.00%	16.70%

Significant adjustments made in modelling provisions

Following the Nationwide acquisition and the subsequent harmonisation of the IFRS 9 methodology, the following table has been included for the current period. The table below shows key adjustments made in modelling provisions in relation to the significant areas of estimation uncertainty for the Residential mortgages, Consumer lending and Business and commercial portfolios, with further details on each provided below.

31 March 2025	**Residential mortgages**	**Consumer**	**Business and commercial**	**Total**
(audited)	**£m**	**£m**	**£m**	**£m**
PD uplift for affordability risks	**8**	**63**	**4**	**75**
LGD uplift for property valuation risks	**7**	**-**	**-**	**7**
PD uplift for credit card persistent debt	**-**	**12**	**-**	**12**
Total adjustments	**15**	**75**	**4**	**94**

PD uplift for affordability risks

PD uplift adjustment reflects the ongoing affordability pressures faced by borrowers, primarily within the residential mortgage portfolio. This adjustment primarily includes the risks associated with borrowers which have switched or are expected to switch to higher mortgage interest rates in the next two years.

The use of judgement (continued)

LGD uplift for property valuation risks

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

PD uplift for credit card persistent debt

A borrower who has been paying more in interest, fees and charges than they are paying to reduce their outstanding balance, for at least three years. The Group provides support to such 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 and therefore receive a lifetime ECL.

Definition of default

The PD of a credit exposure is a key input to the measurement of the ECL allowance. Default under Stage 3 occurs when there is evidence that a customer is experiencing significant financial difficulty, which is likely to affect the ability to repay amounts due.

The use of judgement (continued)

MAs

At 31 March 2025, £78m of MAs (30 September 2023: £76m) are included within the total ECL provision of £739m (30 September 2023: £617m).

These are management judgements which impact the ECL provision by increasing (or decreasing) the collectively assessed modelled output where not all of the known risks identified in a particular product segment have been reflected within the models. This also takes into account any time lag between the date the macroeconomic assumptions were received and the reporting date.

The selection of appropriate MAs is a major component in determining the Group's ECL, the impact of these adjustments and how they impact the Group's total reported ECL allowance and coverage ratio for each portfolio is:

31 March 2025(1)	**Residential mortgages**	**Consumer**	**Business and commercial**	**Total**
(audited)	**£m**	**£m**	**£m**	**£m**
ECL before adjustments (A)	**45.1**	**482.2**	**134.7**	**662.0**
Adjustments:				
Credit card adjustments	**-**	**22.9**	**-**	**22.9**
To address leveraged lending	**-**	**-**	**10.0**	**10.0**
To address affordability and rate shocks	**7.8**	**-**	**-**	**7.8**
Other technical adjustments	**1.7**	**14.0**	**11.0**	**26.7**
Other adjustments	**6.4**	**0.3**	**3.4**	**10.1**
Total adjustments (B)	**15.9**	**37.2**	**24.4**	**77.5**
Total reported ECL (A + B)	**61.0**	**519.4**	**159.1**	**739.5**
% of total ECL (B / total reported ECL)	**26%**	**7%**	**15%**	**10%**
Coverage - total	**0.11%**	**7.80%**	**1.67%**	**1.03%**
Coverage - total ex MAs	**0.08%**	**7.25%**	**1.42%**	**0.92%**

30 September 2023(1)	Residential mortgages	Consumer	Business and commercial	Total
(audited)	£m	£m	£m	£m
ECL before adjustments (A)	25.2	400.2	115.5	540.9
Adjustments:				
Credit card adjustments	-	27.5	-	27.5
To address economic resilience	5.0	-	15.0	20.0
Additional BTL impact	25.1	-	-	25.1
Other adjustments	1.7	1.3	0.5	3.5
Total adjustments (B)	31.8	28.8	15.5	76.1
Total reported ECL (A + B)	57.0	429.0	131.0	617.0
% of total ECL (B / total reported ECL)	*56%*	*7%*	*12%*	*12%*
Coverage - total	*0.10%*	*6.65%*	*1.60%*	*0.84%*
Coverage - total ex MAs	*0.04%*	*5.87%*	*1.33%*	*0.74%*

(1) The impact of rounding means that the combination of the probability weighted total and IA provision may not fully align to the portfolio sections.

The use of judgement (continued)

Residential mortgages

The assessment of the lending portfolio is conducted to identify areas of weakness which the models cannot incorporate and the modelled ECL may therefore not be sufficient. In addition, a process of judgemental MA alignment with Nationwide has also been completed resulting in the application of four new MAs; (i) Affordability, driven by an assumed average reduction in disposable monthly income; (ii) Rate shock, defined as a reduction in disposable monthly income; and other adjustments being (iii) Valuation Risk, potential over-estimation of valuations for flats; and (iv) Past Term Interest Only, the possibility of losses arising from mortgages that are past term interest only.

With the inclusion of the severe downside adjustment and the four new MAs, the following are no longer required and have been removed; (i) Buy-to-Let segment, which was held to ensure that coverage for buy to let mortgages is higher than that for residential mortgages; (ii) MES adjustment, which was held to reflect the judgment that forecast default rates for some capital and interest mortgages were too low; and (iii) Combined Risk, which was held as a result of fixed term interest only and downturn buy to let risk. This included six immaterial (c.£0.5m) MAs that span a range of small ECL risks for mortgages. Two of the six have been removed.

Consumer lending

A key MA movement in the period was, a new MA for Persistent Debt, included as part of the alignment exercise to move accounts in late-stage Persistent Debt (27 and 36 months) directly into Stage 2. This mitigates the risk that customers in Persistent Debt who will not choose to move to a repayment plan, can have a materially higher default rate. The MA relating to the upgrade in credit reference data and models has been removed following the system implementation in October 2024.

MAs are in place for Credit Card LGD (reflecting a change in debt sale price since development) and Credit Card EAD (for model underprediction). New behavioural scoring models and new credit reference agency data were implemented in October 2024 and are expected to perform well. A new suite of IFRS 9 models are close to completion. As these are not yet complete and a robust ECL impact cannot be assessed, no MAs has been identified as being required in anticipation of the future models.

There is no requirement for MAs in relation to external factors not captured within the model outputs.

Business and commercial lending

There are two new judgemental MAs introduced in the period, AFD and leveraged lending. AFD is held to reflect the potential for delayed identification of customers in approaching difficulty, a precursor to arrears and a Stage 2 trigger. Leveraged lending is held to mitigate the risk of the LGD model underpredicting for high value, leveraged lending.

New macro-economic models have been developed and are being assessed, given the timing of this and the likely subsequent implementation of the models, an MA for their ECL impact has been raised.

No new MAs are required for any models within this portfolio.

Macroeconomic assumptions (audited)

Annual macroeconomic assumptions used over the five-year forecast period in the scenarios and their weighted averages are as follows:

31 March 2025

			Annual growth rate[(1)]							
			Forecast							
Scenario	Weighting	Economic measure	2025 %	2026 %	2027 %	2028 %	2029 %	5-year average[(2)] %	Dec-24 to peak[(3)] %	Dec-24 to trough[(3)] %
Upside	10%	GDP growth	1.7	2.0	2.0	2.0	2.0	2.0	10.2	0.3
		HPI growth	5.4	4.5	3.8	3.8	3.8	4.2	23.1	1.3
		Unemployment	4.1	4.0	4.0	4.0	4.0	4.0	4.3	4.0
		Bank rate	4.3	4.3	4.3	4.3	4.3	4.3	4.5	4.3
		CPI	2.5	2.0	2.0	2.0	2.0	2.1	2.7	2.0
Base	45%	GDP growth	1.4	1.7	1.6	1.6	1.4	1.5	8.0	0.2
		HPI growth	1.9	2.3	2.7	3.3	3.2	2.7	14.3	0.1
		Unemployment	4.7	4.6	4.4	4.3	4.3	4.5	4.7	4.3
		Bank rate	3.8	3.5	3.5	3.3	3.3	3.6	4.5	3.3
		CPI	3.4	2.0	2.0	2.0	2.0	2.3	3.5	1.8
Downside	30%	GDP growth	(0.9)	(1.2)	3.3	2.4	1.9	1.1	5.6	(2.1)
		HPI growth	(4.9)	(9.4)	(3.7)	8.7	9.3	(0.3)	(0.6)	(17.1)
		Unemployment	5.4	6.2	5.6	5.2	5.0	5.4	6.2	4.7
		Bank rate	2.5	0.5	0.5	0.5	0.5	1.3	4.5	0.5
		CPI	1.5	0.3	1.2	1.8	2.0	1.5	2.8	0.3
Severe downside	15%	GDP growth	(1.8)	(3.7)	2.8	2.8	2.2	7.1	9.3	4.8
		HPI growth	(12.	(18.1)	(1.8)	9.3	9.7	(3.3)	(1.4)	(30.1)
		Unemployment	5.9	8.4	8.5	7.0	6.0	7.1	9.3	4.8
		Bank rate	6.5	8.0	5.0	4.3	3.5	5.4	8.5	3.5
		CPI	6.5	7.0	2.2	2.0	2.0	4.1	8.0	2.0
Weighted average		GDP growth	0.3	0.1	2.4	2.1	1.8			
		HPI growth	(1.9)	(4.1)	0.2	5.9	6.1			
		Unemployment	5.0	5.6	5.3	4.9	4.7			
		Bank rate	3.8	3.4	2.9	2.7	2.6			
		CPI	3.2	2.2	1.8	1.9	2.0			

(1) The average rate calculations differ from prior period following the alignment of Macroeconomic assumptions to Nationwide following acquisition.

(2) 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.

(3) 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.

Risk report (continued)
Credit risk (continued)
The use of judgement (continued)

Macroeconomic assumptions (audited) (continued)

30 September 2023[1]

Scenario	VMUK weighting	Economic measure [2]	2023 %	2024 %	2025 %	2026 %	2027 %
		GDP	0.8	3.0	2.6	3.0	1.6
		HPI	(1.3)	(4.8)	(0.9)	6.6	7.0
Upside	10%	Unemployment	4.2	4.1	3.9	3.8	3.7
		Base rate	4.8	6.5	6.0	5.0	4.0
		Inflation	7.6	4.2	2.5	1.1	1.7
		GDP	0.5	0.4	1.5	2.3	1.5
		HPI	(2.7)	(7.2)	(2.9)	4.6	7.1
Base	55%	Unemployment	4.2	4.5	4.3	3.9	3.9
		Base rate	4.7	5.4	4.5	3.5	2.5
		Inflation	7.6	3.2	1.5	1.0	1.7
		GDP	(0.1)	(3.3)	0.7	1.9	1.6
		HPI	(4.7)	(12.7)	(7.6)	1.0	7.5
Downside	35%	Unemployment	4.3	5.7	6.7	7.0	6.8
		Base rate	4.6	4.5	3.5	2.5	1.5
		Inflation	7.4	1.7	0.4	0.7	1.7
		GDP	0.3	(0.6)	1.3	2.2	1.6
		HPI	(3.3)	(8.9)	(4.4)	3.6	7.3
Weighted average		Unemployment	4.2	4.9	5.1	5.0	4.9
		Base rate	4.7	5.2	4.3	3.3	2.3
		Inflation	7.5	2.8	1.2	0.9	1.7

(1) Macroeconomic assumptions provided by Oxford Economics on 1 September 2023 and reported on a calendar year basis unless otherwise stated. The changes in macroeconomic assumptions between 1 September 2023 and 30 September 2023 have been considered as part of the MAs.

(2) The percentages shown for base rate, unemployment and inflation are averages. GDP is the year-on-year movement, with HPI the Q4 v Q4 movement.

Financial risk

Financial risk (continued)

The financial risk framework underpins the Group's robust balance sheet, ensuring strategy is resilient and responsive to external pressures and changing regulatory obligations.

Financial risk covers several categories of risk which impact the way in which the Group can support its customers in a safe and sound manner. They include capital risk, funding risk, liquidity risk, market risk and pension risk.

The acquisition of the Group by Nationwide has not impacted the management of financial risk, which continues to be monitored and controlled on a standalone basis. The Group continues to meet regulatory requirements, for example capital, funding, liquidity and market risk on a solo basis and maintains an independent risk appetite.

Risk appetite

The primary objective for the management of financial risks is to control the Group's risk profile within approved risk limits to maintain the confidence of the Group's customers and other stakeholders. Financial risk is also managed to protect current and future earnings from the impact of market volatility. The Group applies a prudent approach to financial risk to safeguard the ongoing strength and resilience of the balance sheet. These activities are undertaken in a manner consistent with the Group's regulatory obligations.

Financial risk appetite is approved by the Board, with authority delegated to ALCO for subsequent implementation and monitoring. The Board has established a range of capital risk appetite measures including CET1 and leverage. Measures for funding and liquidity risks consider the structure of the balance sheet, the Group's overall funding profile and compliance with the regulatory LCR and NSFR requirements. Board-approved risk appetite covers both regulatory and internal liquidity requirements and the need to maintain access to liquidity resources sufficient to accommodate outflows of funds in a range of stress scenarios and time periods.

The Group participates in wholesale markets, and uses financial instruments to fund its banking activities and manage the liquidity and market risks arising from these activities. The Group establishes an appetite for these risks based on an overriding principle that the Group will not engage in proprietary risk taking.

The Group's pension risk appetite is a component of the Group-wide RAS framework for the management of balance sheet risks and is considered in the context of potential capital impacts as a result of volatility in the Scheme's valuations and future contributions.

Following the acquisition of Virgin Money and its subsidiaries by Nationwide, the Group is no longer regulated at a consolidated level. The company is regulated at a solo consolidated level consisting of Clydesdale Bank PLC and its subsidiaries, YBHL, CYB Intermediaries and CGF No 9. All capital and regulatory disclosures (including comparatives) are now disclosed at this level.

Ring-fencing

On 13 January 2025, The Financial Services and Markets Act 2000 (Ring-fenced Bodies, Core Activities, Excluded Activities and Prohibitions) (Amendment) Order 2025 was passed. With an effective date of 4 February 2025, the impact of the legislation meant the Group is no longer subject to the structural reform rules, commonly referred to as ring-fencing. This position would change if the Group was to exceed a threshold in relation to Trading Assets as a percentage of Tier 1 Capital. The changes do not have a material impact on the activities of the Group.

Capital risk

Capital is held by the Group to cover inherent risks in a normal and stressed operating environment, to protect unsecured creditors and investors and to support the Group's strategy of sustainable growth. Capital risk is the risk that the Group has or forecasts insufficient capital and other loss-absorbing debt instruments to operate effectively.

Mitigation

The Group's capital risk policy provides the framework for the management of capital within the Group. The objectives of the policy are to efficiently and sustainably manage the capital base while maintaining capital adequacy and ensuring that excessive leverage is not taken, so meeting regulatory requirements and managing the rating agencies' assessments of the Group. This includes meeting minimum regulatory requirements, operating within Board approved risk appetite and supporting its strategic goals. The Nationwide Group Capital Framework supports the Group capital risk policy.

Measurement

The Group manages capital in accordance with prudential rules issued by the Prudential Regulation Authority (PRA) and the FCA. Pillar 1 capital requirements are calculated in respect of credit risk, operational risk, market risk, counterparty credit risk and credit valuation adjustments. The capital requirements for credit risk are calculated using the following approaches:

- Retail mortgages: IRB;
- Business lending: Foundation internal ratings based (FIRB);
- Specialised lending: IRB slotting; and
- All other portfolios: Standardised approach, via either sequential IRB implementation or Permanent Partial Use.

Monitoring

The Board approves the capital risk appetite, defining minimum levels of capital across a range of capital ratios and measurements. The internal appetite ensures the Group operates above minimum regulatory requirements with reporting conducted through ALCO, Board and Executive Risk Committee. The capital plan, which assesses capital adequacy on a forward-looking basis, is also approved by the Board annually. The annual planning process is supported by rolling forecasting which is reported to ALCO monthly. This ensures that performance trends are reviewed and that there is transparency of the impact on capital ratios, risk appetite and the outlook. As part of the monthly forecasting process, ALCO reviews scenario analysis, considering adverse impacts to economic conditions and modelling sensitivities, including changes to regulation. These processes all support the Group's management of capital and informs the CET1 target operating range of 13.0%-13.5%. Further information on capital risk can be found in the Pillar 3 disclosures of the immediate parent company, Virgin Money UK PLC.

Capital ratios and requirements

	31 March 2025			30 September 2023[1]		
	CET1	**Total capital**	**Leverage**	CET1	Total capital	Leverage
Pillar 1 requirements	**4.50%**	**8.00%**	**3.25%**	4.50%	8.00%	3.25%
Pillar 2A requirements	**2.12%**	**3.76%**	**-**	1.67%	2.97%	-
Minimum capital requirements	**6.62%**	**11.76%**	**3.25%**	6.17%	10.97%	3.25%
Combined buffers	**4.50%**	**4.50%**	**0.70%**	4.50%	4.50%	0.70%
Overall capital requirement	**11.12%**	**16.26%**	**3.95%**	10.67%	15.47%	3.95%
Closing reported capital ratios	**14.15%**	**19.41%**	**5.53%**	14.70%	21.19%	4.90%
Surplus above capital requirements	**3.03%**	**3.15%**	**1.58%**	4.03%	5.72%	0.95%

(1) In line with regulatory submissions the prior year regulatory capital tables have not been restated for the impact of aligning the Group's accounting policies and presentation basis with Nationwide.

The Group continues to exceed its CET1 capital requirements with a surplus of 3.03% (£835m) at March 2025. The Group's leverage exposures were £83,120m, with a Tier 1 capital surplus of 1.58% (£1,310m) held in excess of the leverage requirement.

Financial risk (continued)

The Group's capital resources position as at 31 March 2025 is summarised below:

Regulatory capital[1]	31 Mar 2025 £m	30 Sep 2023 (restated)[2] £m
Statutory total equity[2]	**5,596**	5,680
Impact of individual consolidation adjustments		
CET1 capital: regulatory adjustments[3]		
Other equity instruments	**(693)**	(594)
Defined benefit pension fund assets	**(267)**	(333)
Prudent valuation adjustment	**(13)**	(5)
Intangible assets	**(92)**	(162)
Goodwill	**(11)**	(11)
Deferred tax asset relying on future profitability	**(259)**	(369)
Cash flow hedge reserve	**(169)**	(497)
AT1 coupon accrual	**(15)**	(12)
TMLA fee	**(18)**	-
Foreseeable dividend on ordinary shares	**-**	(27)
Excess expected losses	**(99)**	(103)
IFRS 9 transitional adjustments	**-**	112
CET1 holdings in financial sector entities	**(60)**	(22)
Total regulatory adjustments to CET1	**(1,696)**	(2,023)
Total CET1 capital	**3,900**	3,657
AT1 capital		
AT1 capital instruments	**693**	594
Total AT1 capital	**693**	594
Total Tier 1 capital	**4,593**	4,251
Tier 2 capital [4]		
Subordinated debt	**754**	1,022
Total Tier 2 capital	**754**	1,022
Total regulatory capital	**5,347**	5,273

(1) Data in the table is reported under CRD V on a fully loaded basis with IFRS 9 transitional arrangements applied. At 31 March 2025, the Group has no IFRS 9 transitional arrangements remaining on a CB Solo-Group consolidated basis.

(2) The Group has taken advantage of the provisions of Article 9 of the CRR to include certain subsidiaries within its capital calculations as if it was a single entity. The results above therefore represent the solo consolidated group rather than Clydesdale Bank PLC entity.

(3) A number of regulatory adjustments to CET1 capital are required under CRD V regulatory capital rules.

(4) To align to NBS Group presentation, Tier 2 capital is measured using the accounting carrying value from March 2025.

CET1 capital on a CB Solo-Group consolidated basis increased by £243m. Capital generated from profit was utilised to fund distributions of £251m in the period to fund AT1 coupons and the share buyback programme in Virgin Money. Post acquisition, £800m of downstream capital from Nationwide absorbed the capital impact of accounting alignment adjustments and the TMLA fee payable.

RWA

Minimum capital requirements	31 Mar 2025 Exposure £m	31 Mar 2025 RWA £m	31 Mar 2025 Minimum capital requirement £m	30 Sep 2023[1] Exposure £m	30 Sep 2023[1] RWA £m	30 Sep 2023[1] Minimum capital requirement £m
Retail mortgages	**58,092**	**9,343**	**747**	60,354	9,072	726
Business lending	**13,768**	**9,258**	**741**	12,799	7,117	569
Other retail lending	**18,199**	**4,599**	**368**	17,461	4,720	378
Other lending	**17,574**	**264**	**21**	17,956	270	22
Other[2]	**789**	**897**	**72**	617	703	56
Total credit risk	**108,422**	**24,361**	**1,949**	109,187	21,882	1,751
Credit valuation adjustment		**19**	**1**		35	3
Operational risk		**3,091**	**247**		2,818	225
Counterparty credit risk		**84**	**7**		151	12
Total	**108,422**	**27,555**	**2,204**	109,187	24,886	1,991

(1) The Group has taken advantage of the provisions of Article 9 of the CRR to include certain subsidiaries within its RWA calculations as if it was a single entity. The results above therefore represent the solo consolidated group rather than Clydesdale Bank PLC entity.

(2) The items included in the Other exposure class that attract a capital charge include items in the course of collection, fixed assets, prepayments, other debtors and deferred tax assets that are not deducted.

RWA increased c.£2.7bn to £28bn primarily due to asset quality movement related to growth of the Business portfolio and further quality movement in the Mortgage portfolio with increased lending to higher LTV brackets and the impact from quarterly PD re-calibrations, partially offset by movements in Hybrid MA's. In addition there were changes in the identification of SME Lending and the associated removal of the SME support factor.

The BoE as the UK Resolution Authority has published its framework for setting MREL. This requires the Group to hold capital resources and eligible debt instruments equal to the greater of two times the Total Capital Requirement or two times the UK Leverage Ratio requirement. In addition to MREL, the Group must also hold any applicable capital buffers, which together with MREL represent the Group's LAC requirement. As at 31 March 2025, the Group’s risk based LAC requirement of 28.0% of RWA exposures (or 9.3% when expressed as a percentage of leverage) was greater than the leverage based LAC requirement of 8.6% of leverage exposures, meaning the RWA measure is the binding requirement.

MREL resources were £8.4bn (30 September 2023: £8.0bn) equivalent to 30.3% of RWA exposures (30 September 2023 (restated): 32.1%) or 10.00% when expressed as a percentage of leverage (30 September 2023: 9.3%). This provides prudent headroom of £0.6bn or 2.3% above the LAC requirement expressed as RWAs, or 0.7% above the LAC requirement of 9.3% when expressed as a percentage of leverage exposures. The Group has taken advantage of the provisions of Article 9 of the CRR to include certain subsidiaries within its MREL calculations as if it was a single entity. The results above therefore represent the solo consolidated group rather than Clydesdale Bank PLC entity.

Funding and liquidity risk

Funding risk occurs when the Group is unable to raise or maintain funds of sufficient quantity and quality to support the delivery of the business plan or sustain lending commitments. Prudent funding risk management reduces the likelihood of liquidity risks occurring, increases the stability of funding sources, minimises concentration risks and ensures future balance sheet growth is sustainable.

Liquidity risk occurs when the Group is unable to meet its current and future financial obligations as they fall due or at acceptable cost, or when the Group reduces liquidity resources below internal or regulatory stress requirements.

Exposures

The Group is predominantly funded by personal and business deposits. Customer funding is supported by the Group's wholesale funding programmes, medium-term secured funding issuance (for example the Group's securitisation programmes), Regulated Covered Bonds and unsecured medium-term notes. The Group has also drawn against the BoE Term Funding Scheme with additional incentives for SMEs (TFSME).

Funding risk exposures arise from an unsustainable or undiversified funding base, for example a reliance on short-term wholesale deposits. The risk may result in deviation from funding strategy, negatively impact market or customer perception, increase the acquisition cost of new funds or reduce lending capacity, thereby adversely impacting financial performance and stability.

The Group's primary liquidity risk exposure arises through the redemption of retail deposits where customers have the ability to withdraw funds with limited or no notice. Exposure also arises from the refinancing of customer and wholesale funding at maturity and the requirement to fund new and existing committed lending obligations including mortgage pipeline and credit card facilities.

Measurement

Funding and liquidity risks are subject to a range of measures contained within the Group's RAS which reflect both regulatory requirements, as a minimum, and the Group's own view on risk sensitivities. The Group RAS is supported by a series of limits agreed by ALCO. These measures provide a short- and long-term view of risks under both normal and stressed conditions. The measures focus on: cash outflows and inflows under stress; concentration risks; refinancing risks; asset encumbrance; and the quantum, diversity and operational capability of mitigating actions.

The Group's funding plan establishes an acceptable level of funding risk which is approved by the Board and is consistent with risk appetite and the Group's strategic objectives. The development of the Group's funding plan is informed by the requirements of the Group's financial risk policies.

A series of metrics is used across the Group to measure risk exposures, including funding ratios, limits to concentration risk and maximum levels of encumbrance.

Liquidity is managed in accordance with the Internal Liquidity Adequacy Assessment Process (ILAAP), which is approved by the Board. Liquidity risk exposures are subject to assessment under both regulatory and internal requirements. The volume and quality of the Group's liquid asset portfolio is defined through a series of stress tests across a range of time horizons and stress conditions. The High-Quality Liquid Asset (HQLA) requirement is quantified as the outflow of funds under a series of stress scenarios less the impact of inflows from assets. Stress cash outflow assumptions have been established for individual liquidity risk drivers across idiosyncratic and market-wide stresses.

The Treasury function is responsible for the development and execution of strategy subject to oversight from the Risk function and review at ALCO. The Group continues to maintain its strong funding and liquidity position and seeks to achieve an appropriate balance between profitability, liquidity risk and balance sheet optimisation.

Monitoring

Liquidity is monitored and measured daily by the Group, with reporting conducted through ALCO and the Executive Risk Committee. In a stress situation or in adverse conditions, the level of monitoring and reporting is increased commensurate with the nature of the stress event.

Monitoring and control processes are in place against internal and regulatory liquidity requirements. The Group monitors a range of market and internal early warning indicators on a routine basis for early signs of liquidity risk in the market or specific to the Group. These indicators cover a mixture of quantitative and qualitative measures including daily variation of customer balances, measurement against stress requirements and monitoring of the macroeconomic environment.

Funding and liquidity risk (continued)

Mitigation

The Group holds a portfolio of HQLA that can be utilised to raise funding in times of stress. The size of the HQLA portfolio is calibrated based on a view of potential outflows under both systemic and idiosyncratic stress events. The Group has several sources of funding which are well-diversified in terms of the type of instrument and product, counterparty, term structure and market. Wholesale funding is used to support balance sheet growth, lengthen the contractual tenor of funding and diversify funding sources. These funding programmes are a source of strength for the Group and leverage the Group's high-quality mortgage book as collateral for secured funding. In addition, the Group can use the repo market for managing cash flows and bilateral relationships to generate funds and can also participate in BoE operations through the Sterling Monetary Framework (SMF) for example TFSME.

The funding plan includes an assessment of the Group's capacity for raising funds across a wide range of primary funding sources, thereby mitigating funding risk. Refinancing risks are carefully managed and are subject to controls overseen by ALCO.

The Group recovery plan has been established for management of an escalated liquidity requirement, if the Group experiences either restricted access to wholesale funding or a significant increase in the withdrawal of funds. The plan identifies triggers for escalation, assesses capacity, details the actions required, allocates the key tasks to individuals, provides a time frame and defines the governance framework to manage the action plan and return the balance sheet structure within appetite.

The Group operates a Funds Transfer Pricing system, a key purpose of which is to ensure that liquidity risk and funding costs are factors in the pricing of loans and deposits.

Sources of funding (audited)

The table below provides an overview of the Group's sources of funding as at 31 March 2025:

	31 Mar 2025 £m	30 Sep 2023 £m Restated(1)
Total assets	**89,876**	91,529
Less: other liabilities(2)	**(6,393)**	(6,163)
Funding requirement	**83,483**	85,366
Funded by:		
Customer deposits	**70,383**	66,827
Debt securities in issue	**6,557**	6,155
Due to other banks and similar institutions	**934**	7,050
of which:		
Secured loans	***910***	*6,291*
Securities sold under agreements to repurchase	***10***	*552*
Transaction balances with other banks	***10***	*130*
Deposits with other banks	***4***	*77*
Equity	**5,609**	5,334
Total funding	**83,483**	85,366

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

(2) Other liabilities include derivatives, deferred tax liabilities, provisions for liabilities and charges, accruals and deferred income, and other liabilities as per the balance sheet line item.

The Group's funding objective is to prudently manage the sources and tenor of funds in order to provide a sound base from which to support sustainable lending. At 31 March 2025, the Group had a funding requirement of £83,483m (30 September 2023 (restated): £85,366m) with the majority being used to support loans and advances to customers. During the period, the Group has been comfortably in excess of regulatory and internal requirements. The 12-month average NSFR as at 31 March 2025 is 142% (30 September 2023: 136%).

Funding and liquidity risk (continued)

Liquid assets

The quantity and quality of the Group's liquid assets are calibrated to the Board's view of liquidity risk appetite and remain at a prudent level above regulatory requirements.

	Average	
		30 Sep 2023
	31 Mar 2025	Restated[(1)]
LCR	**£m**	£m
Eligible liquidity buffer	**14,868**	13,798
Net stress outflows	**9,414**	9,516
Surplus	**5,454**	4,282
LCR	**158%**	145%

(1) The Group has taken advantage of the provisions of Article 9 of the CRR to include certain subsidiaries within its LCR calculations as if it was a single entity. The results above therefore represent the CB Bank rather than Clydesdale Bank PLC entity.

The liquid asset portfolio provides a buffer against sudden and potentially sharp outflows of funds. Liquid assets must therefore be high-quality so they can be realised for cash and cannot be encumbered for any other purpose (for example to provide collateral for payments systems). The liquid asset portfolio is primarily comprised of cash at the BoE, UK Government securities (Gilts) and listed securities (for example bonds issued by supra-nationals and AAA-rated covered bonds).

The volume and quality of the Group's liquid asset portfolio is defined through a series of internal stress tests across a range of time horizons and stress conditions.

The key risk driver assumptions applied to the scenarios are:

Liquidity risk driver	Internal stress assumption
Retail funding	Severe unexpected withdrawal of retail deposits by customers arising from redemption or refinancing risk. No additional deposit inflows are assumed.
Wholesale funding	Limited opportunity to refinance wholesale contractual maturities. Full outflow of secured and unsecured funding during the refinancing period, with no reinvestment of funding.
Off-balance sheet	Cash outflows during the period of stress as a result of off-balance sheet commitments such as mortgage pipeline, undrawn credit card facilities and collateral commitments. Lending outflows, over and above contractual obligations, are honoured as the Group preserves ongoing viability.
Intra-day	Other participants in the payment system withhold or delay payments or customers increase transactions resulting in reduced liquidity.
Liquid assets	The liquidity portfolio value is reduced, reflecting stressed market conditions.

The Group monitors the movements in its credit ratings and the related requirement to post collateral for payment systems and clearing houses. These figures are not considered material compared to the volume of unencumbered liquid assets.

As at 31 March 2025, the Group held eligible liquid assets well in excess of 100% of net stress outflows and Pillar 2 liquidity requirements, as defined through internal risk appetite.

Liquid asset portfolio[1] (audited)	31 Mar 2025 £m	30 Sep 2023 £m	Change %	Average 2025 £m	Average 2023 £m
Level 1					
Cash and balances with central banks	**8,969**	8,940	**0.3**	**9,624**	9,604
UK Government treasury bills and gilts	**2,237**	1,655	**35.2**	**1,808**	1,182
Other debt securities	**3,136**	3,153	**(0.5)**	**3,086**	2,782
Total level 1	**14,342**	13,748	**4.3**	**14,518**	13,568
Level 2[2]	**623**	471	**32.3**	**602**	327
Total LCR eligible assets	**14,965**	14,219	**5.2**	**15,120**	13,895

(1) Excludes encumbered assets.
(2) Includes Level 2A and Level 2B.

The liquid asset portfolio is marked to market and fully hedged from an interest, inflation and foreign exchange risk perspective. All fair value movements are therefore recognised in CET1 via the income statement (market risk) or FVOCI reserve (credit risk). The Interest Rate Risk in the Banking Book (IRRBB) stress testing framework includes limits to manage the stressed credit spread risk arising from hedging the fixed rate securities in the Group's liquid asset portfolio. This ensures the composition of the total portfolio is controlled and the exposure will not exceed internal appetite or the amount of capital allocated.

Encumbered assets

The Group manages the level of asset encumbrance to ensure appropriate volumes of assets are maintained to support future planned and potential stressed funding requirements. The Group RAS includes an internal limit for levels of encumbrance. Reasons for asset encumbrance include, among others, supporting the Group's secured funding programmes to provide stable term funding to the Group, the posting of assets in respect of drawings under the TFSME scheme, use of assets as collateral for payments systems to support customer transactional activity and providing security for the Group's issuance of Scottish bank notes.

Funding and liquidity risk (continued)

Encumbered assets by asset category (audited)

31 March 2025	Assets encumbered with non-Central Bank counterparties				Other assets					
						Assets not positioned at the Central Bank				
	Covered Bonds £m	Securitisations £m	Other £m	Total £m	Positioned at the Central Bank (including encumbered) £m	Readily available for encumbrance £m	Other assets capable of being encumbered £m	Cannot be encumbered £m	Total £m	Total £m
Loans and advances to customers	**5,769**	**3,848**	**-**	**9,617**	**14,094**	**28,352**	**19,056**	**-**	**61,502**	**71,119**
Cash and balances with central banks	**-**	**-**	**-**	**-**	**2,305**	**8,577**	**-**	**-**	**10,882**	**10,882**
Due from other banks and similar institutions	**-**	**242**	**101**	**343**	**-**	**21**	**-**	**-**	**21**	**364**
Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**48**	**48**	**48**
Financial instruments at FVOCI	**-**	**-**	**700**	**700**	**-**	**5,497**	**-**	**-**	**5,497**	**6,197**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,266**	**1,266**	**1,266**
Total assets	**5,769**	**4,090**	**801**	**10,660**	**16,399**	**42,447**	**19,056**	**1,314**	**79,216**	**89,876**

30 September 2023[(1)]	Assets encumbered with non-Central Bank counterparties				Other assets					
						Assets not positioned at the Central Bank				
	Covered Bonds £m	Securitisations £m	Other £m	Total £m	Positioned at the Central Bank (including encumbered) £m	Readily available for encumbrance £m	Other assets capable of being encumbered £m	Cannot be encumbered £m	Total £m	Total £m
Loans and advances to customers	5,944	3,807	-	9,751	17,770	24,995	19,788	-	62,553	72,304
Cash and balances with central banks	-	-	-	-	2,797	8,485	-	-	11,282	11,282
Due from other banks and similar institutions	97	262	296	655	-	12	-	8	20	675
Derivatives	-	-	-	-	-	-	-	135	135	135
Financial instruments at FVOCI	-	-	1,404	1,404	-	4,780	-	-	4,780	6,184
Other assets	-	-	-	-	-	-	-	949	949	949
Total assets	6,041	4,069	1,700	11,810	20,567	38,272	19,788	1,092	79,719	91,529

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details. In addition some balances have been reallocated following the alignment of presentation basis with Nationwide. £2,276m of loans and advances to customers that were previously considered 'cannot be encumbered' as they couldn't be utilised in existing VMUK funding platforms, are considered capable of being encumbered by Nationwide as they could be utilised in alternative funding options which is now reflected above. Similarly to align with Nationwide's basis of presentation, £12m of due from other banks and similar institutions previously recognised as capable of being encumbered have been reclassified to readily available for encumbrance. Within other assets (£492m) fair value adjustments for portfolio hedged risk, £2m investment securities at FVTPL and £184m property, plant and equipment previously recognised as capable of being encumbered have been reclassified to cannot be encumbered.

Funding and liquidity risk (continued)

The Group's total non-central bank asset encumbrance decreased by £1,158m to £10,660m as at 31 March 2025. This was primarily due to the removal of requirements to post derivative collateral for the Covered Bond programme following a ratings upgrade on 1 October 2024.

Cash and balances with central banks of £10,882m, as per note 3.1.1.2, include: £2,305m of assets that are encumbered to support the issuance of Scottish bank notes (excluding notes not in circulation) and to support payments systems; £115m of mandatory central bank deposits excluded from LCR to cover operating expenses.

Financial assets at FVOCI of £6,197m, as per note 3.1.2, include: £700m of encumbered UK government treasury bills and gilts, £197m of which is encumbered to support Operational Continuity in Resolution.

Encumbered loans and advances to customers for Covered Bonds and Securitisations shown above excludes excess over-collateralisation within those pools above that are required to support bond issuance.

Assets and liabilities by maturity (audited)

The following tables represent a breakdown of the Group's balance sheet, according to the contractual maturity of the assets and liabilities. Many of the longer-term monetary assets are variable rate products, with behavioural maturities shorter than the contractual terms. The majority of customer deposits are repayable on demand or at short notice on a contractual basis, with behavioural maturities typically longer than their contractual maturity. Accordingly, this information is not relied upon by the Group in its management of interest rate risk. The Group has disclosed certain term facilities within loans and advances to customers with a revolving element at the maturity of the facility as this best reflects their contractual maturity.

Group(1)	**Call**	**3 months or less**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**No specified maturity**(2)	**Total**
31 March 2025	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Assets							
Financial instruments							
At amortised cost							
Loans and advances to customers	**755**	**2,517**	**1,269**	**6,638**	**54,202**	**5,691**	**71,072**
Fair value adjustment for portfolio hedged risk	**-**	**-**	**-**	**(5)**	**(111)**	**-**	**(116)**
Cash and balances with central banks	**9,945**	**-**	**-**	**-**	**-**	**937**	**10,882**
Due from other banks and similar institutions	**246**	**-**	**-**	**-**	**-**	**118**	**364**
At FVOCI	**-**	**148**	**529**	**2,835**	**2,685**	**-**	**6,197**
At FVTPL							
Loans and advances to customers	**-**	**-**	**2**	**10**	**35**	**-**	**47**
Derivatives	**5**	**30**	**15**	**(4)**	**2**	**-**	**48**
Other	**-**	**-**	**-**	**-**	**-**	**1**	**1**
Due from related entities	**3**	**-**	**-**	**-**	**-**	**-**	**3**
Total assets	**10,954**	**2,695**	**1,815**	**9,474**	**56,813**	**6,747**	**88,498**
Liabilities							
Financial instruments							
At amortised cost							
Customer deposits	**47,172**	**7,484**	**14,365**	**1,362**	**-**	**-**	**70,383**
Debt securities in issue	**-**	**103**	**996**	**5,458**	**-**	**-**	**6,557**
Due to other banks and similar institutions	**14**	**10**	**10**	**900**	**-**	**-**	**934**
At FVTPL							
Derivatives	**-**	**(4)**	**12**	**108**	**16**	**-**	**132**
Due to related entities	**185**	**374**	**965**	**2,780**	**-**	**-**	**4,304**
Total liabilities	**47,371**	**7,967**	**16,348**	**10,608**	**16**	**-**	**82,310**
Off balance sheet items							
Financial guarantees	**-**	**12**	**33**	**15**	**2**	**38**	**100**
Other credit commitments	**19,003**	**-**	**-**	**-**	**-**	**-**	**19,003**
Total off-balance sheet items	**19,003**	**12**	**33**	**15**	**2**	**38**	**19,103**

(1) The analysis excludes certain financial assets and liabilities relating to accruals, trade payables and settlement balances which are generally short-term in nature and lease liabilities.

(2) The no specified maturity within loans and advances to customers relates to credit cards.

Risk report (continued)
Financial risk (continued)

Funding and liquidity risk (continued)

Assets and liabilities by maturity (audited)

Group[1] 30 September 2023 restated[2]	Call £m	3 months or less £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specified maturity[3] £m	Total £m
Assets							
Financial instruments							
At amortised cost							
Loans and advances to customers	748	2,772	935	6,327	56,046	5,417	72,245
Fair value adjustment for portfolio hedged risk	-	(1)	(1)	(20)	(470)	-	(492)
Cash and balances with central banks	10,193	-	-	-	-	1,089	11,282
Due from other banks and similar institutions	408	267	-	-	-	-	675
At FVOCI	-	506	712	2,196	2,770	-	6,184
At FVTPL							
Loans and advances to customers	-	1	-	16	42	-	59
Derivatives	3	92	10	25	5	-	135
Other	-	-	-	-	-	2	2
Total assets	11,352	3,637	1,656	8,544	58,393	6,508	90,090
Liabilities							
Financial instruments							
At amortised cost							
Customer deposits	40,567	4,368	15,195	6,697	-	-	66,827
Debt securities in issue	-	173	703	5,279	-	-	6,155
Due to other banks and similar institutions	207	393	550	5,900	-	-	7,050
At FVTPL							
Derivatives	2	22	45	196	25	-	290
Due to related entities	45	268	739	2,553	-	-	3,605
Total liabilities	40,821	5,224	17,232	20,625	25	-	83,927
Off balance sheet items							
Financial guarantees	-	12	18	9	40	-	79
Other credit commitments	17,921	-	-	-	-	-	17,921
Total off-balance sheet items	17,921	12	18	9	40	-	18,000

(1) The analysis excludes certain financial assets and liabilities relating to accruals, trade payables and settlement balances which are generally short-term in nature and lease liabilities.

(2) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

(3) The no specified maturity within loans and advances to customers relates to credit cards.

Funding and liquidity risk (continued)

Assets and liabilities by maturity (continued)

Bank[1] 31 March 2025	Call £m	3 months or less £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specified maturity[2] £m	Total £m
Assets							
Financial instruments							
At amortised cost							
Loans and advances to customers	**755**	**2,506**	**1,249**	**6,422**	**53,851**	**5,691**	**70,474**
Fair value adjustment for portfolio hedged risk	**-**	**-**	**-**	**(5)**	**(111)**	**-**	**(116)**
Cash and balances with central banks	**9,945**	**-**	**-**	**-**	**-**	**937**	**10,882**
Due from other banks and similar institutions	**120**	**-**	**-**	**-**	**-**	**-**	**120**
At FVOCI	**-**	**148**	**529**	**2,835**	**2,685**	**-**	**6,197**
At FVTPL							
Loans and advances to customers	**-**	**-**	**2**	**10**	**35**	**-**	**47**
Derivatives	**5**	**-**	**5**	**8**	**2**	**-**	**20**
Other	**-**	**-**	**-**	**-**	**-**	**1**	**1**
Due from related entities	**564**	**37**	**3**	**7**	**-**	**56**	**667**
Total assets	**11,389**	**2,691**	**1,788**	**9,277**	**56,462**	**6,685**	**88,292**
Liabilities							
Financial instruments							
At amortised cost							
Customer deposits	**47,172**	**7,484**	**14,365**	**1,362**	**-**	**-**	**70,383**
Debt securities in issue	**-**	**44**	**759**	**3,635**	**-**	**-**	**4,438**
Due to other banks and similar institutions	**14**	**10**	**10**	**900**	**-**	**-**	**934**
At FVTPL							
Derivatives	**-**	**3**	**12**	**43**	**16**	**-**	**74**
Due to related entities	**592**	**308**	**1,227**	**4,215**	**-**	**-**	**6,342**
Total liabilities	**47,778**	**7,849**	**16,373**	**10,155**	**16**	**-**	**82,171**
Off balance sheet items							
Financial guarantees	**-**	**12**	**33**	**15**	**2**	**38**	**100**
Other credit commitments	**18,980**	**-**	**-**	**-**	**-**	**-**	**18,980**
Total off-balance sheet items	**18,980**	**12**	**33**	**15**	**2**	**38**	**19,080**

(1) The analysis excludes certain financial assets and liabilities relating to accruals, trade payables and settlement balances which are generally short-term in nature and lease liabilities.

(2) The no specified maturity within loans and advances to customers relates to credit cards.

Funding and liquidity risk (continued)

Assets and liabilities by maturity (continued)

Bank[(1)] 30 September 2023 restated[(2)]	Call £m	3 months or less £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specified maturity[(3)] £m	Total £m
Assets							
Financial instruments							
At amortised cost							
Loans and advances to customers	748	2,760	929	6,198	55,406	5,417	71,458
Fair value adjustment for portfolio hedged risk	-	(1)	(1)	(20)	(470)	-	(492)
Cash and balances with central banks	10,193	-	-	-	-	1,089	11,282
Due from other banks and similar institutions	41	267	-	-	-	-	308
At FVOCI	-	506	712	2,196	2,770	-	6,184
At FVTPL							
Loans and advances to customers	-	1	-	16	42	-	59
Derivatives	3	92	9	17	5	-	126
Other	-	-	-	-	-	1	1
Due from related entities	791	19	20	65	-	69	964
Total assets	11,776	3,644	1,669	8,472	57,753	6,576	89,890
Liabilities							
Financial instruments							
At amortised cost							
Customer deposits	40,567	4,368	15,195	6,697	-	-	66,827
Debt securities in issue	-	8	614	3,930	-	-	4,552
Due to other banks and similar institutions	207	393	550	5,900	-	-	7,050
At FVTPL							
Derivatives	2	22	45	69	25	-	163
Due to related entities	313	257	897	3,741	-	-	5,208
Total liabilities	41,089	5,048	17,301	20,337	25	-	83,800
Off balance sheet items							
Financial guarantees	-	12	18	9	40	-	79
Other credit commitments	17,892	-	-	-	-	-	17,892
Total off-balance sheet items	17,892	12	18	9	40	-	17,971

(1) The analysis excludes certain financial assets and liabilities relating to accruals, trade payables and settlement balances which are generally short-term in nature and lease liabilities.

(2) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

(3) The no specified maturity within loans and advances to customers relates to credit cards.

Risk report (continued)
Financial risk (continued)

Funding and liquidity risk (continued)

Cash flows payable under financial liabilities by contractual maturity (audited)[1]

Group 31 March 2025	Call £m	3 months or less £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specified Maturity £m	Total £m
Liabilities							
Financial instruments							
At amortised cost							
Customer deposits	**47,270**	**7,541**	**14,665**	**1,396**	**-**	**-**	**70,872**
Debt securities in issue	**-**	**145**	**1,154**	**5,863**	**-**	**-**	**7,162**
Due to other banks and similar institutions	**14**	**10**	**39**	**933**	**-**	**-**	**996**
At FVTPL							
Trading derivatives	**-**	**6**	**11**	**15**	**6**	**-**	**38**
Hedging derivatives							
Contractual amounts payable	**-**	**12**	**101**	**2,179**	**-**	**-**	**2,292**
Contractual amounts receivable	**-**	**(10)**	**(45)**	**(2,051)**	**-**	**-**	**(2,106)**
Due to related entities	**185**	**385**	**1,117**	**3,038**	**-**	**-**	**4,725**
Total liabilities	**47,469**	**8,089**	**17,042**	**11,373**	**6**	**-**	**83,979**

Group 30 September 2023 restated[2]	Call £m	3 months or less £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specified Maturity £m	Total £m
Liabilities							
Financial instruments							
At amortised cost							
Customer deposits	40,567	4,627	15,404	6,874	-	-	67,472
Debt securities in issue	-	213	909	5,996	-	-	7,118
Due to other banks and similar institutions	207	399	837	6,304	-	-	7,747
At FVTPL							
Trading derivatives	-	16	29	37	8	-	90
Hedging derivatives							
Contractual amounts payable	-	65	556	1,668	-	-	2,289
Contractual amounts receivable	-	(21)	(463)	(1,500)	-	-	(1,984)
Due to related entities	45	297	836	3,041	-	-	4,219
Total liabilities	40,819	5,596	18,108	22,420	8	-	86,951

(1) The analysis excludes certain liabilities relating to accruals, trade payables and settlement balances which are generally short-term in nature and lease liabilities.

(2) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

Funding and liquidity risk (continued)

Cash flows payable under financial liabilities by contractual maturity (continued)[1]

Bank **31 March 2025**	**Call** **£m**	**3 months or less** **£m**	**3 to 12 months** **£m**	**1 to 5 years** **£m**	**Over 5 years** **£m**	**No specified maturity** **£m**	**Total** **£m**
Liabilities							
Financial instruments							
At amortised cost							
Customer deposits	**47,270**	**7,541**	**14,665**	**1,396**	**-**	**-**	**70,872**
Debt securities in issue	**-**	**71**	**847**	**3,864**	**-**	**-**	**4,782**
Due to other banks and similar institutions	**14**	**10**	**39**	**933**	**-**	**-**	**996**
At FVTPL							
Trading derivatives	**-**	**6**	**11**	**15**	**6**	**-**	**38**
Hedging derivatives							
Contractual amounts payable	**-**	**-**	**66**	**1,179**	**-**	**-**	**1,245**
Contractual amounts receivable	**-**	**-**	**(44)**	**(1,110)**	**-**	**-**	**(1,154)**
Due to related entities	**592**	**272**	**1,421**	**4,579**	**-**	**-**	**6,864**
Total liabilities	**47,876**	**7,900**	**17,005**	**10,856**	**6**	**-**	**83,643**

Bank 30 September 2023 restated[2]	Call £m	3 months or less £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specified maturity £m	Total £m
Liabilities							
Financial instruments							
At amortised cost							
Customer deposits	40,567	4,627	15,404	6,874	-	-	67,472
Debt securities in issue	-	34	750	4,296	-	-	5,080
Due to other banks and similar institutions	207	399	837	6,304	-	-	7,747
At FVTPL							
Trading derivatives	-	16	29	37	8	-	90
Hedging derivatives							
Contractual amounts payable	-	37	502	567	-	-	1,106
Contractual amounts receivable	-	(20)	(453)	(514)	-	-	(987)
Due to related entities	313	283	1,040	4,390	-	-	6,026
Total liabilities	41,087	5,376	18,109	21,954	8	-	86,534

(1) The analysis excludes certain liabilities relating to accruals, trade payables and settlement balances which are generally short-term in nature and lease liabilities.

(2) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

The balances in the cash flow tables above do not agree directly to the balances in the balance sheets or the assets and liabilities by maturity tables presented above, as the tables incorporate all cash flows, on an undiscounted basis, related to both principal and future coupon payments.

Funding and liquidity risk (continued)

Analysis of debt securities in issue by residual maturity

The table below shows the residual maturity of the Group's debt securities in issue:

	3 months or less £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	Total 31 Mar 2025 £m	Total 30 Sep 2023 £m
Covered bonds	**44**	**759**	**3,609**	**-**	**4,412**	4,415
Securitisation	**59**	**237**	**1,849**	**-**	**2,145**	1,740
Total debt securities in issue	**103**	**996**	**5,458**	**-**	**6,557**	6,155

External credit ratings

The Group's long-term credit ratings are summarised below:

	Outlook as at 31 Mar 2025(1)	As at 31 Mar 2025	As at 30 Sep 2023
Virgin Money UK PLC			
Moody's	**Stable**	**A3**	Baa1
Fitch	**Stable**	**A-**	BBB+
Standard & Poor's	**Stable**	**BBB**	BBB-
Clydesdale Bank PLC			
Moody's(2)	**Stable**	**A1**	A3
Fitch	**Stable**	**A-**	A-
Standard & Poor's	**Stable**	**A**	A-

(1) For detailed background on the latest credit opinion by Standard & Poor's, Fitch and Moody's, please refer to the respective rating agency website.
(2) Long-term deposit rating.

Following the announcement of the potential acquisition by Nationwide in March 2024, the rating agencies in the table above had announced potential positive changes to the Group's credit ratings.

On 6 September 2024, following regulatory approval of the acquisition, Moody's upgraded the long-term senior unsecured and issuer ratings of the Group to A3 from Baa1 and Clydesdale Bank PLC's long-term deposit rating to A1 from A3. These changes reflect Moody's expectation that Nationwide will provide support to its new subsidiary in case of need and an expectation that Nationwide and the Group will be resolved as a single unit in the case of failure. The outlook on the Group's long-term issuer and senior unsecured ratings, and the outlook on Clydesdale Bank PLC's deposit rating are now Stable. This is in line with the outlook on Nationwide's long-term deposit and senior unsecured debt ratings and reflects Moody's view that the asset quality of the newly combined Group will remain resilient, and capital will remain strong.

On 1 October 2024, following the completion of the acquisition, both S&P and Fitch announced positive rating and outlook changes.

S&P upgraded the Group's long-term issuer credit rating to BBB from BBB- and Clydesdale Bank PLC's long-term issuer credit rating to A from A-. This reflects S&P's view of the Group's status within the new Nationwide group as highly strategic and that the Group will benefit from a higher-rated parent's support. Following the rating actions, the outlook was changed to stable from CreditWatch Positive, reflecting S&P's view that Nationwide will continue to deliver a resilient performance and maintain a robust balance sheet, while mitigating the execution risks arising from the acquisition given the gradual integration timeline.

Fitch upgraded the Group's long-term issuer default rating to A- from BBB+ and affirmed Clydesdale Bank PLC's long-term issuer default rating at A-. The upgrade to the Group's rating reflects Fitch's view that the Group will benefit from a very high likelihood of support from Nationwide, while execution risks are mitigated by transitional resolution arrangements and a conservative and gradual integration process. Following the rating actions, the outlook was changed to Stable from Rating Watch Positive, mirroring the outlook on Nationwide. Fitch reaffirmed their ratings in February 2025, noting the acquisition did not have an immediate significant impact on the Group's or Clydesdale Bank PLC's standalone credit profiles and their Viability Ratings were unaffected.

Market risk

Market risk is the risk of loss associated with adverse changes in the value of assets and liabilities held by the Group due to movements in market factors such as foreign exchange risk, interest rates (duration risk), customer behaviour (optionality risk), and the movement in rate spreads across types of assets or liabilities (basis risk and credit spread risk). The Group's balance sheet is predominantly UK-based and is denominated in GBP, therefore foreign exchange is not a material risk for the Group. Any non-GBP denominated funding issuances and any foreign currency securities purchased are cross-currency swapped to sterling for the term of the instrument.

Exposures

The Group does not have a trading book and therefore is only exposed to non-traded market risk. Market risk principally arises through IRRBB, small foreign exchange exposure and the management of assets to support liquidity requirements, including Credit Spread Risk in the Banking Book (CSRBB). It comprises the sensitivity of the Group's current and future NII and economic value to movements in market interest rates. The major contributors to interest rate risk are:

- the mismatch, or duration, between repricing dates of interest-bearing assets and liabilities;
- basis risk or assets and liabilities repricing to different reference rates, for example, customer asset and liability products repricing against BoE base rate and Sterling Over Night Indexed Average (SONIA); and
- customer optionality, for example the right to repay borrowing in advance of contractual maturity dates.

The focus of the Group's activity is to provide high-quality banking services to its customers. These services include the provision of foreign exchange risk management products and interest rate derivative products to enable customers to manage risks within their businesses. As a subsidiary of Nationwide the Group is subject to The Building Societies Act and certain restrictions on the provision of derivative products to customers. Due to these activities, the Group may be exposed to forms of market risk that would arise from movements in the price on these products. These risks are monitored daily and are not a material component of the Group's risk profile. Controls and mitigation include the hedging of these products and the use of natural offsets, in line with Group policies.

Measurement

IRRBB is measured, monitored, and managed from both an internal risk appetite and an external regulatory perspective. The ERMF incorporates both market valuation and earnings-based approaches. In accordance with the Group IRRBB policy, risk measurement techniques include: basis point sensitivity, NII sensitivity, VaR, changes in the economic value of equity (EVE), interest rate risk stress testing, and scenario analysis.

The key features of the market risk management measurement approach are:

- basis point sensitivity analysis is performed daily and compares the potential impact of a one basis point (0.01%) change on the present value of all future cash flows;
- NII sensitivity assesses changes to earnings over a 12-month time horizon as a result of interest rate movements and changes to customer behaviour;
- VaR is measured on a statistical basis using a 99% confidence level based on daily rate movements over a ten-year history set with a one-year holding period;
- EVE is measured in line with the PRA Rulebook with all six interest rate shock scenarios assessed on a quarterly basis, including customer optionality stresses. Reporting is performed including and excluding equity;
- static balance sheet (i.e. any new business is assumed to be matched, hedged or subject to immediate repricing);
- dynamic balance sheet (i.e. a balance sheet incorporating future business expectations, adjusted for the relevant scenario in a consistent manner);
- run-off balance sheet (i.e. existing assets and liabilities not replaced as they mature, except to the extent necessary to fund the remaining balance sheet);
- investment term for capital is modelled with a benchmark term agreed by ALCO;

Financial risk (continued)

Market risk (continued)

Measurement (continued)

- investment term for core non-interest-bearing assets and liabilities is modelled on a behavioural basis with a benchmark term agreed by ALCO;
- assumptions covering the behavioural life of products and customer behaviour for optionality are reviewed and approved by ALCO;
- structural hedging, used to reduce earnings volatility, is based on analysis approved by ALCO and Board;
- CSRBB is assessed through VaR applied to the Group’s liquid asset buffer portfolio. CSRBB is measured at a 99% confidence level based on daily spread movements over a ten-year history set with a three-month holding period.
- Foreign exchange risk is assessed based on the absolute exposure to each currency; and
- IRRBB is fully integrated in the Group's Internal Capital Adequacy Assessment Process (ICAAP).

Mitigation

Market risks are overseen by ALCO with delegation for day-to-day management given to Treasury. Treasury uses a number of techniques and products to manage market risks including interest rate swaps, cash flow netting and foreign exchange derivatives.

The Group uses derivative financial instruments to manage its exposures within approved limits and not for speculative purposes. The Group elects to apply hedge accounting for the majority of its risk management activity that uses derivatives. Certain derivatives are designated as either fair value hedge or cash flow hedge:

Fair value hedges – the Group hedges part of its existing interest rate risk, resulting from potential movements in the fair value of fixed rate assets and liabilities. The fair value of these swaps is disclosed within note 3.1.3.1 to the Group’s consolidated financial statements. There were no transactions for which fair value hedge accounting had to be discontinued in the period as a result of ineffectiveness.

Cash flow hedges – the Group hedges a portion of the variability in future cash flows attributable to interest rate risk. The interest risk arises from variable interest rate assets and liabilities which are hedged using interest rate swaps. There were no transactions for which cash flow hedge accounting had to be discontinued in the period as a result of the highly probable cash flows no longer being expected to occur. The fair value of derivatives is disclosed within note 3.1.3.1 to the Group’s consolidated financial statements.

Monitoring

Parameters and assumptions of models that are used in market risk monitoring are reviewed and updated on at least an annual basis. Material changes require the approval of ALCO. Oversight of market risk is conducted by Risk which is independent of the Treasury function. The Board and Executive Risk Committee, through ALCO’s oversight, monitor risk to ensure it remains within approved policy limits and Board requirements.

	Group			
	Duration risk		Credit spread	
	31 Mar 2025	30 Sep 2023	**31 Mar 2025**	30 Sep 2023
Value at Risk (audited)	**£m**	£m	**£m**	£m
As at period end	**14**	27	**69**	62
Average value during the period	**14**	16	**66**	55
Minimum value during the period	**2**	4	**63**	44
Maximum value during the period	**36**	28	**69**	62

Net interest income (audited)

Earnings sensitivity measures calculate the change in NII over a 12-month period resulting from an instantaneous and parallel change in interest rates. +/-25 basis point shocks and +/-100 basis point shocks represent the primary NII sensitivity assessed internally.

12 months NII sensitivity	**31 Mar 2025 £m**	30 Sep 2023 £m
+25 basis point parallel shift	**15**	11
+100 basis point parallel shift	**59**	42
-25 basis point parallel shift	**(20)**	(11)
-100 basis point parallel shift	**(82)**	(45)

The sensitivities disclosed reflect the expected mechanical response to a movement in rates and represent a prudent outcome. The sensitivities are indicative only and should not be viewed as a forecast.

The key assumptions and limitations are outlined below:

- The sensitivities are calculated based on a static balance sheet and it is assumed there is no change to margins on reinvestment of maturing fixed rate products.
- There are no changes to basis spreads with the rate change passed on in full to all interest rate bases.
- Administered rate products receive a rate pass on in line with internal scenario specific pass on assumptions. Any rate reduction in a rate fall scenario is subject to product floors with the assumption customer rates would not go negative.
- Additional commercial pricing responses and management actions are not included.
- While in practice hedging strategy would be reviewed in light of changing market conditions, the sensitivities assume no changes over the 12-month period.

Risk report (continued)
Financial risk (continued)
Market risk (continued)

Market risk linkage to the balance sheet (audited)

The following table shows the Group's principal market risks, linked to the balance sheet assets and liabilities:

	31 Mar 2025 £m	30 Sep 2023 £m Restated[1]	**Interest rate duration**	**Optionality**	**Basis**	**Credit Spread**	**Foreign Exchange**
Assets							
Financial instruments							
At amortised cost							
Loans and advances to customers	**71,072**	72,245	●	●	●		●
Fair value adjustment for portfolio hedged risk	**(116)**	(492)	●				●
Cash and balances with central banks	**10,882**	11,282	●		●		
Due from other banks and similar institutions	**364**	675	●		●		●
At FVOCI	**6,197**	6,184	●		●	●	●
At FVTPL							
Loans and advances to customers	**47**	59	●	●	●		●
Derivatives	**48**	135	●		●		●
Other	**1**	2	●				●
Other assets	**1,381**	1,439	●				●
Total assets	**89,876**	91,529					
Liabilities							
Financial instruments							
At amortised cost							
Customer deposits	**70,383**	66,827	●	●	●		●
Debt securities in issue	**6,557**	6,155	●		●		●
Due to other banks and similar institutions	**934**	7,050	●		●		●
At FVTPL							
Derivatives	**132**	290	●		●		●
Other liabilities	**6,261**	5,873	●				●
Total liabilities	**84,267**	86,195					

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

Market risk (continued)

Structural hedge

The Group operates a structural hedging programme to manage interest rate risk on rate insensitive balances. The structural hedge is used to mitigate any volatility in the prevailing rate environment by smoothing NII.

LIBOR replacement

All regulatory milestones in relation to LIBOR cessation have been met and there are no conduct issues to note.

At 31 March 2025, the Group holds no LIBOR exposure, in any currency, on the balance sheet (30 September 2023: £0.9m remained on three-month GBP synthetic LIBOR).

Pension risk

The Group operates a defined benefit pension scheme, the Yorkshire and Clydesdale Bank Pension Scheme (the Scheme). The Bank is the Scheme's principal employer and there are no other participating employers. The Scheme was closed to future accrual on 1 August 2017 for most members. A small number of members remain on a defined benefit accruals basis subject to certain conditions.

Under a defined benefit pension scheme, the economic benefit an employee receives in retirement is determined by factors such as salary and length of service but is not tied to the employee's or the employer's contributions, or the performance of the scheme's assets. A defined benefit pension scheme is exposed to market risk drivers such as interest rate risk, inflation risk, equity risk, as well as risks pertaining to the life expectancy of scheme members (longevity risk) and to changes in the legislation and regulatory requirements.

Pension risk is the risk that, at any point in time, the value of the Scheme's assets is not enough to meet the Scheme's estimated liabilities. This risk will continue to exist until the Scheme is formally wound up, either if all the liabilities are transferred to a third party (for example an insurer) or once all individual member benefits have been honoured. Pension risk can negatively impact the Group's capital position.

The Group also supports a defined contribution scheme. Defined contribution schemes do not give rise to pension risk, as the employer has no legal or constructive obligation to make further contributions if the defined contribution scheme's assets are insufficient to pay all member benefits. Risks, including market, investment performance and longevity risks, are borne by the employee rather than the Group.

Risk appetite

The Group's pension risk appetite is a component of the Group-wide framework for the management of balance sheet risks.

Pension risk may adversely impact the Group's capital position. The Group is required to hold capital against it and may be required to make further contributions. Consequently, pension risk is considered in the context of potential capital impacts to the Group, due to changes in the valuations of the Scheme's liabilities and assets.

Liabilities

The defined benefit obligation is a series of future cash flows, with relatively long duration. It is estimated by independent actuaries using the projected unit credit method. The actual cost of the Scheme can only be known after the Scheme is formally wound up.

On an IAS 19 basis, the defined benefit obligation present value is calculated by discounting the series of future cash flow estimates using a discount rate linked to yields of high-quality corporate bonds, of a duration aligned to that of the Scheme's liabilities. The cash flows and valuation are primarily sensitive to changes in corporate bond credit spreads, long-term inflation rates and the life expectancy of members. There is a risk that the value of the Scheme's liabilities is higher than that of its assets. In particular:

- an increase in the discount rate corresponds to a decrease in liabilities;
- an increase in long-term expected inflation corresponds to an increase in liabilities; and
- an increase in life expectancy corresponds to an increase in liabilities.

The impact of these actuarial assumptions on valuations will also depend on investment and de-risking decisions (including interest rate, inflation rate and longevity hedging) made by the Trustee, as well as by the inflationary caps within the terms of the Scheme. Nevertheless, material changes to the key actuarial assumptions or changes to the methodology by which they are derived may lead to volatility in the Group's IAS 19 position. In line with pensions legislation, a formal actuarial valuation (Triennial Valuation) of the Scheme's assets and liabilities takes place at least every three years by independent actuaries.

Pension risk (continued)

More information on the Scheme's defined benefit obligations is shown within note 3.3 of the Group's consolidated financial statements. The present value of the liabilities was £2,236m as at 31 March 2025 (30 September 2023: £2,284m).

Assets

The Scheme's assets are held separately from the Group's assets and are administered by a board of trustees (the Trustee). The Trustee has fiduciary responsibilities to the Scheme's members and governs investments according to a Statement of Investment Principles (SIP). The SIP is reviewed and agreed by the Trustee on a regular basis, with the Group consulted on any proposed changes. The SIP sets out the Scheme objectives and the path to meet these objectives and is drafted in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it). This results in the Scheme holding an appropriate mix of assets to better match future pension obligations.

There is a risk that the value of the Scheme's assets is lower than the present value of its liabilities. In particular, total asset returns lower than the discount rate used in the calculation of the present value of the defined benefit obligations may have an adverse impact on the Group's IAS 19 position.

The split of Scheme assets is shown within note 3.3 of the Group's consolidated financial statements. The fair value of the assets was £2,593m as at 31 March 2025 (30 September 2023: £2,796m).

Within the Scheme's matching assets there is a Liability Driven Investment (LDI) portfolio, which consists of both physical assets and derivatives. The Scheme uses a bespoke, segregated strategy which reflects, as far as possible, the specifics of the Scheme's liabilities in terms of exposure to movements in interest rates and inflation. As at 31 March 2025, the LDI portfolio was valued at £936m (30 September 2023: £1,038m).

LDI portfolios are commonly used by defined benefit pension schemes to better match their assets to their liabilities, while retaining their allocations to return-seeking assets. For example, falling interest rates or rising inflation would typically increase the value of a scheme's liabilities but the value of the LDI portfolio would also increase commensurably, hence reducing the scheme's funding level volatility. LDI utilises financial instruments, including derivatives, which require the scheme to provide collateral to counterparties. This generates additional liquidity risks and requirements as these collateral demands can change over periods when rates change. The Scheme needs to ensure that it has sufficient liquidity to meet any such obligation.

As at 31 March 2025, the scheme is still estimated to have substantial collateral headroom to meet further rises in interest rates of more than 6% (30 September 2023: 10%).

The uncommitted facility of £75m, granted by the Group in 2023 to replace the previous contingent security arrangement, remains in place. As at 31 March 2025 the amount drawn under the facility was £Nil (30 September 2023: £Nil).

Exposure

The Group's defined benefit pension scheme affects its regulatory capital in two ways:

- CET1 capital – an IAS 19 surplus increases the Group's balance sheet assets and reserves. However, any such amount is not recognised for the purposes of determining CET1 capital. An IAS 19 deficit on the other hand, which increases balance sheet liabilities and reduces reserves, is recognised for regulatory capital purposes, and so will decrease CET1 capital.
- Pillar 2A capital – the Group is also required to determine the level of capital required to be held under Pillar 2A for pension obligation risk as part of the annual ICAAP process. This requirement forms part of the Group's regulatory Total Capital Requirement.

Mitigation

The Trustee and Group have had a common view of the Scheme's long-term strategic aims, encapsulated by an agreed de-risking journey plan. This has included a long-term self-sufficiency funding target (i.e. the point in time when the Scheme would no longer need to call on the Bank for additional funding) with assumptions as to how this target is expected to be managed, monitored and met. Potential actions to address deviations in the actual funding level relative to the journey plan have also been considered.

Financial risk (continued)

Pension risk (continued)

In addition to the Scheme being closed to new members and closed to future accrual for the majority of members, additional measures have been implemented by the Group and Trustee with the specific aim of reducing risks. This includes hedging against interest rate and inflation risk. On 6 April 2023, the Scheme executed a longevity swap transaction to manage longevity risk in relation to c. £1,600m of pensioner liabilities. Cost-effective options to further reduce risk within the Scheme will continue to be assessed.

Monitoring

Information on the Scheme's current valuations, asset holdings and discount and inflation rate assumptions are presented to ALCO. This also includes monitoring of the performance of the LDI portfolio as well as of the collateral headroom. The impact of the Scheme on the Group is also subject to risk oversight from the Risk function. In addition, semi-annual pension risk updates are provided to the Board Risk Committee.

Performance of the Scheme's asset portfolio against the various risk metrics is monitored by the Scheme investment adviser and reported to the Investment Sub Committee, which includes Group representation, and Trustee Board on a quarterly basis.

The Scheme's de-risking plan has delivered resilience to stress testing and continued improvements in Group and Trustee valuations. The IAS 19 position continues to be assessed in the Group's ICAAP and regulatory stress testing processes.

The triennial valuation with an effective date of 30 September 2022, showed a funding surplus. Consequently, no further contributions from the Group were required and there was no capital impact. The effective date of the Scheme's next triennial valuation is 30 September 2025.

Model risk

Model risk is defined as the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports.

The Group's definition of a model is a quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into output that generates or supports decisions that impact customers directly or indirectly. This also includes input data that is quantitative and/or qualitative in nature or expert judgement-based, and output that is quantitative or qualitative.

The use of models invariably presents model risk, which is defined as the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports.

Model risk increases with greater model complexity, higher uncertainty around inputs and assumptions, broader use, and larger potential impact. If left unmitigated, model risk can lead to poor decision making, misreporting or a failure to identify risks.

Risk appetite

In delivering its strategic objectives, the Group accepts that a level of loss may arise from model error. Key controls are in place at all stages of the model lifecycle. Model risk is a principal risk and risk appetite metrics focus on model effectiveness and the outcomes of performance monitoring and independent validations on the Group's most material models.

Exposures

To enable senior management to gauge and manage model risk, each model is classified into tiers, based on materiality and complexity (aligned to SS1/23 Model Risk Management Principles). This allows a proportionate application of the Model Risk Management framework, including the level of approval and frequency/depth of validation expected.

The Group's model inventory contains information on all models and supports the prioritisation of business activities and informs senior management of the status of models.

Measurement

The Board delegates authority to MGC to ensure that model risk is being managed through the model risk management policy. Model risk is measured through risk appetite reporting and regular model MI to Board Risk Committee and MGC.

The Chief Risk Officer has been identified as the appropriate Senior Management Function role and the overall responsibility for the Model Risk Management framework, its implementation, execution and maintenance has been delegated to the Chief Model Risk Officer.

Mitigation

The Group has a comprehensive model risk policy framework in place. The model risk management policy defines model risk management roles and responsibilities supported by supplementary frameworks and standards that prescribe how model risk is to be managed across the full model lifecycle (including development, validation, approval, implementation and use/mitigation).

The Independent Model Validation function conducts validations when a new model is developed or changed, and on a periodic basis. The function assists with identifying model weaknesses and raises mitigating actions. If significant model deficiencies and/or errors are identified, the relevant model approval authority will consider whether the use of models should be limited or requires additional mitigation.

Monitoring

The Group conducts periodic monitoring of model performance to ensure models remain fit for purpose and to ensure model assumptions remain valid. The frequency of model monitoring is commensurate with the nature and materiality of the models and risks, with due consideration given to model complexity, in line with the relevant monitoring standards.

Regulatory and compliance risk

Regulatory and compliance risk is the risk of failing to comply with relevant regulatory requirements and changes in the regulatory environment, failing to manage legal risks effectively, or failing to manage a constructive relationship with our regulators by not keeping them informed of relevant issues, not responding effectively to information requests or not meeting regulatory deadlines.

Risk appetite

The Group has no appetite for actions which result in breaches of regulation or for inaction to address systemic process and control failures leading to material non-compliance. The Group seeks to ensure that all mandatory requirements are prioritised for implementation within the required timescales with due consideration for mitigation of potential customer harm. The Group has an open dialogue with regulators, escalating all issues of which they would reasonably expect to be made aware.

Exposures

The Group remains exposed to regulatory and compliance risk from ongoing and new regulatory developments. This is expected to persist as consumer and regulatory expectations continue to rise, and as the regulatory environment responds to external factors, including macroeconomic conditions and associated cost of living pressures.

Measurement

Regulatory and compliance risks are measured against a defined set of Board-approved risk appetite metrics relating to the status of regulatory compliance and regulatory implementations. Thresholds are set and form part of the Board-approved risk appetite.

Mitigation

The following controls and procedures help to mitigate regulatory and compliance risk:

- clearly defined regulatory and compliance policy framework requirements, associated policies and Board-approved risk appetite;
- ongoing development, maintenance and reporting of risk appetite measures for regulatory and compliance risk to the Executive Risk Committee, the Board Risk Committee and the Board;
- maintenance of proactive and coordinated engagement with the Group’s key regulators;
- continual assessment of evolving regulatory requirements, including regulatory business plans and thematic reviews;
- oversight of regulatory and compliance risks and issues in relevant governance bodies;
- consideration of regulatory requirements in product and proposition development;
- operation of the Consumer Duty framework;
- ongoing review and tracking of known regulatory and compliance issues and remediation actions being taken; and
- a risk-based monitoring framework, designed to monitor compliance with regulation and assess customer outcomes.

Monitoring

Regulatory and compliance risk is considered by all three lines of defence as part of their oversight and monitoring activities. A risk assurance plan, approved by the Board Risk Committee on an annual basis, independently assesses areas of the control framework underpinning compliance with relevant laws and regulations.

Risk report (continued)
Conduct risk

Conduct risk is the risk of undertaking business in a way which fails to deliver good customer outcomes in line with the FCA's Consumer Duty and causes customer harm, and may result in regulatory censure, redress costs and/or reputational damage.

Risk appetite

The Group is committed to delivering good outcomes for its customers, including its vulnerable customers and has a low appetite for conduct risk.

Exposures

The Group remains exposed to conduct risk in the course of its provision of services and products to customers, including those risks arising as the Group and its customers adapt to an increasingly digital world, and as customer vulnerabilities, expectations and behaviours evolve alongside the external environment and economic conditions. The FCA's new Consumer Duty, sets a higher standard for conduct and the level of expectation in delivering good outcomes to our customers, which has been introduced into the bank's risk and operating framework.

Measurement

Conduct risks are measured against a defined set of Board-approved risk appetite metrics, with an emphasis on delivering good customer outcomes.

Mitigation

The following controls and procedures help to mitigate conduct risk:

- clearly defined conduct risk policy framework requirements, associated policies and Board- approved risk appetite;
- ongoing development, maintenance and reporting of conduct risk appetite measures to the Executive Risk Committee, the Board Risk Committee and the Board;
- operation of the Consumer Duty framework;
- consideration of conduct risk in product and proposition development;
- regular management review of conduct reporting, centred on core product areas and aligned to relevant businesses;
- analysis of customer experience data and complaint handling;
- continuing development of a customer-centric culture aligned to the Group's Purpose;
- a focus on colleague training and careful management of colleagues' performance to support good customer outcomes;
- ongoing review and tracking of known conduct issues and remediation actions being taken; and
- a risk-based monitoring framework, designed to monitor compliance with regulation and assess customer outcomes.

Monitoring

All three lines of defence consider conduct risk as part of their oversight and monitoring activities. A risk assurance plan, approved annually by the Board Risk Committee, independently assesses the control framework underpinning the Group's conduct risk management and the delivery of good customer outcomes.

Operational risk

Operational risk is the risk of loss or customer harm resulting from inadequate or failed internal processes, people and systems or from external events, incorporating the inability to maintain critical services, recover quickly and learn from unexpected/adverse events. Operational risk includes: change risk; third-party risk; cyber and information security risk; physical and personal security risk; IT resilience risk; data management risk; payment creation, execution and settlement risk; and people risk.

It is a core component of the ERMF and is embedded in day-to-day business activities focused on enabling operational efficiencies. Requirements and responsibilities are set out in the operational risk policy statement and supporting operational risk framework policy standard that seeks to identify, assess, mitigate, monitor, and report the operational risks, events and issues that could impact the achievement of business objectives or impact core business processes.

Business units are responsible for the day-to-day management of operational risk, with oversight from the Risk function, and independent assurance activities undertaken by Internal Audit. A new Non-Financial Risk Committee has been established to provide oversight of the Group's non-financial risks, risk appetite, policy compliance and ERMF and to better support the Executive Risk Committee.

Operational resilience is an outcome that benefits from the effective management of operational risk. Activities in this 18-month period have seen the identification and mapping of our Important Business Services and setting of impact tolerances. Ongoing work will further refine mapping activity and stress testing requirements.

Risk appetite

The Group is prepared to tolerate a level of operational risk exposure within agreed thresholds and limits. A level of resilience risk from internal and external events is tolerated, however, immediate steps are taken to minimise customer disruption through recovery within defined timelines.

Exposures

Operational risks arise from day-to-day business activities, which may result in direct or indirect losses and could adversely impact the Group's financial performance, levels of customer care or reputation. The Group strives to deliver operational efficiency in the implementation of its objectives and accepts that a level of loss may arise from operational failure. Implementing key controls and monitoring ensures that risks are managed, and losses remain within acceptable limits.

The Group's exposure to operational risk is impacted through the need to engage with innovative, dynamic third parties; deliver new products and services; and make effective use of reliable data in a changing external environment, to deliver on the Group's strategic objectives. Alongside ongoing risk and control monitoring, operational and resilience risk oversight is focused on the following key areas:

Risk category	
Change risk	The risks associated with a failure to execute and deliver change that could result in an inability to meet our strategic objectives, including failing to meet our customer, regulator, colleague, or shareholder expectations, at a Group and local management level. *How this risk is managed* - The Group uses a single integrated change governance framework which covers all levels of change management to ensure appropriate oversight and decision making across the change portfolio. As part of this, a centralised view of significant and material change is maintained. This approach ensures that the risks of individual changes are managed effectively and that change is prioritised to minimise the overall risks to the organisation in line with risk appetite.
Third-party risk	The risks associated with ensuring the Group's outsourced and offshoring arrangements are controlled more effectively, including the risk of failure to service existing and new customers; the potential cessation of specific activities; the risk of personally identifiable information or Group sensitive data being exposed or exploited; and the risk of financial, reputational and regulatory censure if the third party enters into any illegal or unethical activities. *How this risk is managed* - The Group continues to enhance its third-party ERMF and oversight approach, with ongoing performance management and assurance undertaken, to ensure that supplier relationships are controlled effectively.

Risk category	
Cyber and information security risk	The risks arising from inadequate internal and external information and cyber security, where failures impact the confidentiality, integrity and availability of electronic data. *How this risk is managed* – We maintain robust cyber and information security policies, and controls are in place and operating, with assurance carried out as a matter of course. This includes threat intelligence, education and awareness, and assurance of controls within the Group and our third parties. Our Security Operations Centre provides 24/7 monitoring and alerting in order that any security threats are quickly detected and addressed.
Physical and personal security risk	The risk to the safety and protection of colleagues, customers and physical assets arising from unauthorised access to buildings, theft, robbery, intimidation, blackmail, sabotage, terrorism and other physical security risks. *How this risk is managed* – Physical and personal security standards are managed by the Group's Property and Procurement team. Controls are in place to protect physical assets, as well as the security of colleagues and customers.
IT resilience risk	The Group's ability to adapt to disruptions while maintaining continuous operations on critical processes and safeguarding technology in the face of adverse events, chronic disruptions or incremental changes. The Group recognises the significant regulatory focus on resilience with increased reliance on digital banking, remote working, and use of third-party and cloud solutions. *How this risk is managed* – The Group is well placed to respond to new regulations and standards and develops technology with resilience inbuilt as a principle. A programme of continuous monitoring and maintenance of the currency of the technology estates, alongside disaster recovery testing, helps to minimise the likelihood of system failure. The Group maintains and tests critical end-to-end business recovery and contingency plans in the event that there is a system outage.
Payment creation, execution and settlement risk (included under inadequate or failed process design and execution)	The risk that transactions are not conducted in line with the instructions and parameters of a customer's payment, trading, clearing, settlement scheme or business requirements. This could lead to delays, inaccuracies, duplicates, failures or rejections as well as system-based restrictions and errors. The payments industry continues to experience regulatory change, with the publication of the UK National Payments Vision and the ongoing implementation of ISO20022. *How this risk is managed* – The payment risk framework outlines key scheme rules, regulations and compliance requirements alongside the risk-based approach to assurance oversight, control testing and change management, to ensure payment risk is managed within appetite and impact to customers is minimised. All three lines of defence are actively involved in changes being made.
Data management	Data underpins decision making at all levels of the organisation. Poor-quality data can lead to loss, customer disruption, potential misrepresentation in regulatory reporting, non-compliance with Data GDPR and unnecessary rework. *How this risk is managed* – The Group has a data management framework governing the creation, storage, distribution, usage and retirement of data, aligned with data management industry standards and GDPR requirements.
People risk	People risk is defined as the risk of not having sufficiently skilled and motivated colleagues who are clear on their responsibilities and accountabilities and who behave in an ethical way. This could lead to inappropriate decision making that is detrimental to customers or colleagues and could ultimately lead to regulatory sanction. *How this risk is managed* – The Group has a range of RAS metrics in place which help to measure and report people risk. Operational controls are designed to mitigate the risks associated throughout each element of the colleague life cycle. Group-wide systems provide tools and online guidance to all colleagues to support them in discharging their accountabilities.

Measurement

Material operational risk events are identified, reviewed and escalated in line with criteria set out in the ERMF. Root cause analysis is undertaken and action plans are implemented.

Losses may result from both internal and external events and are categorised using risk categories aligned to Basel II. The Basel II categories are used to ensure that data can be reported externally and compared with other industry data. Due to the nature of risk events, losses and recoveries can take time to crystallise and therefore may be restated for prior or subsequent financial years.

Operational risk losses

The majority of losses relate to two Basel categories: 'External fraud' and 'Execution, delivery and process management.' The volume of External fraud losses accounted for 95% of the total. This category's higher volume of low-value events relates mainly to card fraud and online scams and is in line with the industry. 'Execution, delivery and process management' volumes are as expected and reflect the daily volume of transactions and customer interactions.

The table below outlines the operational risk losses by Basel category.

	% of total volume		% of total losses	
Operational risk losses by Basel category(1)(2)	**31 Mar 2025**	30 Sep 2023	**31 Mar 2025**	30 Sep 2023
Business disruption and system failures	**0.1%**	0.1%	**0.0%**	0.1%
Clients, products and business practices	**0.8%**	0.9%	**2.4%**	1.8%
Damage to physical assets	**0.1%**	0.4%	**0.0%**	0.3%
Execution, delivery and process management	**4.4%**	3.1%	**5.7%**	3.0%
External fraud	**94.6%**	95.6%	**91.8%**	94.8%
Internal fraud	**0.1%**	0.0%	**0.0%**	0.0%

(1) Losses greater than or equal to £5,000, excluding unexpected losses. Loss amounts can change as a result of a recovery / additional loss.

(2) Figures may not match those presented previously for 30 September 2023 as historical loss amounts can change due to recoveries made.

Mitigation

In delivering its strategic objectives, the Group strives for operational efficiency and accepts a level of loss may arise from operational failure. Implementing key controls and monitoring, with appropriate escalation and governance, ensures operational risks are managed, and losses remain within acceptable limits. We operate robust controls over all significant operational risks and ensure these are sufficient to prevent material disruption of our service to customers and/or our business.

The Group manages a multiyear programme of investment to upgrade propositions and to deliver key change initiatives, across areas such as cyber security and data management. Delivering change sustainably and managing execution risk is a priority for the Group.

Monitoring

The Group has identified, assessed and monitored all key operational and resilience risks across the noted Basel II categories, including undertaking an assessment of control effectiveness, monitoring trends in key risk indicators and escalating events, in accordance with policy requirements. The Risk function performs oversight of the Group's business planning process, including analysis of industry trends or forward-looking threats that could lead to material impact on our ability to deliver on the strategic objectives or result in a significant impact on assessment of operational risk capital. It also performs ongoing oversight of the Group's management of operational risk, including risk and control assessment, issues and risk events.

Stress testing

The Group develops and maintains a suite of operational risk scenarios using internal and external data. These scenarios provide insights into the stresses the business could be subject to given extreme circumstances. Scenarios cover all material operational risks including execution of change, failures in core processes or execution risk from a third party. Scenarios are owned by senior management custodians with review and challenge provided by the Risk function, Executive Risk Committee and Board Risk Committee, as part of the ICAAP process. Management actions are agreed and monitored and linked with business resilience and continuity testing where appropriate.

Risk report (continued)
Economic crime risk

Economic crime risk is the risk that the Group fails to detect and prevent its products and services from being used to facilitate economic crime, resulting in harm to customers, the Group and its reputation, or third parties. This includes money laundering, terrorist financing, facilitation of tax evasion, sanctions, fraud, and bribery and corruption.

Risk appetite

Economic crime risk is measured and reported against a defined suite of metrics within the Group risk appetite. In particular:

Money laundering and terrorist financing

The Group has no risk appetite for knowingly facilitating money laundering or terrorist financing. The Group does not tolerate non-adherence with applicable laws, regulations, or supervisory requirements in relation to anti-money laundering and counter-terrorist financing.

Proliferation financing

The Group has no risk appetite for non-compliance with the legal and regulatory obligations relative to proliferation financing.

Sanctions and violations

The Group has no risk appetite for conducting business which may breach sanctions legislation. If suspected breaches have occurred, the Group are committed to ensuring reporting is completed to external authorities without delay and within regulatory timescales. The Group has no risk appetite for non-compliance with the legal and regulatory obligations, or supervisory requirements relative to sanctions and embargoes. The Group has no risk appetite for entering into a relationship with, or carry out a transaction for, anyone who is sanctioned under UK, EU, UN or US sanctions regimes.

Bribery and corruption

The Group has no risk appetite for bribery or corruption committed within, against or for and on behalf of the Group, or by its associated persons. The Group will not tolerate any instances of bribery and shall always seek as a minimum, to hold the individual(s) responsible accountable, either by applying internal disciplinary procedures, assisting law enforcement with their external investigations, or a combination of both.

Facilitation of tax evasion

The Group has no risk appetite for tax evasion committed within, against or for and on behalf of the Group, or by its associated persons. The Group will not tolerate any instances of tax evasion and shall always seek as a minimum, to hold the individual(s) responsible accountable, either by applying internal disciplinary procedures, assisting law enforcement with their external investigations, or a combination of both.

Internal fraud

The Group has no appetite for internal fraud.

External fraud

For externally committed fraud, a risk appetite threshold may be set and mandated for each Group Business Unit. Group Business Units are responsible for setting appropriate thresholds and monitoring their adherence to those thresholds. The Group does not tolerate non-adherence with applicable laws, regulations, or supervisory requirements in relation to fraud.

Exposures

Economic crime risks are inherent in doing business in the financial services industry and may arise from failure to:

- meet legal and regulatory requirements; and
- maintain effective systems and controls to prevent the risk that the Group might be used to further financial crime.

Measurement

All economic crime standards are reflected in the Group policy and supporting standards, the content of which is provided by the Economic Crime Risk team and updated as appropriate. Financial crime and fraud-related risk appetite metrics are monitored and reported to the Board on a monthly basis.

Economic crime risk (continued)

Mitigation

As a Tier 1 bank, we are proactively investing in financial crime and fraud prevention, in response to increasing public expectations and to protect our customers and the bank. We are focused on ensuring we play our part in safeguarding the financial sector and aim to continuously improve, whilst considering the rapidly evolving environment and expectations in the UK and are mindful of the challenges several of our peers have experienced.

The Group has the following controls and procedures to support mitigation:

- clearly defined economic crime policies[1] (with supporting standards) and risk appetite signed off by the Board;
- ongoing development, maintenance and reporting of risk appetite measures for economic crime risk to the Executive Risk Committee and the Board;
- key performance metrics relative to critical economic crime systems are kept under review and presented through governance to assess ongoing effectiveness;
- consideration of economic crime risk in the context of product and proposition development and associated appropriate governance;
- investment to maintain compliance and progress with key implementations;
- ongoing assessment of evolving regulatory policy requirements and ensuring the Group responds accordingly; and
- regular oversight and review of systems, controls, higher risk activities and customers takes place as part of a formal oversight plan.

Monitoring

The three lines of defence play a key role in managing economic crime risk. This includes operational monitoring activities such as: screening (PEPs, sanctions and adverse media) and due diligence; fraud detection and customer support processes; independent oversight and risk monitoring of risk appetite and the effectiveness of the economic crime control framework; governance and standard setting; training; and reporting to the competent authorities, as well as through internal governance fora, such as Executive Risk Committee and the Board.

[1] Anti-Money Laundering, Counter-Terrorist Financing, Counter-Proliferation Financing and Sanctions Policy, Fraud Prevention Policy, Anti-Bribery and Corruption Policy, Prevention of Facilitation of Tax Evasion Policy

Strategic and enterprise risk

Strategic and enterprise risk is the risk of significant loss of earnings or damage from decisions or actions that impact the long-term interests of the Group's stakeholders, or from an inability to fund or manage required change projects or adapt to external developments.

Risk appetite

The risk position for strategic and enterprise risk, referenced in the Group's RAS, requires that there is effective management and oversight of the delivery of our business model, with effective cost management and optimisation of investment, and in all cases, that effective governance is maintained. In the interest of pursuing our strategic ambitions, we actively monitor the external environment and manage potential impacts and avoid activities which may cause significant reputational damage to the Group and the wider Nationwide group.

Exposures

Instability in the geopolitical environment and macroeconomic pressures could impact customer resilience and consequently debt affordability. The Group has considered this uncertainty and potential challenges as part of the Strategic and Financial Plan risk assessment and planning process.

There is significant additional investment in technology and people, to support growth plans and strategic objectives. Given the volume of change required to achieve our strategic priorities pre-existing execution risk is heightened, and the uncertainty in the external environment further exacerbates this risk.

Measurement

The Group's risk appetite represents a 'risk envelope' against which chosen strategies and financial plans are assessed and within which chosen strategies must operate. Risk appetite is a key means of controlling strategic risk. The risk appetite handbook comprises an extensive system of measures, thresholds and other controls, which together ensure that the Group operates within the Board's approved appetite for strategic risk.

There are clearly defined strategic milestones with associated exit criteria which, with the range of risk appetite metrics and other key metrics established to measure associated risk, are regularly reviewed.

Mitigation

The Group undertakes thorough and regular monitoring of emerging and crystallised strategic risks, including developments in the external geopolitical environment, to ensure it is best placed to proactively respond to changes as and when required. Robust contingency plans are in place to ensure the impact of any changes on strategic initiatives is captured.

The Risk function undertakes regular risk oversight activity, placing customers' interests at the centre of all aspects of change. The strategic and financial planning process for project prioritisation is overseen by the Risk function to ensure a balanced portfolio within the funding available.

Monitoring

A range of financial and non-financial metrics are used to monitor performance relative to strategic priorities. They are continually monitored against the Strategic and Financial Plan by the Board and Executive Committee, who react to deviations from targets and modify strategy accordingly.

A formal assessment of the Group's Strategic and Financial Plan, reviewing the Group's current and potential strategic risks, and the impact of strategic decisions and objectives on the Group's risk profile, was undertaken during the 18-month period. The findings are reported to the Executive Committee and the Board annually.

Risk report (continued)
Climate risk

Climate risk is the exposures to physical and transition risks arising from climate change.

Risk appetite

We are committed to working towards alignment to a net zero pathway by 2050 and seek to minimise the impact of physical and transition climate risk to the Group and its customers. The Group has developed initial capability to assess physical and transition risk drivers in addition to running scenario analyses for its lending portfolios. However, the Group continues to evolve its approach, enhancing tools and data solutions to support climate risk assessment, management and monitoring.

Exposures

Physical risks arise from longer-term changes in the climate and weather-related events e.g., rising average temperatures, heatwaves, droughts, floods, storms, sea-level rise, coastal erosion and subsidence. They can potentially result in large financial losses in respect of the Group's own properties or disrupt operations as well as impairing asset values and the financial position of borrowers or key third-party suppliers.

Transition risks arise from the adjustment towards a low-carbon economy and could lead to changes in appetite, strategy, policy, technology, and sentiment. These changes could prompt a reassessment of the value of a large range of assets and create increased financial exposures for the Group as the costs and opportunities arising from climate change become apparent. Reputation risks may also arise from a failure to meet changing and more demanding societal, investor or regulatory expectations.

Measurement

The Group has developed core climate change scenario analysis capability to enhance our ability to identify climate-related risks and opportunities, and to assess the resilience of our business model.

Working with specialist third-party data providers the Group periodically assesses a range of physical and transition risk drivers to identify potential impacts within the Group's lending portfolio. The Group will continue to develop its approach and climate-related data as climate risk methodologies and risk management practices evolve.

Mitigation

There is a specific climate risk policy which outlines the Group's approach to the identification, management and monitoring of climate risk. The policy clearly defines and documents roles and responsibilities across the Group.

Monitoring

Climate risk is monitored and reported on a regular basis in Executive and Board Committees. The Environment Committee oversees the management of environmental and climate change matters across the Group and is chaired by the Chief Financial Officer.

Periodic monitoring of metrics is undertaken against risk appetite, other key risk indicators and strategic Group objectives. The Risk function provides oversight of the Group's approach to monitor and mitigate climate risk.

Report of the Directors

The Directors of the Bank and its subsidiary undertakings (which together comprise the Group) submit their report and consolidated financial statements for the period ended 31 March 2025.

Statement of corporate governance arrangements

The Board of Directors ('the Board') strives to ensure good standards of corporate governance are maintained. The Group is a wholly owned subsidiary of Virgin Money. Virgin Money is committed to high standards of corporate governance and has elected to adopt relevant parts of The UK Corporate Governance Code July 2018 ('the Code'), as a matter of best practice. Similarly the Bank applies its own governance arrangements and in doing so adopts relevant parts of the Code. Set out below are the overarching principles which the Group believes are appropriate to ensure effective decision-making to promote the Group's long-term success, and how these principles have been applied during the financial period ended 31 March 2025.

Principle 1 – Board Leadership and Company Purpose - "A successful company is led by an effective and entrepreneurial board whose role is to establish the company's purpose, values and strategy, aligned to its culture, acting with integrity and in line with a framework of prudent and effective controls which enable risks to be assessed and managed. Decisions should be made to promote the company's long-term sustainable success for the benefit of its shareholders and ensuring the interests of all stakeholders and the contribution to wider society are fully understood and considered."

The Board's role is to provide leadership of the Group and to set its strategy, ensuring the necessary resources, policies and procedures are in place for the Group to meet its strategic priorities and to monitor and measure performance against them. The Board establishes and maintains an effective risk management and internal control framework and determines the nature and extent of the risks the Group is willing to take to achieve its long-term strategic ambition through the approval of the Group's risk appetite. The Board is responsible for setting the Group's purpose, strategic drivers and customer first behaviours which are aligned to those described in the Virgin Money UK PLC Annual Report and Accounts. The Board is the principal decision-making body for matters of Group-wide strategic, financial, risk, regulatory, cultural, governance or reputational significance.

Our purpose 'Banking – but fairer, more rewarding and for the good of society' guides our strategy and the Board is committed to putting it at the heart of everything the Bank does as a business and an employer, ensuring that the Board's own decisions are purpose-led. Throughout the reporting period, the Board has been closely engaged on the progress made in embedding the second phase of the FCA's Consumer Duty requirements including improved customer communications. Our purpose is synonymous with providing good customer outcomes, and at the Bank we've adopted the Consumer Duty requirements by taking a purpose focused, data-led decision-making approach ensuring that Consumer Duty weaves throughout everything we do from the conversations we have with customers, to the products we design, the policies we operate and the suppliers we work with. During the reporting period the Board closely monitored compliance with Consumer Duty requirements and received monthly MI Dashboards on compliance across the Group's product range. Non-Executive Director Elena Novokreshchenova continued as Consumer Duty Champion throughout the reporting period. A further key focus area for the Board has been building an inclusive and equitable culture driven by our purpose, which involved the Board supporting the five-year People vision and strategy, agreeing the Workforce Engagement Programme for the period, and updating the updated Board Diversity and Inclusion Policy and targets.

Building and maintaining strong relationships with our stakeholders is central to our purpose and is embedded in the Board's responsibilities and decision making. The Board is mindful of its duty to act in good faith and to promote the success of the Group for the benefit of its shareholder and with regard to the interests of all of its stakeholders including customers, colleagues, investors, the society we operate in and serve, government and regulators and partners and suppliers. We have outlined below how the Group and its Directors engaged with stakeholders during the period, and in doing so, how Directors discharged their duties under s.172(1)(a) to (f) of the Companies Act 2006. More information in this regard is included within the s.172 statement, Strategic report and Directors' report in the Virgin Money UK PLC Annual Report and Accounts.

Customers

We are committed to supporting and ensuring good outcomes for customers by understanding their needs now and in the future and the Group remains focused on improving customer service and addressing the root causes of customer complaints.

During the reporting period the Board engaged with customers in a variety of ways including through the reports received at Board meetings and through spotlight sessions focusing on Retail and Business customers. The Board held several sessions in preparation for approving the Annual Report on Consumer Outcomes including reviewing and challenging the actions taken to improve customer outcomes and further improvements to be made. As part of this a full review of off-sale products was completed and some changes were made to back book pricing across our Savings and Mortgage portfolios.

Statement of corporate governance arrangements (continued)

The MI reported to the Board provides insight into customer outcomes, service performance, customer satisfaction and complaints which the Board scrutinises to ensure overall customer experience is improving. The Board also focuses on how the Group is supporting specific customer groups and as an example, during the reporting period received periodic updates on our Vulnerable Customer Strategy including the practical steps being taken to customise the support vulnerable customers receive and the training being provided to colleagues to enable this.

More generally, the Board benefits from customer insights from Directors' broader external experience and board appointments.

Outcomes following engagement with customers

> Continued progress in digitising customer journeys and propositions including signing a strategic partnership with Experian which will improve the Group's digital customer experience for unsecured lending.

> Embedded the second phase of Consumer Duty requirements including improved customer communications.

> Launched a training programme for customer-facing colleagues to equip them with the skills to support and talk to customers about their money worries and mental health.

> Expanding the AI-powered virtual assistant, Redi, to be available 24/7 for personal banking customers who manage their current accounts via the app.

Colleagues

Colleagues who feel engaged, supported and enthusiastic about the work they do are critical to delivering the best experience for our customers.

Our Workforce Engagement Programme continued throughout the past 18 months providing regular opportunities for Directors and colleagues to connect, whether virtually or in-person, on topical issues. The Programme involves colleagues from all levels and locations ensuring that the views of the full-cross section of the workforce are heard. There is time on the agenda for each Board meeting for Directors to report back on key messages and a report is provided on the themes of colleague feedback which are fully considered in the Board's decision-making. During the reporting period, key topics discussed included the Bank's culture, the impact of the 'A Life More Virgin' colleague proposition on productivity, customer service and wellbeing, the embedding of the BRAVER diversity, equity and inclusion framework and how colleagues were feeling about the acquisition. Additionally, the Chair of the Remuneration Committee held remuneration focused colleague engagement sessions in September reporting key feedback themes to that Committee. The Board keeps the effectiveness of the Programme under review and looks for opportunities to broaden its reach, for example most recently by looking for ways to more formally involve the Inclusion Networks.

Our Disability Confident Leaders status signifies our commitment to fostering an inclusive workplace for colleagues with disabilities and long-term health conditions. As a Disability Confident Leader, we continuously evaluate and improve our policies and practises to ensure accessibility and support for all colleagues and customers. We continue to fulfil our regulatory duties and have introduced specialist workplace adjustments for colleagues with disabilities, long term health conditions and neurodivergence, this includes physical adjustments and/or education and training. During the reporting period we have introduced people leader guidance to support neurodivergent colleagues and increase knowledge and understanding.

The Chief Executive Officer, supported by members of the Executive Committee, hosts regular 'Straight Up' sessions for all colleagues to join in-person or virtually to discuss and share feedback on a mix of topics that are front of mind for colleagues which has included discussing the natural uncertainty from colleagues following the acquisition.

Colleague sentiment is also measured through the annual MyVoice survey and periodic pulse checks with results reported to the Executive Committee and Board in addition to colleagues via a bespoke business unit report. The Executive Committee discusses the results and themes of feedback and considers the action that needs to be taken. The Culture Dashboard reported quarterly to the Board provides additional cultural insights.

In March 2024 the Group's new Glasgow head office fully opened creating a modern, vibrant and state of the art space for colleagues. Designed with the input of colleagues, including our colleague Inclusion Networks, the space has wellness, inclusivity and sustainability at its heart and provides flexible accommodation for collaboration, team events or individual focused working.

Outcomes following engagement with colleagues

> Colleague engagement remained positive based on the 2024 MyVoice survey with 77% engagement overall, improving to 84% in the first Pulse survey of 2025.

> Making positive progress on our Diversity, Equity and Inclusion agenda which colleagues helped shape, for example by welcoming 23 interns to the Group as part of the 10,000 Black and Able Internship Programme.

> Continuing to evolve our colleague communication approach to ensure there are regular opportunities to engage on topical issues including progress in delivering against our strategy and our transition to being part of the broader Nationwide Group.

> Expanding the Careers site to include all available opportunities at the Group and the Nationwide Group making information on vacancies across the combined Group more accessible.

> Enable, our network dedicated to supporting colleagues with disabilities and/or caring responsibilities, partnered with Purple Space to accelerate progress on disability inclusion. This partnership, focusing on building disability confidence by empowering colleagues with disabilities and allies to drive disability inclusion through powerful networks and bold leadership, contributed to an almost 20% growth in membership within the network.

Statement of corporate governance arrangements (continued)

Investors

The Bank is a wholly owned subsidiary of Virgin Money UK PLC. The entire issued and to be issued share capital of Virgin Money UK PLC was acquired by Nationwide Building Society on 1 October 2024. The Directors, who are the same for both the Group and Virgin Money UK PLC, ensure that the strategy, priorities, processes and practices of the Group are fully aligned where required to Virgin Money UK PLC and the wider Nationwide Group ensuring that the interests of Nationwide as Virgin Money UK PLC's sole shareholder are duly acknowledged. Further information in respect of the relationship of Virgin Money UK PLC with Nationwide is included within the Governance report of the 2025 Virgin Money UK Annual Report and Accounts.

Society

The Group seeks to have a positive impact on our customers, communities and wider society.

We have set an ESG strategy with goals aligned to our strategic drivers which you can read more about on the Group's website and in our ESG Hub at www.virginmoneyukplc.com. The Board is kept updated on progress in executing our ESG strategy including the delivery of a broader set of customer propositions to support the transition to a low carbon economy and in achieving our net zero goals.

The Group partners with charities to help tackle societal issues which has included colleagues choosing mental health charities Mind and Scottish Action for Mental Health (SAMH) as new corporate charity partners and teaming up with the Good Things Foundation to help people facing digital exclusion by introducing the National Databank programme. These partnerships open up opportunities for the Group's colleagues too, for example by creating training opportunities to upskill them to better understand how financial difficulty can impact mental health and to help them better identify and support individuals impacted by digital exclusion and to signpost them to a nearby National Device Bank.

The Virgin Money Foundation continues to support organisations and people with the vision to change their communities for the better and targets its funding at communities located in the top 20% of the Index of Multiple Deprivation or Scottish Index of Deprivation and focused upon the North-East of England and the City of Glasgow. We have learnt from organisations in these communities about the issues that if addressed would result in positive change for the local community including digital exclusion.

Outcomes following engagement with society

> From the start of our partnership with Mind and SAMH to 31 March 2025, we have raised over £429,000.

> Hosting a workplace wellbeing event in collaboration with SAMH focusing on helping colleagues to think about supporting customers in the relationship between money and mental health, as well as their own wellbeing.

> Continuing to focus on progress to net zero goals including across the Business and commercial lending portfolio and operational emissions with continued collaboration through the supply chain.

>Through the partnership with the Good Things Foundation all our branches are now Databanks offering free data to customers as we continue to focus on fighting the Poverty Premium.

Government and regulators

Directors and members of the management team maintain a regular dialogue with its principal regulators including the supervisory teams at the PRA and FCA. During the period representatives from each of these regulators joined Board meetings to speak about the outcome of regulatory reviews, regulatory expectations of the Group as a systemically important bank and regulatory priorities for the coming period. The Board is kept updated between meetings on key discussion topics and points of feedback from meetings that members of the management team have with the regulators to ensure there is a regular flow of information.

The Board also maintains an overview of the impact of the broader geo-political environment and its impact including in relation to Group's own strategy and outlook. Board briefings during the period included the 2024 UK general election.

Outcomes following engagement with government and regulators

> Action plans to respond to regulatory reviews ensuring the Group makes progress on priority areas in line with regulatory expectations.

> Submitting to the FCA the first Annual Report on Consumer Duty Outcomes and achieving compliance with Consumer Duty regulatory requirements which came into effect in July 2024.

Statement of corporate governance arrangements (continued)

Partners and suppliers

Our suppliers help us deliver our strategy and provide quality service for our customers. Usually Directors do not interact directly with the Group's partners and suppliers however they receive updates from management which allows them to oversee supplier relationships and to keep up to date on developments including how our partners are helping to improve customer service. For example, the Board approved the strategic partnership with Experian to enhance the Group's digital customer experience by leveraging its suite of cloud-based technology. Through this partnership the Group will be able to deliver more personalised financial products for customers, streamline processes and provide engaged security and fraud protection.

Through reports from the Chief Operating Officer, the Board and the Risk Committee were updated on critical third-party relationships including those involved in supporting the IT infrastructure and customer servicing and challenged on the steps being taken to mitigate third party risk.

Annually the Board reviews and approves the Group's Modern Slavery Statement and in doing so receives a report from management on the Group's commitments in combatting modern slavery. This includes our Supplier Code of Conduct which sets out the standards, principles and behaviours we expect from our suppliers. Our supplier sourcing and due diligence processes are regularly reviewed to ensure they are fit for purpose and reflective of current risks and we include a modern slavery clause in our contracts with suppliers.

Outcomes following engagement with suppliers

> Approved the Modern Slavery Statement available on our website at www.virginmoneyukplc.com.

> Partnering with suppliers to open our new head office in Glasgow designed to be the city's most environmentally friendly building.

>Through reports from management, monitoring third party risk.

Principle 2 – Division of Responsibilities – "An effective board requires a clear division of responsibilities with the Chair leading the board and being responsible for its overall effectiveness. The board should include an appropriate combination of executive and independent non-executive directors having a clear understanding of their accountability and responsibilities. The non-executive directors should have sufficient time to meet their board commitments and should provide constructive challenge, strategic guidance and hold management to account. The board's policies and procedures should ensure that it has the information, time and resources to support effective decision-making."

The Directors assume ultimate responsibility for all matters, and along with senior management are committed to maintaining a robust control framework as the foundation for the delivery of good governance, including the effective management of delegation through the corporate governance framework. Policies are also in place in relation to potential conflicts of interest which may arise. All Directors are provided with sufficient resources to undertake their duties and have access to the advice of the Group Company Secretary in relation to the discharge of their duties and matters of governance. In appropriate circumstances, Directors may obtain, at the Group's expense, independent professional advice where they judge it necessary to discharge their responsibilities as Directors.

The Board is supported by its committees which are the Audit Committee, Governance and Nomination Committee, Remuneration Committee and Risk Committee ('Committees'). The Committees make recommendations on matters delegated to them and are managed in the same way meetings of the Board are managed, with open debate encouraged, and adequate time provided for members to consider proposals which are put forward. The Board Chair and each Committee Chair is responsible, with support from the Group Company Secretary, for the provision to each meeting of accurate and timely information.

The Board Chair is responsible for leading the development of the Board taking into account a range of factors including the output of the annual Board performance review and the evaluation of each Director's own performance. Directors participate in an ongoing programme of training and development, organised on behalf of the Board Chair by the Group Company Secretary. Training is delivered through briefings, deep dives or presentations delivered by the Group's own management team and sometimes by external advisers. Additionally, Directors undertook the same online 'Professional Passport' training as colleagues which during the reporting period covered a range of customer, culture and risk related topics. Board Committee specific training is agreed with Committee Chairs as needed. The Board Chair ensures that each new Director receives a formal induction tailored to their individual requirements, skills and experience which the Group Company Secretary coordinates. Additionally, a Director taking on a senior management function role as prescribed under the Senior Managers and Certification Regime undertakes a full and formally documented handover of responsibilities with the outgoing role holder and induction is also tailored if any new or serving Director is taking on a specific Board role such as a Committee Chair.

Statement of corporate governance arrangements (continued)

Principle 3 – Composition, succession and evaluation – "The size of the board should be guided by the scale and complexity of the company and should have an appropriate combination of skills, experience and knowledge. Appointments should be subject to a formal, rigorous and transparent procedure ensuring any appointments and succession plans are based on merit and objective criteria and promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. Board composition should be evaluated annually and include consideration of diversity and how effectively members work together to achieve objectives.*"*

As at 31 March 2025, the Board comprised the Board Chair, two Executive Directors and five independent Non-Executive Directors. The Board reviews the structure, size and composition of the Board and Board Committees on at least an annual basis including the balance of skills, knowledge, experience and diversity and the Board considers its current size, and composition is appropriate to the Group's circumstances. The Virgin Money UK PLC Board Diversity and Inclusion Policy, which applies to the Group, ensures that an inclusive process is followed when recruiting Board members which includes ensuring that the selection process is based on the principles of fairness and respect, that all appointments are made on the basis of individual competence and merit measured against objective selection criteria and that when recruiting Board members due regard is given to the benefits of diversity and inclusion. The Board is committed to ensuring that its membership is representative of the diverse societies and communities it operates in. Recruitment of Board members will consider candidates from a wide pool including women, people from a minority ethnic background, those with a disability in addition to drawing on other differences and experiences such as knowledge and skills; age; educational, professional and socio-economic background; and cognitive and personal strengths. The Board firmly believes that creating and sustaining a diverse workforce at all levels in the Bank and building a fully inclusive culture is critical to the Group's long-term sustainable success, to foster decision making that represents the broadest set of views and perspectives and to mitigate the risk of 'group think'.

A review of the performance of the Board, its Committees, the Board Chair and of individual Directors takes place annually. The annual evaluation is an opportunity to identify ways to improve the efficiency of the Board by maximising strengths and highlighting areas for development as part of the Board's commitment to continuously improve its performance.

The Board conducted two internally facilitated performance reviews during the reporting period to assess progress made since the last externally facilitated reviewed conducted by Korn Ferry (UK) Limited (Korn Ferry) in 2022 / 2023 the output and recommendations from which were reported on within the Virgin Money UK PLC 2023 Annual Report and Accounts. The first review was conducted during the period October 2023 – January 2024 and the second during September 2024 – October 2024. Both internal reviews began with a questionnaire, agreed by the Governance and Nomination Committee, which Directors completed covering many of the same topics assessed in the Korn Ferry review including perspectives on Group's strategy, challenges and opportunities; the mandate of the Board; Board composition; Directors' contribution; Board dynamics and culture; the support provided to the Board and the performance and operation of the Board's principal committees. A thematic report including suggested improvement areas was produced based on responses. The Board agreed an action plan to address improvement areas and delegated to the Governance and Nomination Committee to monitor progress reporting periodically to the Board. Overall, the findings from both reviews confirmed that the Board and its Committees are effective and no significant concerns or issues were raised.

Principle 4– Audit, Risk and Internal Control – "The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions, satisfy itself on the integrity of financial and narrative statements, presenting fair, balanced and understandable assessments of the company's position. It should establish procedures to manage risk, oversee the internal control framework, determine the nature and extent of principal risks the company is willing to take in order to achieve its long-term strategic objectives and the effective management of such risks."

The Board, through delegated authority assigned to the Risk Committee and the Audit Committee, assumes responsibility for the Group's systems of internal control. The internal control framework is designed to facilitate effective and efficient operations, ensure a high quality of internal and external reporting, and ensure compliance with applicable laws and regulations. The Directors and management are committed to maintaining a robust control framework as the foundation for the delivery of effective risk management. A review of the effectiveness of key controls is regularly undertaken across the Group, providing an assessment and statement on the effectiveness of the Group's control environment. The effectiveness of the risk management and internal control systems is reviewed regularly by the Risk Committee and the Audit Committee. The Risk Committee is responsible for providing oversight and advice to the Board in relation to current and potential future risk exposures. The Audit Committee assists the Board in discharging its responsibilities with regard to external and internal audit activities and controls including reviewing audit reports, internal controls and risk management systems.

The Board confirms that throughout the reporting period ended 31 March 2025 and up to the date of approval of this Annual Report and Accounts, there have been rigorous processes in place to identify, evaluate and manage the principal and emerging risks faced by the Group, including those that would threaten its business model, future performance, solvency or liquidity, the likelihood of a risk occurring and the costs of control in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the Financial Reporting Council (FRC).

Statement of corporate governance arrangements (continued)

Principle 5– Remuneration – "Remuneration policies and practices should support strategy and promote long-term sustainable success, with executive remuneration being aligned to purpose, values and successful delivery of the long-term strategy and developed in accordance with formal and transparent procedures, ensuring no director is involved in deciding their own remuneration outcome. Directors should exercise independent judgement and discretion when authorising outcomes, taking account of company and individual performance, and wider circumstances."

The Remuneration Committee assists the Board in providing oversight and advice in relation to the Group's remuneration policy; considering and implementing remuneration arrangements of the Board Chair and members of the Executive Committee; and considering and approving remuneration arrangements for other senior executives and employees covered by the Remuneration Code while having oversight for remuneration scales and structure across the Group.

In line with Schedule 5 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, information pertaining to the emoluments for the highest paid director and total amount of directors' remuneration (aggregated) are included in the notes to the accounts section of the Virgin Money UK PLC Annual Report and Accounts.

Directors

The list of current Directors can be found on page 2. The composition of the Bank's Board mirrors that of Virgin Money UK PLC and details of the changes in Board composition during the reporting period can be found in the Governance report within the Virgin Money UK PLC Annual Report and Accounts.

Appointment and retirement of Directors

The appointment, retirement and/or replacement of Directors is governed by the Bank's Articles of Association (Articles), the Code and the Companies Act 2006. In line with the requirements of the Code, all Directors will submit themselves for election or re-election as appropriate at the next AGM.

Directors' indemnities and insurance

The Directors have each entered into individual deeds of access, insurance and indemnity with the Group which indemnify the Directors to the maximum extent permitted by law. Each such provision constitutes a 'third-party indemnity provision' and a 'qualifying indemnity provision' for the purposes of the Companies Act 2006. These provisions are in force for the benefit of the Directors at the date of this report, and during the period to which this report relates. Such deeds are available for inspection at the Group's registered office.

The Group has an insurance policy in place for the benefit of all trustees, colleagues, Directors, officers, members and partners of the Group while acting in the capacity of a trustee or administrator of employee benefit or pension plans. This policy indemnifies the Directors, trustees and administrators of the occupational pension schemes operated by the Group, against liability incurred by them in connection with the management and administration of the pension schemes. This insurance policy constitutes a 'pension scheme indemnity provision' and a 'qualifying indemnity provision' for the purposes of the Companies Act 2006. These provisions are in force for the benefit of the Directors of Trustee Companies at the date of this report, and during the period to which this report relates. Such policy is available for inspection at the Group's registered office.

In addition, the Group had appropriate Directors' and Officers' Liability Insurance cover in place throughout the reporting period which, following completion of the acquisition of Virgin Money UK PLC by Nationwide, is provided by the Nationwide Directors' and Officers' Liability insurance policy.

Profits and dividends

The Group profit before tax for the period amounted to £186m (12 month to 30 September 2023 (restated): £356m). The profit attributable to the ordinary shareholders for the period amounted to £50m (12 months to 30 September 2023 (restated): £184m). Interim dividends amounting to £151m (12 months to 30 September 2023: £145m) were paid by the Bank in respect of the period ended 31 March 2025. The directors do not propose a final dividend in respect of the period (12 months to 30 September 2023: £26m which was paid in March 2024).

Share capital, control and Directors' powers

Information about share capital is shown in note 4.1 of the consolidated financial statements. There are no restrictions on voting rights of securities in Virgin Money UK PLC. No Director had any interest in the share of the Bank or its subsidiaries at any time during the reporting period.

Subject to the Articles and provisions of relevant statutes, the Board may exercise all powers of the Bank. The Bank can only amend the Articles if its shareholders pass a special resolution to this effect.

Political donations

No political donations were made during the period (12 months to 30 September 2023: £Nil).

Report of the Directors (continued)

Financial risk management objectives and policies

Risk and capital related disclosures for the Group are included within the Strategic report and Risk report. The information contained within these disclosures has not been audited by the Group's external auditor, except where labelled accordingly.

Risk and capital related disclosures for Virgin Money UK PLC can be found in the Virgin Money UK PLC Pillar 3 Report, and also within the Risk report section of the Virgin Money UK PLC Annual Report and Accounts.

Post-balance sheet events

There have been no significant events between 31 March 2025 and the date of approval of the annual report and consolidated financial statements which would require a change to or additional disclosure in the financial statements.

Going concern

The Group's Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group has the resources to continue in business for the foreseeable future.

The Group's use of the going concern basis for preparation of the accounts is discussed in note 1.3 of the Group's consolidated financial statements.

Research and development activities

The Group does not undertake formal research and development activities although it does invest in products and services in each of its business lines in the ordinary course of business. In addition to new products and services the Group also invests in internally generated intangible assets including software and computer systems. Further details can be found in note 3.2 of the consolidated financial statements.

The Auditor

In October 2023 PricewaterhouseCoopers LLP (PwC) was appointed as the Group's External Auditor following a comprehensive audit tender process overseen by the Audit Committee. In March 2024, PwC gave notice that they would be resigning as the Group's External Auditor with effect from 19 March 2024 in light of potential conflicts arising in relation to the acquisition as announced on 7 March 2024. EY was reappointed by the Board in April 2024 to fill the resulting vacancy. In September 2024 the Group applied to the Financial Reporting Council to request a two-year extension to the maximum duration of audit as permitted under the Companies Act 2006 to enable EY to remain as the Group External Auditor to provide stability through the pre and post-acquisition period, preserve auditor independence and allow due time for agreeing future audit plans with Nationwide. This extension means that a new Group external auditor will be in place in respect of the statutory audit for the financial year commencing 1 April 2027.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable UK law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the Group and Bank financial statements in accordance with UK-adopted International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Bank and of the profit or loss of the Group and the Bank for that period.

The Group financial statements have also been prepared with regard to the FCA's Disclosure Guidance and Transparency Rules.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Bank financial position and financial performance;
- state whether UK adopted IASs in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Bank and/or the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Bank and enable them to ensure that the Group and Bank financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report and Directors' report that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website.

The directors confirm, to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with UK adopted IASs, give a true and fair view of the assets, liabilities, financial position and profit of the Bank and undertakings included in the consolidation taken as a whole;
- that the Annual Report and Accounts, including the Strategic report, includes a fair review of the development and performance of the business and the position of the Bank and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Bank's position, performance, business model and strategy.

Independent auditor and audit information

The Directors who were members of the Board at the time of approving the Report of the Directors are listed on page 2. Having made enquiries of fellow Directors and of the Group's auditor, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

In accordance with section 485 of the Companies Act 2006, a resolution to appoint Ernst & Young LLP as External Auditor, and to authorise the Audit Committee to agree the remuneration of the External Auditor, will be proposed at the 2025 AGM.

Lorna McMillan
Group Company Secretary
29 May 2025

Independent auditor’s report to the members of Clydesdale Bank PLC

Opinion

In our opinion:

- Clydesdale Bank PLC’s Group financial statements and parent company financial statements (the “financial statements”) give a true and fair view of the state of the Group’s and of the parent company’s affairs as at 31 March 2025 and of the Group’s profit for the period 1 October 2023 to 31 March 2025 (“the period”);

- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;

- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Clydesdale Bank PLC (the ‘parent company’) and its subsidiaries (the ‘Group’) for the period ended 31 March 2025 which comprise:

Group	Parent company
Consolidated balance sheet as at 31 March 2025	Balance sheet as at 31 March 2025
Consolidated income statement for the period then ended	Statement of changes in equity for the period then ended
Consolidated statement of comprehensive income for the period then ended	Cash flow statement for the period then ended
Consolidated statement of changes in equity for the period then ended	Related notes 1.1 to 6.2 to the financial statements including material accounting policy information
Consolidated statement of cash flows for the period then ended	
Related notes 1.1 to 5.7 to the financial statements, including material accounting policy information	
Information identified as “audited” within the Risk report	Information identified as “audited” within the Risk report

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards to the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report to the members of Clydesdale Bank PLC (continued)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We obtained management's going concern assessment for the Group, including forecasts for the going concern period covering at least 12 months from when the financial statements are authorised for issue, and compared historical budgeted financial information with actual results to form a view of the reliability of the forecasting process;

- We evaluated the impacts on going concern as a result of the completion of the Nationwide acquisition, including the wider integration programme and potential Part VII outcomes. We used the approved board forecasts and evaluated whether this appropriately considered any potential impacts which may arise as a result of the strategic review being undertaken by Nationwide. We obtained and evaluated representations from management that there is no intention to terminate the businesses of the Group in the going concern period.

- We used EY economic and valuation specialists to assess certain forecasted assumptions which include, growth, inflation and interest rates;

- Management has modelled reasonable adverse scenarios in order to incorporate unexpected changes to forecasted liquidity and capital positions of the Group. We reviewed these scenarios, including a consideration of the Group's operational resilience, to identify whether they indicated significant issues that might impact the Group's ability to continue as a going concern;

- We evaluated the results of management's stress testing, including reverse stress testing, to assess the economic assumptions and their impact on the Group's solvency and liquidity;

- We reviewed regulatory correspondence and committee and board meeting minutes to identify events or conditions that may impact the Group's ability to continue as a going concern;

- We understood the directors considerations of the current uncertain geopolitical and economic outlook and climate change, including both financial risks and impacts on operational resilience; and

- We read and evaluated the adequacy of the disclosures in the Annual report in relation to going concern and considered whether there were other events subsequent to the balance sheet date which could have a bearing on the going concern conclusion.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of the Group and parent company.
Key audit matters	• Impairment of loans • Revenue recognition – Effective interest rate method of accounting • Value of unquoted pension assets • Transaction related matters • Access management
Materiality	• Overall Group materiality of £32m which represents 5% of the profit before tax adjusted for non-recurring items.

Independent auditor's report to the members of Clydesdale Bank PLC (continued)

An overview of the scope of the parent and group audits

Tailoring the scope

We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures to identify and assess risks of material misstatement of the Group and parent company financial statements and identified significant accounts and disclosures. When identifying the extent to which the audit work needed to be performed to respond to the identified risks of material misstatement of the Group and parent company financial statements, we considered our understanding of the Group and its business environment, the potential impact of climate change, the applicable financial framework, the Group's system of internal control at the entity level and relevant internal audit results.

Climate change

Stakeholders are increasingly interested in how climate change will impact Clydesdale Bank PLC. The Group has determined that the most significant future impacts from climate change on their operations will be from physical and transitional risks and has concluded that these are medium to longer term in nature. These are explained on page 85 in the Risk Report which forms part of "Other information", rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

As explained in note 1.5 to the Annual Report and Accounts, the Group has made an assessment of the observable effect of the identified physical and transitional risks on the Group's lending portfolio, as well as other assets such as the deferred tax asset and the pension assets held by the Group's defined benefit pension scheme. Whilst the effects of climate change represent a source of material uncertainty, the effects on estimates and judgements related to financial reporting arise in the medium and longer term. Management has concluded that while the effects of climate change represent a source of significant uncertainty, the Group does not consider there to be a material impact on its estimates and judgements from physical and transition risks of climate change in the financial statements. The financial statements cannot capture all possible future outcomes as these are not yet known and the degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted international accounting standards.

The Group has explained in the critical accounting estimates and judgements note 1.5 the articulation of how climate change has been reflected in the financial statements. Significant judgements and estimates relating to climate change are included in note 1.5. These disclosures explain that risks are still developing, and the degree of certainty of these changes means that they cannot be taken into account when determining the financial statement impact.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, and ensuring that the effects of material climate risks disclosed in note 1.5 have been appropriately reflected in the areas of judgement and estimation where relevant. We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures.

Based on our work we have considered the impact of climate change on the financial statements to impact certain key audit matters. Details of our procedures and findings are included in our explanation of key audit matters below.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor’s report to the members of Clydesdale Bank PLC (continued)

Risk	Our response to the risk
Impairment of loans: **Consolidated balance sheet impairment of loans - £735m (2023:£612m)** **Consolidated income statement charge – 18 month period ending 31 March 2025: £429m (12 month period ending 30 September 2023: £309m)** **Please refer to page 11 (credit risk report) and note 3.1.1.1 (Impairment provisions on credit exposures note).** The degree of subjectivity in the assumptions and estimates used by management to measure IFRS 9 ECL is high due to significant uncertainty associated with the assumptions used. These include the impacts of the uncertain geopolitical and economic outlook, a higher for longer interest rate environment, a protracted period of inflation that is above the UK Government policy target, stresses on recoverable values, and potential impacts of climate change, which were all considered in our risk assessment. The risk of material misstatement within the measurement and timing of IFRS 9 ECL manifests itself across the following five areas: *Staging:* The qualitative and quantitative criteria applied by management may not completely and accurately identify a significant increase in credit risk or credit impairment on a timely basis. *Modelling:* Models that calculate the ECLs, including probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) models, may not appropriately apply accounting interpretations, modelling assumptions, or data, or may not be appropriately implemented. *Multiple Economic Scenarios (“MES”):* ECLs may be inaccurate because the range of scenarios considered and the probability weightings applied to them are not sufficient or appropriate to capture all relevant factors required, including the uncertain geopolitical and economic outlook, higher for longer interest rates and protracted period of inflation, or because the MES may not be incorporated appropriately into the estimation of PD, LGD, and EAD. *In-Model and Post Model Adjustments (“PMAs”):* In-model and post-model adjustments could be inappropriate, incomplete, or in the case of in-model adjustments, incorrectly incorporated into the PD, LGD, and EAD models, with consideration to the risk of management override. These adjustments are inherently uncertain, significant, and subjective management judgement is often involved in identifying and estimating certain adjustments, including the appropriate criteria for release.	We developed a detailed understanding of the Group’s accounting policies to ensure they remained compliant with the requirements of IFRS 9. We have assessed the changes in management’s methodology following alignment with Nationwide. We evaluated the Group’s design of controls across the processes relevant to ECL, including the controls relating to the approval of key judgements and development of the estimate. *Staging:* We assessed the appropriateness of the Group’s staging criteria including the application of qualitative and quantitative criteria and their logical application through the modelled environment. We reperformed staging on all portfolios that we determined to be of a higher risk. This was done by independently replicating the staging and re-running the results in our own environment. *Modelling:* We assessed the assumptions and performed testing over inputs and formulae used in a risk-based sample of ECL models with involvement of our internal credit modelling specialists. This included assessing the appropriateness of model design and the calculations used, an assessment of model performance and recalculating Probability of Default, Loss Given Default and Exposure at Default for a risk-based sample of portfolios. We performed testing over completeness and accuracy of data used in the ECL models and calculation by reconciling, and performing sample tests of key data fields used in the model, to source data and corroborative evidence. We independently recalculated risk ratings for a sample of performing and non-performing business loans and compared to the Group’s determinations. *Multiple Economic Scenarios (“MES”):* We assessed the base case and alternative economic scenarios adopted by management utilising EY economic specialists. We challenged the probability weightings ascribed to the scenarios and compared them to other scenarios from a variety of external sources. With the assistance of EY economic specialists, we assessed whether forecast macroeconomic variables were appropriate loan loss provision drivers, and that the forecast variables were reasonable in the context of current economic conditions. *In-Model and Post Model Adjustments (“PMAs”):* We performed testing of model adjustments and PMAs, with the support from our credit modelling specialists. We assessed the completeness and appropriateness of these adjustments. Our procedures included assessing the need for management adjustments, evaluating the data, assumptions, methodology and judgements used. Additionally, we performed a benchmarking exercise by comparing the suite of model adjustments recognised by management to those seen in the industry.

<table>
<tr><th>Risk</th><th>Our response to the risk</th></tr>
<tr><td>Individually impaired assets:

Individual impairment within the commercial and business lending portfolios may not be identified on a timely basis or the provisions recognised may be incorrectly measured considering the impact of geopolitical tensions on exit strategies, collateral valuation and time to collect.</td><td>Individually impaired assets:

With the support of our valuation specialists, we recalculated ECL provisions for a sample of individually assessed loans including comparing to alternative scenarios and challenging probability weightings assigned.

We also assessed a sample of individual loans classified as performing loans within higher risk sectors, where no specific provision was held to determine whether their stage classification was appropriate.

Overall stand-back assessment:

We performed a stand-back assessment of the ECL provisions and coverage at an overall level and by stage to determine if changes were reasonable and internally consistent by considering the overall credit quality of the Group's portfolios, their risk profile, and the impacts of the current uncertain geopolitical and economic outlook and climate change. We performed peer benchmarking where available to assess overall staging and provision coverage levels.</td></tr>
<tr><td colspan="2">Key observations communicated to the Audit Committee

We communicated that we were satisfied that ECL provisions were reasonable and in compliance with the requirements of IFRS 9.

We communicated that our independent testing of models and underlying modelling assumptions resulted in only minor differences that were considered to be immaterial in the aggregate.

We also communicated that our challenge of the forecast macroeconomic variables and the base, downside, severe downside and upside scenarios, together with weightings adopted by management and concluded that they were reasonable.

Our testing of recorded managements' adjustments confirmed they had been accurately recorded, aligned with methodology adopted by the parent, and we were satisfied that their use was complete and appropriate.

Our testing of data used in the ECL models confirmed its completeness, appropriateness and accuracy.

We communicated that the overall ECL was considered reasonable.</td></tr>
</table>

Risk	Our response to the risk
Revenue recognition – effective interest rate method **Total interest income – 18 month period ending 31 March 2025 £7,042m (Restated for the 12 month period ending 30 September 2023: £3,905m)** **Please refer to note 2.1 Net Interest Income for the Group's disclosures in relation to EIR.** The Group records income on financial instruments under the effective interest rate ('EIR') method. The most material adjustments to interest income under EIR accounting are made in respect of the Group's mortgage portfolios. Significant management judgement is required to forecast cashflows; which in turn are derived from expected customer behaviour over the life of the financial instrument. Mortgage EIR adjustments are sensitive to the following assumptions: • The period over which to defer eligible fees and costs, which is determined by reference to analysis of historical customer behaviours; and • The extent to which early redemption charges ("ERCs") and variable interest expected to be collected in the future should be recognised as revenue/assets upfront. The complexity of calculations, the degree of management judgement in respect of forecast future cashflows, and the sensitivity of the amounts recognised in the financial statements to the assumptions increases the risk of material misstatement.	We assessed the Group's revised policies in relation to the application of EIR adjustments for compliance with the requirements of IFRS 9. We gained an understanding of the key processes, controls, assumptions and judgements used within the Group's EIR calculations. We took a substantive approach to testing the EIR models which are applied to that revenue, and the related balances. We tested the data used within the EIR models, including historical data used to analyse customer behaviours. We involved EY model risk specialists in assessing the code used to extract historical data from the mortgage systems as part of our work to verify that the data used in the EIR models was complete and accurate. We involved EY model risk specialists in reviewing the functionality of the models, ensuring consistency of the calculations with the accounting policy. We conducted sensitivity analyses on key assumptions and judgments. Additionally, we benchmarked the inclusion of lending fees and costs in EIR calculations, as well as the upfront recognition of ERCs and expected future variable interest income, comparing these to equivalent assumptions made by peers. We extended our analysis to reflect increased uncertainty and potential fluctuations in borrowing and switching activity attributable to changes in the Bank of England's base rate. Further, we have assessed the reasonableness of the assumption for the future propensity to redeem mortgages early through the performance of independent stress testing.
Key observations communicated to the Audit Committee The Group accounting policy to recognise interest income using the EIR method on loans and advances to customers is appropriate and in compliance with the requirements of IFRS 9. We concluded that the fees and costs being deferred are reasonable and complete; the average lives used in the EIR models are reasonable; the extent to which ERC fees are recognised upfront is reasonable; and the data populating the EIR models is complete and accurate. We concluded that the resulting EIR adjustments are appropriate.	

Risk	Our response to the risk
Valuation of the defined benefit pension asset **Net retirement benefit asset: £357m (2023: £512m)** **Please refer to note 3.3 to the financial statements** The Group has a defined benefit pension asset which represents the fair value of pension plan assets less the present value of defined benefit obligations. The net defined benefit pension asset is sensitive to changes in key judgements and estimates. Management uses specialists to inform the valuation of the net defined benefit pension asset. We identified the key audit matter as the judgements and estimates used in valuing the illiquid asset portfolio and defined benefit obligation. Below are the key judgements and estimates used in deriving the valuation of the net defined benefit pension asset: • Assumptions: actuarial assumptions and inputs, including discount rate, inflation and longevity which are used to determine the valuation of the defined benefit pension obligation; and • Valuations: pricing inputs and calibrations for illiquid valuations of certain investments held by the pension scheme. The valuation of the defined pension benefit asset is a key audit matter in the current period, considering the change in ownership and the significant judgment involved in the valuation of the unquoted assets and obligation assumptions, including the extent of specialist involvement and level of audit effort incurred we have determined this to be a key audit matter.	We assessed the Group's Pensions accounting policy and the estimation methodology for compliance with the accounting standards. We gained an understanding of the key processes, controls, assumptions and judgements used within the Group's valuation of certain illiquid assets held within the scheme. We also assessed the design effectiveness of the controls in place over the valuation of the illiquid plan assets. For complex and illiquid investments held, we engaged our EY valuation specialists to assess the appropriateness of management's valuation methodology including the judgements made in determining significant assumptions used in the valuation of these investments. We independently valued these illiquid and complex investments that had been valued using unobservable market inputs, using alternative pricing sources where available, to evaluate management's valuations. We evaluated the objectivity and competence of management's specialists involved in the valuation of the defined benefit obligation and we involved EY actuarial specialists to evaluate the actuarial assumptions used to calculate the defined benefit pension obligation by comparing the assumptions to ranges we independently developed based on market observable indices and the knowledge of the EY actuarial specialists. We assessed the impact on the defined pension obligation of changes in financial, demographic and longevity assumptions over the period, and the continued effect of the economic outlook, including market volatility. We then assessed whether these assumptions were supported by external evidence and rationales. We assessed the adequacy of the disclosures made in the financial statements, including the appropriateness of the assumptions and sensitivities disclosed.

Key observations communicated to the Audit Committee

We communicated our observations on management's key assumptions and judgements. Based on the procedures performed and the evidence obtained, we found the key actuarial assumptions used in the valuation of the defined benefit pension obligation to be within a reasonable range and no material differences were identified during our independent valuation of the unquoted and complex pension assets.

<table>
<tr><th>Risk</th><th>Our response to the risk</th></tr>
<tr><td>

Transaction related matters

On 1 October 2024, Virgin Money UK Plc was acquired by Nationwide Building Society.

We have considered where the transaction may impact financial statement line items within the financial statements.

The key transaction related matters are:

- Assessment of the impact on the impairment of intangible assets on the balance sheet.
- Assessment of the appropriateness of forecasts and subsequent impact on the recoverability of the Deferred Tax Asset as a result of the transaction. This included evaluating whether these forecasts appropriately considered the wider integration programme and potential Part VII outcomes.
- Accounting policy and presentational alignment as a result of the transaction which has resulted in restatements to the primary statements and related disclosures, including the opening balance sheet.

This has been added as a key audit matter this year as this is a significant event in the current period involving key judgments which has led to increased levels of audit effort spent on these transaction related matters.

</td><td>

We challenged management as to whether there were any indicators of impairment as a result of the acquisition which would impact the financial statements. Our challenge included consideration as to whether intangibles would continue to generate sufficient economic benefits until the end of their useful economic life.

We challenged the forecasts prepared by management to assess if any known future impacts of the transaction would result in an impact on future forecasted profits.

We assessed the restatements made to the primary statements and disclosures as a result of accounting policy and presentational alignment with Nationwide. We challenged management as to whether these were changes in estimates or accounting policies where applicable. In addition, we challenged the appropriateness of the changes, considering the users of the financial statements and whether these changes were more reliable and relevant for these users.

</td></tr>
<tr><td colspan="2">

Key observations communicated to the Audit Committee

We communicated that the forecasts prepared by management were appropriate as at 31 March 2025.

We communicated that we concurred with management's assessment that intangible assets were not impaired as at 31 March 2025 as a result of the acquisition.

We communicated that the restatements of the primary statements and related disclosures, including those to the opening position were accurate and appropriately disclosed as either changes in estimates or changes in accounting policies.

</td></tr>
</table>

Independent auditor's report to the members of Clydesdale Bank PLC (continued)

<table>
<tr><th>Risk</th><th>Our response to the risk</th></tr>
<tr><td>Access Management
The Group is highly dependent on technology due to the significant number of transactions that are processed daily.

IT access management controls ensure that only authorised users have access to data. Such controls contribute to mitigating the risk of potential fraud or errors as a result of unauthorised access to applications and data.

The Group has implemented user access management controls across IT applications, databases and operating systems. The Group also has some third party hosted systems with related business teams managing associated IT access management controls.

The nature of the access management processes across the Group and the associated audit procedures results is a significant part of our IT audit work relating to access management.

This has been added as a key audit matter this year due to the increased proportion of audit effort for testing access management controls.</td><td>We evaluated the design and operating effectiveness of IT access management controls over the applications, operating systems and databases that are relevant to financial reporting.

We tested user access by assessing the controls in place for in-scope applications, in particular testing the user access provisioning, de-provisioning, privileged access and periodic recertification of users' access.

Where control deficiencies were identified, we performed IT substantive procedures or alternative audit procedures to mitigate any residual risk over financial statement reporting.

Where systems are managed by third-party service providers, we tested IT access management controls through evaluating service organisation control ("SOC") reports and testing management's complementary end user controls, where applicable. If no SOC report was available, we performed additional procedures, for example direct testing to address financial reporting risks.</td></tr>
<tr><td colspan="2">Key observations communicated to the Audit Committee

Based on our testing procedures, we are satisfied that reliance can be placed on IT access management controls impacting financial reporting systems identified as relevant to our audit. Improvements were made around user entitlement review execution controls. Where control exceptions were noted, we have either relied on mitigating controls or performed IT substantive procedures to confirm that the control exceptions identified did not impact our approach to the financial statement audit.</td></tr>
</table>

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion**.**

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £32 million (1 October 2022 – 30 September 2023: £29 million), which is 5% (2023: 5%) of the adjusted profit before tax of the Group of £648 million for the 18-month period 1 October 2023 to 31 March 2025 (1 October 2022 – 30 September 2023: £344 million), normalised for non-recurring items in relation to Trade Mark Licensing Agreement, ECL harmonisation, and transaction costs. We believe removing these non-recurring charges reflects the most useful measure for users of the financial statements.

We determined materiality for the Parent Company to be £32 million (2023: £29 million), which is 0.6% (2023: 0.7%) of equity of the Parent Company. We believe equity is the most relevant measure for users of the Parent Company financial statements as the Parent Company does not report an income statement or statement of comprehensive income in line with section 408 of the Companies Act 2006. We therefore determined that equity is a more useful measure of the reported performance of the Parent Company.

During the course of our audit, we reassessed initial materiality and determined that an earnings-based measure remains appropriate for the Group and a capital-based measure remains appropriate for the parent. For the period ended 31 March 2025, we have determined that an 18-month adjusted profit before tax number is appropriate to conduct our audit to consider the extended period of accounts for the Group.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2023: 75%) of materiality, namely £24m (2023: £22m). We have set performance materiality at this percentage due to previous experience as auditors of the Group, from which we concluded that there is a lower expectation of material financial statement inaccuracies due to the effective control environment and nature of audit differences resulting from our prior and current period work. Our approach is consistent with the prior period.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.6m (2023: £1.4m), which is set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor’s report to the members of Clydesdale Bank PLC (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors’ report for the financial period for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors’ report have been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors’ report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors’ responsibilities statement set out on page 94, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report to the members of Clydesdale Bank PLC (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the regulations, license conditions and supervisory requirement of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).
- We understood how the Group is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters.
- We also reviewed correspondence between the Group and UK regulatory bodies; reviewed minutes of the Board and Executive Risk Committee; and gained an understanding of the Group's approach to governance, demonstrated by the Board's approval of the Group's governance framework and the Board's review of the Group's risk management framework (RMF) and internal control processes.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered performance and incentive plan targets and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of internal and external legal counsel, executive management, internal audit, and focused testing, as referred to in the Key Audit Matters section above. As part of our journal entry testing procedures we applied specialist forensic experience and methods to the audit. We assessed the susceptibility of the Group's Statement to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered performance and incentive plan targets and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders.
- The Group operates in the banking industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Clydesdale Bank PLC (continued)

Other matters we are required to address

- Following the recommendation of the NAB Group Audit Committee, we were appointed by the company on 31 January 2005 to audit the financial statements for the year ending 30 September 2005 of the National Australia Bank Group of companies, which at the time included Clydesdale Bank PLC. The period of total uninterrupted consecutive appointments as auditors of Clydesdale Bank PLC is 19 years, covering the years ending 30 September 2005 to 30 September 2023. We resigned as auditors on 23 February 2024 and were reappointed on 24 April 2024. The second period of uninterrupted engagement as auditors of Virgin Money UK PLC is the 18 month period ending 31 March 2025. Our total tenure is therefore 20.5 years.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.

- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Andrew Bates (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
29 May 2025

Financial statements
Consolidated income statement

For the period ended	Note	**18 months to 31 Mar 2025 £m**	12 months to 30 Sep 2023 £m Restated(1)
Interest income		**7,042**	3,905
Other similar interest		**5**	3
Interest expense and similar charges		**(4,512)**	(2,147)
Net interest income	2.1	**2,535**	1,761
Fee and commission income	2.2	**288**	186
Fee and commission expense	2.2	**(119)**	(58)
Other operating income	2.3	**46**	14
Losses from derivatives and hedge accounting	2.4	**(9)**	(19)
Total income		**2,741**	1,884
Operating and administrative expenses	2.5	**(2,126)**	(1,219)
Operating profit before impairment losses		**615**	665
Impairment losses on credit exposures	3.1.1.1	**(429)**	(309)
Profit on ordinary activities before tax		**186**	356
Tax expense	2.6	**(36)**	(118)
Profit for the period		**150**	238
Attributable to:			
Ordinary shareholders		**50**	184
Other equity holders		**100**	54
Profit for the period		**150**	238

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

All items dealt with in arriving at the profit before tax for each period relate to continuing activities.

The notes on pages 116 to 185 form an integral part of these financial statements.

Financial statements
Consolidated statement of comprehensive income

For the period ended	Note	18 months to 31 Mar 2025	12 months to 30 Sep 2023
		£m	£m
			Restated[1]
Profit for the period		**150**	238
Items that may be reclassified to the income statement			
Change in cash flow hedge reserve			
Losses during the period		**(367)**	(268)
Transfers to the income statement		**(84)**	(12)
Taxation thereon - deferred tax credit		**125**	77
	4.1.3	**(326)**	(203)
Change in FVOCI reserve			
Losses during the period		**(39)**	(50)
Transfers to the income statement		**(1)**	(1)
Taxation thereon - deferred tax credit		**11**	14
		(29)	(37)
Change in other hedging reserve[2]	4.1.3		
Losses during the period		**(5)**	-
Transfers to the income statement		**1**	-
Taxation thereon - deferred tax credit		**1**	-
		(3)	-
Total items that may be reclassified to the income statement		**(358)**	(240)
Items that will not be reclassified to the income statement			
Change in defined benefit pension plan	3.3	**(206)**	(544)
Taxation thereon - deferred tax credit		**68**	188
Taxation thereon - current tax credit		**3**	1
Total items that will not be reclassified to the income statement		**(135)**	(355)
Other comprehensive losses, net of tax		**(493)**	(595)
Total comprehensive losses for the period, net of tax		**(343)**	(357)
Attributable to:			
Ordinary shareholders		**(443)**	(411)
Other equity holders		**100**	54
Total comprehensive losses for the period, net of tax		**(343)**	(357)

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.
(2) The Group voluntarily adopted IFRS 9 'Financial Instruments' – Hedge Accounting from 1 October 2024 on a prospective basis which required the creation of a new 'other hedging reserve'. Further information is included in note 1.6. Comparatives have not been restated.

The notes on pages 116 to 185 form an integral part of these financial statements.

Financial statements
Balance sheets

As at	Note	Group 31 Mar 2025 £m	Group 30 Sep 2023 £m Restated(1)	Bank 31 Mar 2025 £m	Bank 30 Sep 2023 £m Restated(1)
Assets					
Financial instruments	3.1				
At amortised cost	3.1.1				
Loans and advances to customers	3.1.1.1	**71,072**	72,245	**70,474**	71,458
Fair value adjustment for portfolio hedged risk		**(116)**	(492)	**(116)**	(492)
Cash and balances with central banks	3.1.1.2	**10,882**	11,282	**10,882**	11,282
Due from other banks and similar institutions		**364**	675	**120**	308
At FVOCI		**6,197**	6,184	**6,197**	6,184
At FVTPL	3.1.3				
Loans and advances to customers		**47**	59	**47**	59
Derivatives	3.1.3.1	**48**	135	**20**	126
Other		**1**	2	**1**	1
Due from related entities	5.3	**3**	-	**667**	964
Intangible assets and goodwill	3.2	**127**	173	**103**	173
Property, plant and equipment		**181**	214	**181**	214
Accrued income and prepaid expenses		**100**	59	**99**	59
Deferred tax	2.6	**403**	389	**398**	383
Current tax assets		**129**	22	**134**	18
Defined benefit pension assets	3.3	**357**	512	**357**	512
Other assets	3.4	**81**	70	**137**	112
Total assets		**89,876**	91,529	**89,701**	91,361
Liabilities					
Financial instruments	3.1				
At amortised cost	3.1.1				
Customer deposits	3.1.1.3	**70,383**	66,827	**70,383**	66,827
Debt securities in issue	3.1.1.4	**6,557**	6,155	**4,438**	4,552
Due to other banks and similar institutions	3.1.1.5	**934**	7,050	**934**	7,050
At FVTPL	3.1.3				
Derivatives	3.1.3.1	**132**	290	**74**	163
Due to related entities	5.3	**4,304**	3,605	**6,342**	5,208
Deferred tax	2.6	**89**	179	**89**	179
Provisions for liabilities and charges	3.7	**39**	69	**38**	69
Accruals and deferred income		**163**	61	**157**	59
Other liabilities	3.5	**1,666**	1,959	**1,663**	1,959
Total liabilities		**84,267**	86,195	**84,118**	86,066
Equity					
Share capital and share premium	4.1.1	**2,043**	2,792	**2,043**	2,792
Other equity instruments	4.1.2	**693**	594	**693**	594
Other reserves	4.1.3	**145**	503	**147**	504
Retained earnings		**2,728**	1,445	**2,700**	1,405
Total equity		**5,609**	5,334	**5,583**	5,295
Total liabilities and equity		**89,876**	91,529	**89,701**	91,361

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

The Bank made a profit of £151m (12 months to 30 September 2023: £259m (restated)) during the period.

The notes on pages 116 to 185 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 29 May 2025 and were signed on its behalf by:

Chris Rhodes
Chief Executive Officer

Gergely Zaborszky
Chief Financial Officer

Company name: Clydesdale Bank PLC, Company number: SC001111

Financial statements
Statements of changes in equity

Group

	Share capital and share premium	Other equity instruments	Other reserves: FVOCI reserve	Other reserves: Other hedging reserve[1]	Other reserves: Cash flow hedge reserve	Retained earnings	Total equity
Note	4.1.1	4.1.2	4.1.3	4.1.3	4.1.3		
						Restated[2]	Restated[2]
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
As at 1 October 2022 (as reported)	2,792	662	44	-	699	2,214	6,411
Restatements[2]	-	-	-	-	-	(344)	(344)
As at 1 October 2022 (restated)	2,792	662	44	-	699	1,870	6,067
Profit for the year (restated)[2]	-	-	-	-	-	238	238
Other comprehensive losses, net of tax	-	-	(37)	-	(203)	(355)	(595)
Total comprehensive losses for the year	-	-	(37)	-	(203)	(117)	(357)
AT1 distributions paid	-	-	-	-	-	(54)	(54)
Dividends paid to ordinary shareholders	-	-	-	-	-	(248)	(248)
Settlement of Virgin Money Holdings (UK) Limited share awards	-	-	-	-	-	(2)	(2)
AT1 redemption	-	(68)	-	-	-	(4)	(72)
As at 30 September 2023[2]	2,792	594	7	-	496	1,445	5,334
Profit for the period	**-**	**-**	**-**	**-**	**-**	**150**	**150**
Other comprehensive losses, net of tax	**-**	**-**	**(29)**	**(3)**	**(326)**	**(135)**	**(493)**
Total comprehensive losses/(income) for the period	**-**	**-**	**(29)**	**(3)**	**(326)**	**15**	**(343)**
AT1 distributions paid	**-**	**-**	**-**	**-**	**-**	**(100)**	**(100)**
Dividends paid to ordinary shareholders	**-**	**-**	**-**	**-**	**-**	**(177)**	**(177)**
Ordinary shares issued	**800**	**-**	**-**	**-**	**-**	**-**	**800**
Release of share premium to retained earnings	**(1,549)**	**-**	**-**	**-**	**-**	**1,549**	**-**
Impact of share schemes moving from equity settled to cash settled	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**
AT1 issuance	**-**	**346**	**-**	**-**	**-**	**-**	**346**
AT1 redemption	**-**	**(247)**	**-**	**-**	**-**	**(3)**	**(250)**
As at 31 March 2025	**2,043**	**693**	**(22)**	**(3)**	**170**	**2,728**	**5,609**

(1) The Group voluntarily adopted IFRS 9 'Financial Instruments' – Hedge Accounting from 1 October 2024 on a prospective basis which required the creation of a new 'other hedging reserve'. Further information is included in note 1.6. Comparatives have not been restated.
(2) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

The notes on pages 116 to 185 form an integral part of these financial statements.

Financial statements
Statements of changes in equity

Bank

	Share capital and share premium	Other equity instruments	Other reserves: FVOCI reserve	Other reserves: Other hedging reserve[(1)]	Other reserves: Cash flow hedge reserve	Retained earnings	Total equity
Note	4.1.1	4.1.2	4.1.3	4.1.3	4.1.3		
						Restated[(2)]	Restated[(2)]
	£m	£m	£m	£m	£m	£m	£m
As at 1 October 2022 (as reported)	2,792	662	44	-	703	2,146	6,347
Restatements[(2)]	-	-	-	-	-	(339)	(339)
As at 1 October 2022 (restated)	2,792	662	44	-	703	1,807	6,008
Profit for the year (restated) [(2)]	-	-	-	-	-	259	259
Other comprehensive losses, net of tax	-	-	(37)	-	(206)	(355)	(598)
Total comprehensive losses for the year	-	-	(37)	-	(206)	(96)	(339)
AT1 distributions paid	-	-	-	-	-	(54)	(54)
Dividends paid to ordinary shareholders	-	-	-	-	-	(248)	(248)
AT1 redemption	-	(68)	-	-	-	(4)	(72)
As at 30 September 2023[(2)]	2,792	594	7	-	497	1,405	5,295
Profit for the period	**-**	**-**	**-**	**-**	**-**	**159**	**159**
Other comprehensive losses, net of tax	**-**	**-**	**(29)**	**(1)**	**(327)**	**(133)**	**(490)**
Total comprehensive losses/(income) for the period	**-**	**-**	**(29)**	**(1)**	**(327)**	**26**	**(331)**
AT1 distributions paid	**-**	**-**	**-**	**-**	**-**	**(100)**	**(100)**
Dividends paid to ordinary shareholders	**-**	**-**	**-**	**-**	**-**	**(177)**	**(177)**
Ordinary shares issued	**800**	**-**	**-**	**-**	**-**	**-**	**800**
Release of share premium to retained earnings	**(1,549)**	**-**	**-**	**-**	**-**	**1,549**	**-**
AT1 issuance	**-**	**346**	**-**	**-**	**-**	**-**	**346**
AT1 redemption	**-**	**(247)**	**-**	**-**	**-**	**(3)**	**(250)**
As at 31 March 2025	**2,043**	**693**	**(22)**	**(1)**	**170**	**2,700**	**5,583**

(1) The Group voluntarily adopted IFRS 9 'Financial Instruments' – Hedge Accounting from 1 October 2024 on a prospective basis; this resulted in the creation of a new other hedging reserve. Further information is included in note 1.6. Comparatives have not been restated.
(2) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

The notes on pages 116 to 185 form an integral part of these financial statements.

Statement of cash flows

For the period ended		Group		Bank	
		18 months to 31 Mar 2025	12 months to 30 Sep 2023	**18 months to 31 Mar 2025**	12 months to 30 Sep 2023
	Notes	**£m**	£m	**£m**	£m
			Restated(1)		Restated(1)
Operating activities					
Profit on ordinary activities before tax		**186**	356	**188**	378
Adjustments for:					
Non-cash or non-operating items included in profit before tax	5.4	**368**	351	**94**	46
Changes in operating assets and liabilities	5.4	**(1,738)**	(564)	**(2,382)**	(576)
Tax paid including group relief		**(37)**	(50)	**(37)**	(37)
Net cash provided by operating activities		**(1,221)**	93	**(2,137)**	(189)
Cash flows from investing activities					
Proceeds from sale and maturity of FVOCI investments		**2,266**	1,868	**2,266**	1,868
Purchase of FVOCI investments		**(2,198)**	(2,950)	**(2,198)**	(2,950)
Proceeds from sale of property, plant and equipment		**3**	1	**3**	1
Purchase of property, plant and equipment		**(15)**	(9)	**(15)**	(9)
Purchase and development of intangible assets		**(6)**	(11)	**(6)**	(11)
Acquisition of controlled entities		**(20)**	-	**(20)**	-
Net cash provided by/(used in) investing activities		**30**	(1,101)	**30**	(1,101)
Cash flows from financing activities					
Repayment of principal portion of lease liabilities	3.6	**(40)**	(24)	**(40)**	(24)
Issuance of AT1 securities	4.1.2	**347**	-	**347**	-
Redemption of AT1 securities	4.1.2	**(250)**	(72)	**(250)**	(72)
Net (increase)/decrease in amounts due from related entities		**(55)**	7	**265**	138
Net increase in amounts due to related entities		**373**	297	**1,091**	468
AT1 distributions	4.1.2	**(66)**	(54)	**(66)**	(54)
Ordinary dividends paid	4.1.1	**(211)**	(248)	**(211)**	(248)
Proceeds from ordinary shares issued		**800**	-	**800**	-
Net cash provided by/(used in) financing activities		**898**	(94)	**1,936**	208
Net decrease in cash and cash equivalents		**(293)**	(1,102)	**(171)**	(1,082)
Cash and cash equivalents at the beginning of the period(2)		**10,589**	11,691	**10,223**	11,305
Cash and cash equivalents at the end of the period	5.4	**10,296**	10,589	**10,052**	10,223

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

Dividends received of £41m (12 months to 30 September 2023: £25m) are included in the Bank's operational cash flows.

Total interest received was £7,272m for Group and £7,244m for Bank (12 months to 30 September 2023: £3,532m for Group and £3,543m for Bank) and total interest paid was £4,394m for Group and £4,805m for Bank (12 months to 30 September 2023: £1,915m for Group and £2,246m for Bank).

The notes on pages 116 to 185 form an integral part of these financial statements.

Movements in liabilities arising from financing activities

Group	Note	**Intercompany loans payable**	**Lease liabilities**	**Total**
		5.3	3.6	
		£m	**£m**	**£m**
				Restated(1)
At 1 October 2022		3,210	132	3,342
Cash flows:				
Issuances		747	-	747
Redemptions		(432)	-	(432)
Repayment		(18)	(24)	(42)
Tax paid		-	(1)	(1)
Non-cash flows:				
Fair value and other associated adjustments		77	-	77
Additions to right-of-use asset in exchange for increased lease liabilities		-	76	76
Remeasurement		-	(6)	(6)
Movement in accrued interest		14	3	17
Unamortised costs		3	-	3
Other movements		4	-	4
At 30 September 2023		3,605	180	3,785
Cash flows:				
Issuances		1,391	-	1,391
Drawdowns		44	-	44
Redemptions		(998)	-	(998)
Repayments		(64)	(40)	(104)
Non-cash flows:				
Fair value and other associated adjustments		167	-	167
Additions to right-of-use asset in exchange for increased lease liabilities		-	2	2
Remeasurement		-	11	11
Movement in accrued interest		(3)	7	4
Unamortised costs		1	-	1
Other movements		161	-	161
At 31 March 2025		**4,304**	**160**	**4,464**

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

The notes on pages 116 to 185 form an integral part of these financial statements.

Movements in liabilities arising from financing activities

Bank	Notes	Intercompany loans payable	Lease liabilities	Total
		5.3	3.6	
		£m		£m
				Restated(1)
At 1 October 2022		4,941	132	5,073
Cash flows:				
Issuances		1,673	-	1,673
Redemptions		(965)	-	(965)
Repayments		(240)	(24)	(264)
Tax paid		-	(1)	(1)
Non-cash flows				
Additions to right-of-use asset in exchange for increased lease liabilities		-	76	76
Remeasurement/disposal		-	(6)	(6)
Movement in accrued interest		1	4	5
Unamortised costs		(2)	-	(2)
Other movements		(200)	-	(200)
30 September 2023		5,208	181	5,389
Cash flows:				
Issuances		2,226	-	2,226
Drawdowns		180	-	180
Redemptions		(1,242)	-	(1,242)
Repayments		(72)	(40)	(112)
Non-cash flows				
Fair value and other associated adjustments		168	-	168
Additions to right-of-use asset in exchange for increased lease liabilities		-	2	2
Remeasurement/disposal		-	11	11
Movement in accrued interest		(45)	7	(38)
Unrealised foreign exchange movements		48	-	48
Other movements		(129)	-	(129)
At 31 March 2025		**6,342**	**161**	**6,503**

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

The notes on pages 116 to 185 form an integral part of these financial statements.

Notes to the consolidated financial statements

Section 1: Basis of preparation

Overview

This section sets out the Group's accounting policies that relate to the consolidated financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. This section also highlights newly adopted accounting standards, amendments and interpretations which are relevant to the Group. Where relevant, we explain how these changes are expected to impact the financial position and performance of the Group.

The Group has adopted the UK Finance Code for Financial Reporting Disclosure and has prepared the 2024 Annual Report and Accounts in compliance with the Code.

1.1 General information

The Bank is incorporated in the United Kingdom under the Companies Act and registered in Scotland. The consolidated financial statements comprise those of the Bank and its controlled entities, together the 'Group'.

The Bank's immediate parent is Virgin Money UK PLC, a company registered in England and Wales. The financial statements of Virgin Money UK PLC may be obtained from Virgin Money UK PLC's registered office at Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL. Virgin Money UK PLC heads the smallest group in which the results of the Group are consolidated.

Following the acquisition of Virgin Money UK PLC by Nationwide on 1 October 2024, the Bank's accounting reference date was changed from 30 September to 31 March in order to align to Nationwide's accounting reference date. The financial statements have therefore been prepared for the 18-month period ended 31 March 2025 meaning the amounts presented are not entirely comparable with those of the prior period. Nationwide is now the Bank's ultimate parent and controlling party and is a building society incorporated and registered in England and Wales. The post-acquisition results of the Group are included in the consolidated financial statements of Nationwide Building Society, which is the parent undertaking of the largest group to consolidate these results.

Nationwide Building Society is registered at Nationwide House, Pipers Way, Swindon, SN38 1NW. Nationwide's consolidated annual report and accounts can be obtained from this address or at nationwide.co.uk.

1.2 Basis of accounting

The consolidated financial statements, which should be read in conjunction with the Strategic report and the Directors' report, have been prepared in accordance with UK adopted IASs.

The financial information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value through profit or loss and other comprehensive income. Fair value is defined in note 3.1.4.

1.3 Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date the Annual Report and Accounts are authorised for issue, and that the Group is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing these financial statements. In reaching this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources. These considerations include potential impacts from principal and emerging risks, stress scenarios, and the related impact on profitability, capital and liquidity.

On 1 October 2024 Virgin Money was acquired by Nationwide. The Directors' going concern assessment has focussed on the current Board approved strategy, with consideration of integration related risks and the monitoring and mitigation activities around them. Following completion, Nationwide is working with the Group's management to undertake a detailed review of the Group which will include, among other considerations, an appraisal of the short and long-term objectives, strategy, and potential of the Group within the Nationwide group structure. The Group is preparing to transfer the assets and liabilities of the Bank into Nationwide, which we expect to complete in 2026/27, through a proposed banking business transfer under Part VII of the Financial Services and Markets Act 2000. This will be subject to legal and regulatory approval, and completion of internal governance processes, and is part of the wider integration programme that we expect to take several years to fully complete. The Directors' going concern conclusion considers available information regarding potential Part VII outcomes. The Directors anticipate that Nationwide will manage any consequential changes to Group capital, funding sources and strategy in a controlled manner which ensures the Group continues to meet all regulatory capital and funding requirements and can continue to operate as a going concern for at least the next 12 months from the date the Annual Report and Accounts are authorised for issue.

1.4 Basis of consolidation

Controlled entities are all entities (including structured entities) to which the Bank is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An assessment of control is performed if there are indicators that control may have changed.

Controlled entities are consolidated from the date on which control is established by the Group until the date that control ceases. The acquisition method of accounting is used to account for business combinations other than those under common control. A non-controlling interest is recognised by the Group in respect of any portion of the total assets less total liabilities of an acquired entity or entities that is not owned by the Group. Balances and transactions between entities within the Group and any unrealised gains and losses arising from those transactions are eliminated in full upon consolidation.

The consolidated financial statements have been prepared using uniform accounting policies.

1.5 Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. 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.

The Group considers the most significant use of accounting estimates and judgements relate to the following areas:

Area	Estimates	Judgements	Further detail
Impairment provisions on credit exposures	Asset lifetimes Economic scenarios	SICR Definition of default PMAs	Credit risk section of Risk report and note 3.1.1.1
Deferred tax		Period for the recoverability of deferred tax assets	Note 2.6
Retirement benefit obligations	Discount rate Inflation assumptions Mortality assumptions		Note 3.3

The only change to the Group's critical accounting estimates and judgements compared to those stated in the Group's 2023 Annual Report and Accounts relates to EIR. Following the acquisition by Nationwide, the Group's accounting policy on EIR accounting changed to align with that of Nationwide which resulted in a substantial reduction in the EIR adjustment (refer to notes 1.7 and 2.1). As a result, management no longer consider EIR as requiring critical accounting estimates or judgements.

Critical accounting estimates and judgements related to climate-related risks

In addition, management has also considered and reflected on the potential impact of climate-related risks on the Group's financial position and performance.

This involved undertaking an assessment over the Group's assets (both financial and non-financial) and evaluating whether the observable effects of physical and transition risk of climate change would have a material impact on the Group's financial position and performance in the current period. It is widely accepted that the effects of climate change in the UK will not be significant in the short term and that the inherent risks and uncertainties in quantifying the effect of climate change in the financial statements are considerable and more likely to impact in the medium to longer term.

The Group's customer lending is the most significant financial asset class exposed to the potential impact of climate-related risks, primarily through ECL implications, the ability of the customer to meet their contractual payments and the potential for a fall in collateral values. Given the challenges associated with modelling specific climate projections, the Group's IFRS 9 scenarios do not make explicit and objective assumptions about climate change impacts for which the associated probability can be derived within the existing methodology. Instead, the Group's base forecast, and therefore the scenarios, incorporate the short to medium-term (five-year horizon) impact of the domestic and global economy on demand for fossil fuel and thus emissions. Consequently we consider that as a UK-based bank with no significant lending outside of the UK, the potential for material ECLs to emerge as a result of climate change in the short term is negligible.

1.5 Critical accounting estimates and judgements (continued)

Other non-financial assets that may be impacted include the Group's deferred tax asset and the pension assets held by the Group's defined benefit pension scheme. The Group assesses the recoverability of deferred tax assets over a six-year corporate planning time horizon which incorporates all aspects of the Group's future performance and expectations. The Trustee of the defined benefit pension scheme is responsible for all investment decisions, and these are made in accordance with a SIP which incorporates climate change considerations. In addition, by necessity, the investment decisions made by the Trustees are normally medium to long term in nature to match the related pension obligations. The majority of the scheme assets held at 31 March 2025 are in lower risk government and corporate bonds, with the remaining investments in secure income alternatives, property and renewables. As its funding position has improved it has disinvested from some of the asset classes that were more exposed to climate risks (such as public equity), but the Scheme is increasingly holding a larger proportion of longer dated assets to better match its liabilities. The Trustee is therefore very focused on the sustainability of these assets.

Overall, while the effects of climate change represent a source of significant uncertainty, the Group does not consider there to be a material impact on its estimates and judgements from physical and transition risks of climate change in these financial statements.

1.6 New accounting standards and interpretations

The Group adopted the following International Accounting Standards Board (IASB) pronouncements in the current financial period, which have been endorsed for use in the UK by the UK Endorsement Board (UKEB) and are not considered to have a material impact for the Group:

- *Amendments to IAS 8 'Accounting Policies and Accounting Estimates'*: This was issued in February 2021 (applicable for accounting periods beginning on or after 1 January 2023) and received endorsement for use in the UK in November 2022. The amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.
- *Amendments to IAS 12 'Income Tax': Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*. This was issued in May 2021 (applicable for accounting periods beginning on or after 1 January 2023) and received endorsement for use in the UK in November 2022. The amendments provide a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.
- *International tax reform - Pillar Two model rules: Amendments to IAS 12*. This was issued in May 2023 (additional disclosure requirements are applicable for accounting periods beginning on or after 1 January 2023, although some paragraphs were for immediate application) and received endorsement for use in the UK in July 2023. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the implementation of the OECD Pillar Two model rules, together with targeted disclosure requirements for affected entities. As mandated, the Group applied the temporary exemption on adoption and has neither recognised nor disclosed information about deferred tax assets and liabilities related to Pillar Two income taxes.

Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements' which were issued in February 2021 (applicable for accounting periods beginning on or after 1 January 2023) and endorsed for use in the UK by the UK Endorsement Board in November 2022 was early adopted by the Group with effect from 1 October 2022.

As a result of the acquisition by Nationwide, the following pronouncements that were applicable for accounting periods beginning on or after 1 January 2024 have been early adopted in these financial statements. Their early adoption has not had a material impact for the Group:

- *Amendments to IAS 1 'Presentation of Financial Statements': Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants.* These were issued in January 2020 and October 2022 respectively and both received endorsement for use in the UK in July 2023. The amendments clarify the criteria for the classification of a liability as either current or non-current, with additional considerations and disclosures required for loan arrangements that are subject to covenants.
- *Amendments to IFRS 16 'Leases': Lease Liability in a Sale and Leaseback*. This was issued in September 2022 and received endorsement for use in the UK in May 2023. The amendments require a seller/lessee to subsequently measure lease liabilities arising from a sale and leaseback transaction in a way that does not result in the recognition of a gain or loss relating to the right of use it retains.
- *Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 Financial Instruments: Disclosures': Supplier Finance Arrangements.* This was issued in May 2023 and received endorsement for use in the UK in November 2023. The amendments require qualitative and quantitative information to be disclosed about any supplier finance arrangements.

1.6 New accounting standards and interpretations (continued)

The transition requirements of IFRS 9 'Financial Instruments' include an option to continue to apply the existing hedge accounting requirements of IAS 39 until the development of a separate standard on accounting for dynamic risk management (macro hedge accounting). For the period from 1 October 2023 to 30 September 2024, the Group continued to apply IAS 39 for hedge accounting. Following the acquisition of Virgin Money by Nationwide from 1 October 2024, the Group voluntarily adopted the hedge accounting provisions of IFRS 9 on a prospective basis and continues to apply IAS 39 fair value hedge accounting for fair value macro hedges (fair value hedges of the interest rate exposure of a portfolio of financial assets or financial liabilities).

The changes resulting from adoption of the hedge accounting provisions of IFRS 9, which are applicable to the Group include:

- The ability to choose to exclude currency basis spreads from hedge designation and instead report this element of fair valuation directly in a hedge reserve within equity.
- The performance of hedge effectiveness testing on a prospective basis only, in line with risk management strategy.
- The inability to voluntarily de-designate hedging relationships, unless there has been a change to risk management objectives.

Adoption, which did not have a significant impact for the Group, has resulted in the creation of an 'other hedging reserve' within equity to include the impact of foreign currency basis spreads. The value of this reserve at 31 March 2025 was a cumulative loss of £3m for Group and £1m for Bank. Comparatives have not been restated.

The IASB has issued a number of new and amended IFRSs in the period that are not mandatory for the current reporting period and have not been early adopted by the Group. The majority of these are not expected to have a material impact on the Group.

IFRS 18 *'Primary Financial Statements – General Presentation and Disclosures'* was issued on 9 April 2024 and is effective for reporting periods beginning on or after 1 January 2027 (subject to UK endorsement). The new Standard will replace IAS 1 'Presentation of Financial Statements' and while much of IAS 1 has been retained in IFRS 18, there are a number of new requirements whose aim is to help entities improve how they communicate their financial performance to investors. These include i) the presentation of new defined subtotals in the income statement; ii) the disclosure of management-defined performance measures; and iii) enhanced requirements for grouping (aggregation and disaggregation) of information. Whilst the changes are a few years away from becoming mandatory, the Group is currently analysing the full potential impacts of the new Standard and expects IFRS 18 to alter the way certain information is presented but not to have a material effect on the values that are ultimately reported.

1.7 Changes to accounting policies and presentation as a result of the acquisition by Nationwide

Following the acquisition of Virgin Money by Nationwide on 1 October 2024, the Group has made a number of changes to accounting policies and presentation to align with the new Nationwide reporting structure. These changes have been made to enhance comparability and consistency with Nationwide, therefore providing more relevant and reliable information to users of the financial statements. In-line with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' the changes have been applied retrospectively.

Changes in accounting policy: these are material changes to the Group's accounting policies that were required to align with the new Nationwide published accounting policies. Prior reporting periods have been restated with a cumulative change in the retained earnings position at 1 October 2023 of £355m for the Group and £354m for the Bank.

Changes in presentation: these are changes to the presentation of certain items within the income statement, balance sheet and the statement of cash flows that were required to align with the preferred presentation of the new Nationwide Group. These changes in presentation have been classified as either 'reallocations' where the change is contained entirely within the table and therefore has no impact on the total disclosed or as 'Nationwide alignment' where the change does have an impact on the total with further explanatory detail provided. The prior year presentation has been amended to conform with the current period presentation with no overall financial impact or change to the retained earnings position at 1 October 2023.

1.7 Changes to accounting policies and presentation as a result of the acquisition by Nationwide (continued)

The following table summarises the most significant of these changes[(1)].

Changes in accounting policy:

Area	What has changed	Impact on 30 Sep 2023 retained earnings (Dr)/Cr Group £m	Impact on 30 Sep 2023 retained earnings (Dr)/Cr Bank £m	Prior period restated
Mortgage EIR accounting	Removal of SVR interest cash flows at the end of the initial product term (more information on this can be found in note 1.5 and 2.1)	**(179)**	**(178)**	Yes
Credit card EIR accounting	Revised unit of account methodology from the full contract with the customer to each individual card transaction (more information on this can be found in note 1.5 and 2.1)	**(259)**	**(259)**	Yes
Hedge accounting	Voluntary adoption of the IFRS 9 hedge accounting requirements on a prospective basis (more information on this can be found in note 1.6)	**-**	**-**	No
Investment property and branches and non-specialised admin buildings	The valuation basis has changed from depreciated cost less impairment to fair value	**(10)**	**(10)**	Yes
Deferred tax	The losses recognised from the accounting policy changes is deductible for corporation tax, but the tax deduction is spread equally over ten years. This temporary timing difference results in the creation of a deferred tax asset.	**93**	**93**	Yes
		(355)	**(354)**	

(1) Changes relating to the expected credit loss calculation as a consequence of the acquisition by Nationwide are classed as changes in accounting estimates and are not listed in this note. Please refer to page 19 of the credit risk section of the Risk report.

The overall impact on the retained earnings position at 30 September 2023 is as follows:

Group	**Retained earnings impact at 1 Oct 2022 (Dr)/Cr £m**	**Retained earnings impact in year to 30 Sep 2023 (Dr)/Cr £m**	**Total retained earnings impact (Dr)/Cr £m**
Retained earnings as reported at 30 Sep 2023			**1,800**
Mortgage EIR adjustment[(1)]	(171)	(8)	**(179)**
Credit card EIR adjustment[(2)]	(285)	26	**(259)**
Properties adjustment[(3)]	(4)	(6)	**(10)**
Deferred tax	116	(23)	**93**
Total adjustments	(344)	(11)	**(355)**
Restated retained earnings at 30 Sep 2023			**1,445**

(1) Adjusted against interest income.

(2) This has been adjusted against interest income (£285m debit for the period to 1 October 2022 and £28m credit for the year to 30 September 2023), and operating expenses (£2m debit for the year to 30 September 2023).

(3) With the move to a fair value basis from depreciated cost less impairment, fair value movements are reflected through other operating income.

1.7 Changes to accounting policies and presentation as a result of the acquisition by Nationwide (continued)

Bank

	Retained earnings impact at 1 Oct 2022 (Dr)/Cr £m	Retained earnings impact in year to 30 Sep 2023 (Dr)/Cr £m	Total retained earnings impact (Dr)/Cr £m
Retained earnings as reported at 30 Sep 2023			**1,759**
Mortgage EIR adjustment(1)	(166)	(12)	**(178)**
Credit card EIR adjustment(2)	(285)	26(1)	**(259)**
Properties adjustment(3)	(4)	(6)	**(10)**
Deferred tax	116	(23)	**93**
Total adjustments	(339)	(15)	**(354)**
Restated retained earnings at 30 Sep 2023			**1,405**

(1) Adjusted against interest income.
(2) This has been adjusted against interest income (£285m debit for the period to 1 October 2022 and £28m credit for the year to 30 September 2023), and operating expenses (£2m debit for the year to 30 September 2023).
(3) With the move to a fair value basis from depreciated cost less impairment, fair value movements are reflected through other operating income.

Further detail on the impact of these and other adjustments to the income statement and balance sheet for 30 September 2023 are provided below, with the following table highlighting the impact of the accounting policy changes on the relevant balance sheet line items as at 30 September 2022:

Group

	Original balance reported as at 30 Sep 2022 £m	Impact of accounting policy changes £m	Restated balance as at 30 Sep 2022 £m
Loans and advances to customers	71,749	(456)(1)	71,293
Property, plant and equipment	211	(4)	207
Deferred tax assets	256	116	372
Total assets	**92,010**	**(344)**	**91,666**
Retained earnings	(2,214)	344	(1,870)
Total equity	**(6,411)**	**344**	**(6,067)**
Total liabilities and equity	**(92,010)**	**344**	**(91,666)**

(1) This combines the mortgage EIR (£171m) and credit card EIR (£285m) adjustments.

Bank

	Original balance reported as at 30 Sep 2022 £m	Impact of accounting policy changes £m	Restated balance as at 30 Sep 2022 £m
Loans and advances to customers	70,842	(451)(1)	70,391
Property, plant and equipment	211	(4)	207
Deferred tax assets	250	116	366
Total assets	**91,814**	**(339)**	**91,475**
Retained earnings	(2,146)	339	(1,807)
Total equity	**(6,347)**	**339**	**(6,008)**
Total liabilities and equity	**(91,814)**	**339**	**(91,475)**

(1) This combines the mortgage EIR (£166m) and credit card EIR (£285m) adjustments.

1.7 Changes to accounting policies and presentation as a result of the acquisition by Nationwide (continued)

Changes in accounting presentation (none of which impact on retained earnings at 1 October 2023):

These changes impact (i) the income statement; (ii) the balance sheet; and (iii) the statement of cash flows.

(i) Income statement

What has changed	Prior period restated	Original presentation	Revised presentation
Fair value gains/losses on designated FVTPL equity to be recognised within other operating income instead of gains less losses on financial instruments at fair value.	Yes	Gains less losses on financial instruments at fair value	Other operating income
Gains/losses on derivative and hedging transactions to be presented as a separate line item (gains/losses from derivative and hedge accounting) instead of gains less losses on financial instruments at fair value.	Yes	Gains less losses on financial instruments at fair value	New income statement line item
The line item composition of the operating and administrative expenses note to the financial statements.	Yes	Group allocated line items in the note to the financial statements	Nationwide allocated line items in the note to the financial statements
Fee and commission income and expenses to be presented separately on the face of the income statement instead of within other operating income	Yes	Other operating income	New income statement line items
Interest on net defined benefit pension surplus to be recognised within interest income instead of operating expenses	Yes	Operating expenses (staff costs)	Interest income
Restatement of property related depreciation and impairments as a result of the move back to a fair value measurement basis for property assets	Yes	Operating expenses (depreciation/amortisation)	Other operating income

The impact of these on the 30 September 2023 income statement is as follows[1]:

	Original value £m	Fee and commission £m	Defined benefit pension credit £m	FV gains/losses designated FVTPL equity £m	Gains/losses on derivative and hedging transactions £m	Property related depreciation and amortisation £m	Accounting policy adjustments (as above) £m	Restated value £m
Interest income	3,830	-	55	-	-	-	20	3,905
Gains less losses on financial instruments at fair value	(17)	-	-	(2)	19	-	-	-
Fee and commission income[2]	-	186	-	-	-	-	-	186
Fee and commission expense[2]	-	(58)	-	-	-	-	-	(58)
Other operating income	157	(128)	-	2	-	(11)	(6)	14
Losses from derivatives and hedge accounting[2]	-	-	-	-	(19)	-	-	(19)
Operating and administrative expenses	(1,173)	-	(55)	-	-	11	(2)	(1,219)
Profit before tax	344	-	-	-	-	-	12	356
Taxation	(95)	-	-	-	-	-	(23)	(118)
Profit after tax	249	-	-	-	-	-	(11)	238

(1) The table only highlights those income statement line items that have been restated and does not include those income statement line items which have not changed from those originally reported at 30 September 2023. In the relevant note to the financial statements, only the restated position will be presented, with a footnote directing the user to this note for the detailed changes.
(2) New line item.

Notes to the consolidated financial statements (continued)
Section 1: Basis of preparation (continued)

1.7 Changes to accounting policies and presentation as a result of the acquisition by Nationwide (continued)

The impact of these on selected 30 September 2023 income statement notes is as follows:

Other operating income (note 2.3)

	As originally presented £m	Restated £m
Net fee and commission income	128	-
Margin on foreign exchange derivative brokerage	19	19
Gains on sale of financial assets at FVOCI	1	1
Fair value gains on designated FVTPL equity	-	2
Fair value losses on investment property	-	(17)
Other income	9	9
	157	14

Operating and administrative expenses (note 2.5)

	As originally presented £m	Reallocations £m	Accounting policy and presentation changes (as above) £m	Restated £m
Staff costs	432	3	55	490
Property and infrastructure(1)	74	-	-	74
Technology and communications(2)	130	86	-	216
Corporate and professional services	240	(240)	-	-
Depreciation, amortisation and impairment	116	-	(11)	105
Customer redress, legal and regulatory provisions	-	1	-	1
Bank levy	-	2	-	2
Other expenses(3)	181	148	2	331
Total	1,173	-	46	1,219

(1) Renamed to property costs.
(2) Renamed to technology costs.
(3) Renamed to other operating costs.

In addition to the accounting policy adjustments, other reclassifications were made to align with the preferred presentation of the new Nationwide reporting structure: (i) the reclassification of corporate and professional services to other expenses (£240m); (ii) the reallocation of MSA related costs from other expenses to technology and communications (£86m); (iii) a reclassification of £3m of staff allowances from other expenses to staff costs; and (iv) a reclassification of £3m from other expenses to new line items - customer redress, legal and regulatory provisions (£2m) and bank levy (£1m).

While the staff costs figure was increased by £58m from £432m to £490m, there were also reallocations between a number of different line items, with the 30 September 2023 impact as follows:

	As originally presented £m	Reallocations £m	Accounting policy and presentation changes (as above) £m	Restated £m
Wages and salaries	275	22	-	297
Social security costs	32	6	-	38
Defined contribution expense(1)	56	5	-	61
Defined benefit pension credit	(50)	(5)	55	-
Equity based compensation	6	(6)	-	-
Bonus awards(2)	22	3	-	25
Redundancy and restructuring	7	(7)	-	-
Temporary staff costs	24	(24)	-	-
Other staff costs	60	9	-	69
Total	432	3	55	490

(1) Renamed to pension costs.
(2) Renamed to bonuses.

These reallocations included (i) reclassifying overtime costs from other staff costs to wages and salaries (£22m); (ii) combining all social security related costs to the same line item (£6m); (iii) reclassifying temporary staff costs (£24m) and redundancy and restructuring costs (£7m) to other staff costs (£31m); (iv) combining all pension related costs to the same line item (£5m); (v) combining performance related costs to the one line item; and (vi) reclassifying staff allowances out of other expenses into other staff costs (£3m).

1.7 Changes to accounting policies and presentation as a result of the acquisition by Nationwide (continued)

(ii) Balance sheet

What has changed	Prior period restated	Original presentation	Revised presentation
London Clearing House (LCH) collateral treatment to be recognised within due to/from other banks and similar institutions instead of other assets/liabilities.	Yes	Other assets/liabilities	Due to/from other banks and similar institutions
Macro hedge adjustments to be presented as a separate line item instead of within loans and advances to customers.	Yes	Loans and advances to customers	New balance sheet line item
Property, plant and equipment to be presented as a separate line item instead of within other assets.	Yes	Other assets	New balance sheet line item
Prepayments and accrued income to be presented as a separate line item instead of within other assets.	Yes	Other assets	New balance sheet line item
Accruals and deferred income to be presented as a separate line item instead of within other liabilities.	Yes	Other liabilities	New balance sheet line item
Current tax assets to be presented as a separate line item instead of within other assets.	Yes	Other assets	New balance sheet line item
The balance for investment properties to be presented within property, plant and equipment instead of other assets.	Yes	Other assets	Property, plant and equipment

The impact of these on the 30 September 2023 balance sheet is as follows(1):

Group	Original value £m	LCH collateral £m	Macro hedge adjustments £m	Other asset changes £m	Other liabilities changes £m	Accounting policy changes £m	Restated value £m
Assets							
Loans and advances to customers	72,191	-	492	-	-	(438)(3)	72,245
Due from other banks and similar institutions	661	14	-	-	-	-	675
Property, plant and equipment(2)	-	-	-	224(4)	-	(10)	214
Accrued income and prepaid expenses(2)	-	-	-	59	-	-	59
Fair value adjustment for portfolio hedged risk(2)	-	-	(492)	-	-	-	(492)
Current tax assets(2)	-	-	-	22	-	-	22
Deferred tax assets	296	-	-	-	-	93	389
Other assets	389	(14)	-	(305)	-	-	70
Liabilities							
Due to other banks and similar institutions	(6,920)	(130)	-	-	-	-	(7,050)
Accruals and deferred income(2)	-	-	-	-	(61)	-	(61)
Other liabilities	(2,150)	130	-	-	61	-	(1,959)
Retained earnings	(1,800)	-	-	-	-	355	(1,445)

(1) The table only highlights those balance sheet line items that have been restated and does not include those income statement line items which have not changed from those originally reported at 30 September 2023. In the relevant note to the financial statements, only the restated position will be presented, with a footnote directing the user to this note for the detailed changes.

(2) New line item.

(3) This combines the mortgage EIR (£179m) and credit card EIR (£259m) prior year adjustments.

(4) This combines the property, plant and equipment (£184m) and investment property (£40m) balances.

Bank	Original value £m	LCH collateral £m	Macro hedge adjustments £m	Other asset changes £m	Other liabilities changes £m	Accounting policy changes £m	Restated value £m
Assets							
Loans and advances to customers	71,403	-	492	-	-	(437)(3)	71,458
Due from other banks and similar institutions	294	14	-	-	-	-	308
Property, plant and equipment(2)	-	-	-	224(4)	-	(10)	214
Accrued income and prepaid expenses(2)	-	-	-	59	-	-	59
Fair value adjustment for portfolio hedged risk(2)	-	-	(492)	-	-	-	(492)
Current tax assets(2)	-	-	-	18	-	-	18
Deferred tax assets	290	-	-	-	-	93	383
Other assets	427	(14)	-	(301)	-	-	112
Liabilities							
Due to other banks and similar institutions	(6,920)	(130)	-	-	-	-	(7,050)
Accruals and deferred income(2)	-	-	-	-	(59)	-	(59)
Other liabilities	(2,148)	130	-	-	59	-	(1,959)
Retained earnings	(1,759)	-	-	-	-	354	(1,405)

(1) The table only highlights those balance sheet line items that have been restated and does not include those income statement line items which have not changed from those originally reported at 30 September 2023. In the relevant note to the financial statements, only the restated position will be presented, with a footnote directing the user to this note for the detailed changes.

(2) New line item.

(3) This combines the mortgage EIR (£179m) and credit card EIR (£259m) prior year adjustments.

(4) This combines the property, plant and equipment (£184m) and investment property (£40m) balances.

1.7 Changes to accounting policies and presentation as a result of the acquisition by Nationwide (continued)

The impact of these on selected 30 September 2023 balance sheet notes is as follows(1):

Other assets (note 3.4)

	Group		Bank	
	As originally presented £m	**Restated £m**	**As originally presented £m**	**Restated £m**
Property, plant and equipment(2)	184	-	184	-
Investment properties(2)	40	-	40	-
Finance sub-leases	2	2	2	2
Investment in controlled entities	-	-	32	32
Investment in associates	10	10	18	18
Prepayments(3)	59	-	59	-
Other receivables(4)	66	52	66	52
Current tax(3)	22	-	18	-
Other	6	6	8	8
	389	**70**	**427**	**112**

(1) In the relevant note to the financial statements, only the restated position will be presented, with a footnote directing the user to this note for the detailed changes.
(2) Property, plant and equipment (£184m) and investment properties (£40m) less the accounting policy alignment (£10m) following the change in accounting policy above, have been combined (£214m) and are now presented as a separate balance sheet line item.
(3) Now presented as a separate balance sheet line item.
(4) Reduced by £14m to £52m as a result of the presentation change of LCH collateral which is now included within due from other banks and similar institutions.

Other liabilities (note 3.5)

	Group		Bank	
	As originally presented £m	**Restated £m**	**As originally presented £m**	**Restated £m**
Notes in circulation	1,675	1,675	1,675	1,675
Accruals and deferred income(1)	61	-	59	-
Other(2)	414	284	414	284
	2,150	**1,959**	**2,148**	**1,959**

(1) Now presented as a separate balance sheet line item.
(2) Reduced by £130m to £284m as a result of the presentation change of LCH collateral which is now included within the deposits line item in due to other banks and similar institutions (refer to note 3.1.1.5).

(iii) Statement of cash flows

The majority of the restatement impacts on the statement of cash flows, related notes and cash and cash equivalents are as a result of alignment to the preferred Nationwide presentation. The following tables cover each separate area of the statement of cash flow (operating, investing and financial activities), highlighting the material Nationwide alignment changes and also provides detail on the material Nationwide alignment changes required to the notes to the cash flow statements (non-cash or non-operating items, changes to operating assets and liabilities and cash and cash equivalents).

1.7 Changes to accounting policies and presentation as a result of the acquisition by Nationwide (continued)

The impact of these on the 30 September 2023 consolidated statement of cash flows is as follows:

Operating activities (Group)	As originally presented £m	Accounting policy adjustments £m	Reallocations £m	Nationwide alignment £m	Restated £m
Profit on ordinary activities before tax	344	12	-	-	356
Adjustments for:					
Non-cash or non-operating items included in profit before tax (see separate table)	(1,203)	(11)	-	1,565	351
Changes in operating assets and liabilities (see separate table)	-	-	(267)	(297)	(564)
Changes in operating assets	(551)	-	551	-	-
Changes in operating liabilities	284	-	(284)	-	-
Payments for short term and low value leases	(3)	-	-	3	-
Interest received	3,300	-	-	(3,300)	-
Interest paid	(1,173)	-	-	1,173	-
Tax (paid)/received	(50)	-	-	-	(50)
Net cash provided by/(used in) operating activities	**948**	**1**	**-**	**(856)**	**93**

Operating activities (Bank)	As originally presented £m	Accounting policy adjustments £m	Reallocations £m	Nationwide alignment £m	Restated £m
Profit on ordinary activities before tax	370	8	-	-	378
Adjustments for:					
Non-cash or non-operating items included in profit before tax (see separate table)	(1,197)	(11)	-	1,254	46
Changes in operating assets and liabilities (see separate table)	-	-	(383)	(193)	(576)
Changes in operating assets	(677)	-	677	-	-
Changes in operating liabilities	294	-	(294)	-	-
Payments for short term and low value leases	(3)	-	-	3	-
Interest received	3,298	-	-	(3,298)	-
Interest paid	(1,477)	-	-	1,477	-
Tax (paid)/received	(37)	-	-	-	(37)
Net cash provided by/(used in) operating activities	**571**	**(3)**	**-**	**(757)**	**(189)**

Material Nationwide alignment changes include:

- Detail on changes in the non-cash/non-operating and operating assets and liabilities line items is provided separately; and
- Operating interest paid and received are no longer added back and now flow through balance sheet movements.

1.7 Changes to accounting policies and presentation as a result of the acquisition by Nationwide (continued)

Non-cash or non-operating items included in profit before tax (Group)	**As originally presented £m**	**Accounting policy adjustments £m**	**Reallocations £m**	**Nationwide alignment £m**	**Restated £m**
Interest receivable	(3,833)	-	-	3,833	-
Interest payable	2,147	-	-	(2,147)	-
Depreciation, amortisation and impairment	116	(11)	-	-	105
Derivative financial instruments fair value movements	17	-	-	-	17
Net increase/(decrease) on impairment losses on credit exposures	309	-	-	(151)	158
Net increase/(decrease) on provisions for liabilities and charges	31	-	-	(11)	20
Equity based compensation	5	-	-	-	5
Gain on disposal of FVOCI assets	(1)	-	1	-	-
Costs recharged to parent entity	(3)	-	-	15	12
Amortisation and (gains)/losses on investment securities (including IFRS 3)	-	-	(1)	66	65
Net credit on retirement benefit obligations	-	-	(49)	-	(49)
Other non-cash movements	9	-	49	(40)	18
Total	**(1,203)**	**(11)**	**-**	**1,565**	**351**

Non-cash or non-operating items included in profit before tax (Bank)	**As originally presented £m**	**Accounting policy adjustments £m**	**Reallocations £m**	**Nationwide alignment £m**	**Restated £m**
Interest receivable	(3,826)	-	-	3,826	-
Interest payable	2,150	-	-	(2,150)	-
Depreciation, amortisation and impairment	116	(11)	-	-	105
Derivative financial instruments fair value movements	14	-	-	-	14
Net increase/(decrease) on impairment losses on credit exposures	309	-	-	(151)	158
Net increase/(decrease) on provisions for liabilities and charges	31	-	-	(12)	19
Equity based compensation	6	-	-	-	6
Gain on disposal of FVOCI assets	(1)	-	1	-	-
Costs recharged to parent entity	(6)	-	-	1	(5)
Amortisation and (gains)/losses on investment securities (including IFRS 3)	-	-	(1)	66	65
Net credit on retirement benefit obligations	-	-	(49)	-	(49)
Impairment of investment in subsidiaries	2	-	-	-	2
Other non-cash movements	8	3	49	(329)	(269)
Total	**(1,197)**	**(8)**	**-**	**1,251**	**46**

Material Nationwide alignment changes include:

- Operating interest paid and received are no longer added back and now flow through balance sheet movements;
- Net increase/(decrease) on impairment losses on credit exposures now reflects only the balance sheet movement;
- Net increase/(decrease) on provisions for liabilities and charges now reflects only the balance sheet movement; and
- IFRS 3 fair value unwinds now separately disclosed.

Notes to the consolidated financial statements (continued)
Section 1: Basis of preparation (continued)

1.7 Changes to accounting policies and presentation as a result of the acquisition by Nationwide (continued)

Changes in operating assets and liabilities (Group)	As originally presented £m	Reallocations £m	Nationwide alignment £m	Restated £m
Balances with supervisory central banks	-	-	(142)	(142)
Net derivative financial instruments	(307)(1)	-	(260)	(567)
Due from other banks and similar institutions	-	26	(27)	(1)
Financial assets at FVTPL	11	(11)	-	-
Loans and advances to customers	(306)	11	89	(206)
Defined benefit pension assets	(7)	-	-	(7)
Other assets	21	(26)	-	(5)
Due to other banks and similar institutions	(627)	(59)(2)	(939)	(1,625)
Customer deposits	1,249	-	145	1,394
Provision for liabilities and charges	(14)	-	14	-
Debt securities	-	-	823	823
Other liabilities	(287)	59	-	(228)
Total	**(267)(3)**	**-**	**(297)**	**(564)**

(1) Originally presented separately as a £270m change in operating assets and a £37m change in operating liabilities.
(2) Relates to the repointing of LCH collateral between due to other banks and similar institutions and other liabilities.
(3) Originally presented separately as a (£551m) change in operating assets and a £284m change in operating liabilities.

Changes in operating assets and liabilities (Bank)	As originally presented £m	Reallocations £m	Nationwide alignment £m	Restated £m
Balances with supervisory central banks	-	-	(142)	(142)
Net derivative financial instruments	(302)(1)	-	(261)	(563)
Due from other banks and similar institutions	-	26	(27)	(1)
Loans and advances to customers	(418)	-	93	(325)
Defined benefit pension assets	(7)	-	-	(7)
Other assets	21	(26)	-	(5)
Due to other banks and similar institutions	(627)	(59)(2)	(939)	(1,625)
Customer deposits	1,249	-	145	1,394
Provision for liabilities and charges	(14)	-	14	-
Debt securities	-	-	924	924
Other liabilities	(285)	59	-	(226)
Total	**(383)(3)**	**-**	**(193)**	**(576)**

(1) Originally presented separately as a £273m change in operating assets and a £29m change in operating liabilities.
(2) Relates to the repointing of LCH collateral between due to other banks and similar institutions and other liabilities.
(3) Originally presented separately as a (£677m) change in operating assets and a £294m change in operating liabilities.

Material Nationwide alignment changes include:

- The removal of collateral and interest accruals from balances with supervisory central banks;
- The removal of interest accruals from derivative financial instruments;
- The removal of interest accruals and the impact of the change in impairment losses on credit exposures on loans and advances to customers;
- Amounts repaid under the TFSME from financing and the removal of interest accruals have impacted due to other banks and similar institutions;
- The removal of interest accruals from customer deposits; and
- Issuance and repayments of RMBS and covered bonds and the inclusion of operating interest for debt securities.

1.7 Changes to accounting policies and presentation as a result of the acquisition by Nationwide (continued)

Cash and cash equivalents (Group)	**As originally presented £m**	**Nationwide alignment[1] £m**	**Restated £m**
Cash and balances with central banks (less mandatory deposits and collateral values)[2]	11,007	(811)	10,196
Due from other banks and similar institutions (less than three months)	660	(267)	393
Cash and cash equivalents	**11,667**	**(1,078)**	**10,589**

(1) Relates solely to the removal of collateral balances from what is reported as cash and cash equivalents.

(2) Also amended in note 3.1.1.2.

Cash and cash equivalents (Bank)	**As originally presented £m**	**Nationwide alignment[1] £m**	**Restated £m**
Cash and balances with central banks (less mandatory deposits and collateral values)[2]	11,007	(811)	10,196
Due from other banks and similar institutions (less than three months)	294	(267)	27
Cash and cash equivalents	**11,301**	**(1,078)**	**10,223**

(1) Relates solely to the removal of collateral balances from what is reported as cash and cash equivalents.

(2) Also amended in note 3.1.1.2.

Investing activities (Group)	**As originally presented £m**	**Nationwide alignment[1] £m**	**Restated £m**
Interest received[1]	232	(232)	-
Proceeds from sale and maturity of FVOCI investments	1,868	-	1,868
Purchase of FVOCI investments	(2,950)	-	(2,950)
Proceeds from sale of property, plant and equipment	1	-	1
Purchase of property, plant and equipment	(9)	-	(9)
Purchase and development of intangible assets	(11)	-	(11)
Net cash used in investing activities	**(869)**	**(232)**	**(1,101)**

(1) This is operating interest and has been removed from the investing category.

Investing activities (Bank)

	As originally presented £m	**Nationwide alignment[1] £m**	**Restated £m**
Interest received[1]	244	(244)	-
Proceeds from sale and maturity of FVOCI investments	1,868	-	1,868
Purchase of FVOCI investments	(2,950)	-	(2,950)
Proceeds from sale of property, plant and equipment	1	-	1
Purchase of property, plant and equipment	(9)	-	(9)
Purchase and development of intangible assets	(11)	-	(11)
Net cash used in investing activities	**(857)**	**(244)**	**(1,101)**

(1) This is operating interest and has been removed from the investing category.

1.7 Changes to accounting policies and presentation as a result of the acquisition by Nationwide (continued)

Financing activities (Group)	**As originally presented £m**	**Nationwide alignment £m**	**Restated £m**
Interest paid	(743)	743	-
Repayment of principal portion of lease liabilities	(24)	-	(24)
Redemption and principal repayment on RMBS and covered bonds	(1,012)	1,012	-
Redemption of AT1 securities	(72)	-	(72)
Issuance of RMBS and covered bonds	1,826	(1,826)	-
Amounts repaid under the TFSME	(1,000)	1,000	-
Net decrease in amounts due from related entities	7	-	7
Net increase in amounts due to related entities	297	-	297
AT1 distributions	(54)	-	(54)
Ordinary dividends paid	(248)	-	(248)
Net cash (used in)/provided by financing activities	**(1,023)**	**929**	**(94)**

Financing activities (Bank)	**As originally presented £m**	**Nationwide alignment £m**	**Restated £m**
Interest paid	(770)	770	-
Repayment of principal portion of lease liabilities	(24)	-	(24)
Redemption of AT1 securities	(72)	-	(72)
Issuance of RMBS and covered bonds	926	(926)	-
Amounts repaid under the TFSME	(1,000)	1,000	-
Net decrease in amounts due from related entities	138	-	138
Net increase in amounts due to related entities	468	-	468
AT1 distributions	(54)	-	(54)
Ordinary dividends paid	(248)	-	(248)
Net cash (used in)/provided by financing activities	**(636)**	**844**	**208**

Material Nationwide alignment changes include:

- Interest paid on operating activities and debt securities has been removed and interest paid on subordinated notes and MTNs reallocated;
- Issuance and repayments of RMBS and covered bonds are now included in changes to operating assets and liabilities (debt securities); and
- Amounts repaid under the TFSME are now included in changes to operating assets and liabilities (due to other banks and similar institutions).

In respect of the current 18-month period to 31 March 2025, there have been other accounting practice and presentational changes to the income statement and balance sheet to align with the preferred presentation of Nationwide that have not resulted in a restatement of the prior period position. While these changes impact the current reporting period only, they do not significantly impact the comparability of the prior period presentation.

1.7 Changes to accounting policies and presentation as a result of the acquisition by Nationwide (continued)

As a consequence of moving term funding schemes, RMBS and covered bonds from financing activities to operating activities, the following changes were required to the movements in liabilities arising from financing activities table:

Group **As originally presented**		**Term funding schemes**	**Debt securities in issue**	**Intercompany loans payable**	**Lease liabilities**	**Total**
	Note	3.1.1.5	3.1.1.4	5.3	3.6	
		£m	**£m**	**£m**	**£m**	**£m**
At 1 October 2022		7,230	5,347	3,210	132	15,919
Cash flows:						
Issuances		-	1,826	747	-	2,573
Redemptions		-	(1,012)	(432)	-	(1,444)
Repayment		(1,000)	-	(18)	(24)	(1,042)
Tax paid		-	-	-	(1)	(1)
Non-cash flows:						
Fair value and other associated adjustments		-	(15)	77	-	62
Additions to right-of-use asset in exchange for increased lease liabilities		-	-	-	76	76
Remeasurement		-	-	-	(6)	(6)
Movement in accrued interest		61	12	14	3	90
Unamortised costs		-	(3)	3	-	-
Other movements		-	-	4	-	4
At 30 September 2023		6,291	6,155	3,605	180	16,231

Restated	**Intercompany loans payable**	**Lease liabilities**	**Total**
	5.3	3.6	
	£m	**£m**	**£m**
At 1 October 2022	3,210	132	3,342
Cash flows:			
Issuances	747	-	747
Redemptions	(432)	-	(432)
Repayment	(18)	(24)	(42)
Tax paid	-	(1)	(1)
Non-cash flows:			
Fair value and other associated adjustments	77	-	77
Additions to right-of-use asset in exchange for increased lease liabilities	-	76	76
Remeasurement	-	(6)	(6)
Movement in accrued interest	14	3	17
Unamortised costs	3	-	3
Other movements	4	-	4
At 30 September 2023	3,605	180	3,785

Material Nationwide alignment changes include:

- Term funding schemes have been removed from financing activities and are now reflected in operating activities; and
- Debt securities in issue has been removed due to the removal of securitisation and covered bonds activities as these are now reflected in operating activities.

1.7 Changes to accounting policies and presentation as a result of the acquisition by Nationwide (continued)

Bank **As originally presented**		**Term funding schemes**	**Debt securities in issue**	**Intercompany loans**	**Lease liabilities**	**Total**
	Notes	3.1.1.5	3.1.1.4	5.3	3.6	
		£m	**£m**	**£m**		**£m**
At 1 October 2022		7,230	3,628	4,941	132	15,931
Cash flows:						
Issuances		-	926	1,673	-	2,599
Redemptions		-	-	(965)	-	(965)
Repayments		(1,000)	-	(240)	(24)	(1,264)
Tax paid		-	-	-	(1)	(1)
Non-cash flows						
Additions to right-of-use asset in exchange for increased lease liabilities		-	-	-	76	76
Remeasurement/disposal		-	-	-	(6)	(6)
Movement in accrued interest		61	6	1	4	72
Unrealised foreign exchange movements		-	(8)	-	-	(8)
Unamortised costs		-	-	(2)	-	(2)
Other movements		-	-	(200)	-	(200)
30 September 2023		6,291	4,552	5,208	181	16,232

Restated	**Intercompany loans payable**	**Lease liabilities**	**Total**
	5.3	3.6	
	£m		**£m**
At 1 October 2022	4,941	132	5,073
Cash flows:			
Issuances	1,673	-	1,673
Redemptions	(965)	-	(965)
Repayments	(240)	(24)	(264)
Tax paid	-	(1)	(1)
Non-cash flows			
Additions to right-of-use asset in exchange for increased lease liabilities	-	76	76
Remeasurement/disposal	-	(6)	(6)
Movement in accrued interest	1	4	5
Unamortised costs	(2)	-	(2)
Other movements	(200)	-	(200)
30 September 2023	5,208	181	5,389

Material Nationwide alignment changes include:

- Term funding schemes have been removed from financing activities and are now reflected in operating activities; and
- Debt securities in issue has been removed due to the removal of securitisation and covered bonds activities as these are now reflected in operating activities.

In respect of the current 18-month period to 31 March 2025, there have been other accounting presentational changes to the income statement and balance sheet to align with the preferred presentation of Nationwide that have not resulted in a restatement of the prior period position. While these changes impact the current reporting period only, they do not significantly impact the comparability of the prior period presentation.

1.8 Other changes

Expected credit losses

During the period, the Group reviewed the existing staging approach for credit cards in the Consumer lending portfolio which focused on the triggers that move exposures from Stage 1 (requiring a 12-month ECL calculation) to Stage 2 (requiring a lifetime ECL calculation). The overall impact of these changes has been to reduce the modelled ECL in the Consumer lending portfolio by £31m.

In addition, the Group included a fourth economic scenario and adjusted the weightings of all scenarios accordingly, with the source of macroeconomic assumptions used in the Group's IFRS 9 models also now aligned with those of Nationwide (further detail can be found on pages 41 to 50 of the credit risk section in the Risk report).

2.1 Net interest income

Accounting policy

Interest income is recognised using the effective interest method which discounts the estimated future cash payments or receipts, at the effective interest rate, over the expected life of the financial instrument to the gross carrying amount of the non-credit impaired financial asset. Interest expense is recognised using the same effective interest method on the amortised cost of the financial liability.

When calculating the EIR, cash flows are estimated considering all contractual terms of the financial instrument (for example prepayment, call and similar options) excluding future credit losses. The calculation includes all amounts paid or received that are an integral part of the EIR such as transaction costs and all other premiums or discounts. Where it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments) are used.

Loan origination and commitment fees are recognised within the EIR calculation. Fees in relation to the non-utilisation of a commitment are recognised as revenue upon expiry of the agreed commitment period.

Interest income on financial assets in Stages 1 and 2 is recognised on the gross carrying value of the financial asset using the original EIR. Once a financial asset or group of similar financial assets has been categorised as credit-impaired (Stage 3), interest income is recognised on the net carrying value (which is after deducting the ECL allowance from the gross lending) using the asset's original EIR. Interest income for POCI financial assets is calculated using the credit-adjusted EIR applied to the amortised cost of the financial asset from initial recognition. The Group recognises and presents the reversal of ECLs following the curing of a credit impaired financial asset as a reversal of impairment losses. The Group's policy on ECLs can be found in note 3.1.1.

Interest income includes finance lease income, which is recognised at a constant periodic rate of return on the net investment.

Interest income and interest expense on hedged assets and liabilities and financial assets and liabilities designated as FVTPL are also recognised as part of NII.

Interest income and interest expense on derivatives economically hedging interest bearing financial assets or liabilities (but not designated as hedging instruments) and other financial assets and liabilities held at FVTPL (either mandatory or by election) are presented as other similar interest within NII.

<u>Changes to EIR</u>

During the period, and as a result of the acquisition by Nationwide, material changes were made to the way the Group calculates EIR resulting in a significant reduction to the EIR adjustment recognised at the end of the period.

The principal changes to the Group's accounting policies for EIR were:

- *Mortgages*: the removal of standard variable rate interest cash flows at the end of the initial product term; and
- *Credit cards*: a change to the unit of account methodology from the full contract with the customer to each individual card transaction.

As a result of these changes, the Group no longer recognises an EIR adjustment for credit cards (2023: originally presented EIR adjustment of £259m) with an immaterial EIR adjustment now recognised for mortgages (2023: originally presented EIR adjustment of £209m).

2.1 Net interest income (continued)

	18 months to 31 Mar 2025 £m	12 months to 30 Sep 2023 £m Restated[1]
Interest income		
Loans and advances to customers	**5,711**	3,170
Loans and advances to other banks	**814**	435
Financial assets at FVOCI	**473**	245
	6,998	3,850
Interest on net defined benefit pension surplus (note 3.3)	**44**	55
Total interest income	**7,042**	3,905
Other similar interest		
Financial assets at FVTPL	**4**	3
Other interest	**1**	-
Total other similar interest	**5**	3
Less: interest expense and similar charges		
Customer deposits	**(3,134)**	(1,233)
Debt securities in issue	**(746)**	(395)
Due to other banks and similar institutions	**(376)**	(372)
Due to parent entity	**(249)**	(143)
Other interest expense	**(7)**	(4)
Total interest expense and similar charges	**(4,512)**	(2,147)
Net interest income	**2,535**	1,761

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

2.2 Fee and commission income and expense

Accounting policy

Fees and commissions receivable which are not an integral part of the EIR are recognised as income as the Group fulfils its performance obligations. The Group's principal performance obligations arising from contracts with customers are in respect of current accounts, debit cards and credit cards. The Group provides the service and consequently generates the fee and commission income monthly, with amounts recognised in income on this basis. Costs incurred to generate this income are charged to fees and commissions expense as they are incurred.

	18 months to 31 March 2025			12 months to 30 September 2023 Restated[1]		
	Income £m	**Expense £m**	**Net £m**	Income £m	Expense £m	Net £m
Current account and savings	**63**	**(49)**	**14**	47	(30)	17
Insurance, protection and investments	**32**	**(5)**	**27**	7	-	7
Credit cards	**85**	**(49)**	**36**	58	(24)	34
Business	**101**	**(8)**	**93**	66	(4)	62
Mortgage	**6**	**(3)**	**3**	6	-	6
Other fees and commissions	**1**	**(5)**	**(4)**	2	-	2
	288	**(119)**	**169**	186	(58)	128

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

2.3 Other operating income

Accounting policy
This includes:

- Losses on revaluation of properties held at fair value - these relate to fair value movements of property and investment property held at fair value.
- Other financial assets designated at FVTPL - these relate principally to the Group's fixed interest rate loan portfolio, which were designated at inception as FVTPL. The fair value of these loans is derived from the future loan cash flows using appropriate discount rates and includes adjustments for credit risk and credit losses. Also included here are fair value changes in equity investments.

	18 months to 31 Mar 2025 £m	12 months to 30 Sep 2023 £m Restated(1)
Other operating income		
Margin on foreign exchange derivative brokerage	**32**	19
Gains on sale of financial assets at FVOCI	**1**	1
Fair value gains on designated FVTPL equity	**-**	2
Losses on revaluation of properties held at fair value	**(8)**	(17)
Share of JV loss after tax	**(1)**	-
Other income	**22**	9
	46	14

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

The Group's unrecognised share of profits in JVs for the period was £1m (12 months to 30 September 2023: £6m loss). For loss making entities, subsequent profits earned are not recognised until previously unrecognised losses are extinguished. On a cumulative basis, the Group's unrecognised share of losses net of unrecognised profits of JVs is £14m (30 September 2023: £15m).

On 2 April 2024 the Group acquired the remaining c50% ordinary share capital of Virgin Money Unit Trust Managers Limited (UTM), a JV with abrdn, for £20m. UTM is now a wholly owned subsidiary. Prior to the acquisition date, the Group classed UTM as a JV accounted for under the equity method. Details of the acquisition are shown in note 5.6.

2.4 Losses from derivatives and hedge accounting

Accounting policy
This includes:

- Derivatives classified as held for trading - the full change in fair value of trading derivatives is recognised inclusive of interest income and interest expense arising on those derivatives except when economically hedging other assets and liabilities at fair value as outlined in note 2.1.
- Hedged assets, liabilities and derivatives designated in hedge relationships - fair value movements are recognised on both the hedged item and hedging derivative in a fair value hedge relationship, the net of which represents hedge ineffectiveness, and hedge ineffectiveness on cash flow hedge relationships (note 3.1.3.1).

	18 months to 31 Mar 2025 £m	12 months to 30 Sep 2023 £m Restated(1)
Losses from derivatives and hedge accounting		
(Losses)/gains from fair value hedge accounting(2)	**(79)**	29
Gains/(losses) from cash flow hedge accounting	**64**	(50)
Fair value gains from other derivatives	**6**	2
	(9)	(19)

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.
(2) Includes gains/(losses) from portfolio hedges of interest rate risk arising from amortisation of existing balance sheet amounts and hedge ineffectiveness.

2.5 Operating and administrative changes

	18 months to 31 Mar 2025 £m	12 months to 30 Sep 2023 £m Restated(1)
Staff costs		
Wages and salaries	**492**	297
Bonuses	**95**	25
Social security costs	**72**	38
Pension costs	**103**	61
Other staff costs	**75**	69
Total staff costs	**837**	490
Property costs	**70**	74
Technology costs	**356**	216
Other operating costs	**737**	331
Depreciation, amortisation and impairment	**124**	105
Customer redress, legal and regulatory provisions	**2**	1
Bank levy	**-**	2
Total	**2,126**	1,219

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

Included within other operating costs is £275m relating to the brand licence agreement with Virgin Enterprises Limited (VEL), which governs the use of the 'Virgin Money' brand (the 'TMLA'), following the acquisition by Nationwide in the period, with a TMLA fee of £250m plus irrecoverable VAT of £50m due to VEL. The TMLA fee is payable in two equal instalments, with the first paid in October 2024. The full TMLA fee of £250m and the irrecoverable VAT on the first instalment of £25m have been recognised in the period. The VAT payable on the second instalment will be recognised in October 2025 in line with the scheduled payment.

The average number of FTE employees of the Group during the period was made up as follows:

	18 months to 31 Mar 2025 Number	12 months to 30 Sep 2023 Number
Managers(1)	**3,648**	3,436
Clerical staff	**3,657**	3,730
	7,305	7,166

(1) Includes a combination of managers with and without staff responsibilities.

The average monthly number of employees was 8,157 (12 months to 30 September 2023: 8,110). All staff are contracted employees of the Group and its subsidiary undertakings. The average figures above do not include contractors.

2.5 Operating and administrative expenses (continued)

Auditor's remuneration included within other operating and administrative expenses comprises the following:

	18 months to 31 Mar 2025 £'000	12 months to 30 Sep 2023 £'000
Fees payable to the Bank's auditor for the audit of the Bank's financial statements	**8,399**	4,601
Fees payable to the Bank's auditor for the audit of the Bank's subsidiaries(1)	**375**	185
Total audit fees	**8,774**	4,786
Audit related assurance services	**952**	318
Other assurance services	**92**	276
Total non-audit fees	**1,044**	594
Fees payable to the Bank's auditor in respect of associated pension schemes	**181**	126
Total fees payable to the Bank's auditor	**9,999**	5,506

(1) Includes the audit of the Group's structured entities

Non-audit fees of £1m (12 months to 30 September 2023: £1m) were paid to the auditor during the period for services including TFSME assurance, the review of the Interim Financial Reports, PRA Written Auditor Reporting, comfort letters for the covered bond programmes, client money reviews and profit attestations.

Out of pocket expenses of £80k (12 months to 30 September 2023: £26k) were borne by the Group during the period.

2.6 Taxation

Accounting policy

Deferred tax assets and liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

A deferred tax asset is recognised for unused tax losses and unused tax credits only if it is probable that future taxable amounts will arise against which those temporary differences and losses may be utilised.

Critical accounting estimates and judgements

In arriving at the Group's deferred tax asset balance of £402m (30 September 2023 (restated): £389m), significant judgement is exercised on the component of deferred tax assets that relate to tax losses carried forward of £262m (30 September 2023 (restated): £348m).

The Group has assessed the likelihood of recovery of the deferred tax assets at 31 March 2025, and considers it probable that sufficient future taxable profits will be available over the corporate planning horizon against which the underlying deductible temporary differences can be utilised. Deferred tax assets are recognised to the extent that they are expected to be utilised within six years of the balance sheet date. If, instead of six years, the period were five or seven years, the total recognised deferred tax asset would decrease to £358m or increase to £446m respectively. If Group taxable profit forecasts were 10% lower than anticipated, the total deferred tax asset would be £384m. If Group taxable profit forecasts were 10% higher than anticipated, the deferred tax asset would be £420m. All tax assets arising will be used within the UK.

2.6 Taxation (continued)

	18 months to 31 Mar 2025 £m	12 months to 30 Sep 2023 £m Restated(1)
Current tax		
Current period	**(66)**	29
Adjustment in respect of prior years	**1**	(2)
	(65)	27
Deferred tax		
Current period	**100**	95
Adjustment in respect of prior years	**1**	(4)
	101	91
Tax expense for the period	**36**	118

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

The tax assessed for the 18 month period differs from that arising from applying the standard rate of corporation tax in the UK of 25% (12 months to 30 September 2023: 22%). A reconciliation from the expense implied by the standard rate to the actual tax expense is as follows:

	18 months to 31 Mar 2025 £m	12 months to 30 Sep 2023 £m Restated(1)
Profit on ordinary activities before tax	**186**	356
Tax expense based on the standard rate of corporation tax in the UK of 25% (30 September 2023: 22%)	**47**	78
Effects of:		
Disallowable expenses	**(2)**	3
Deferred tax assets derecognised	**45**	36
Banking surcharge	**3**	5
Impact of rate changes	**(34)**	14
AT1 distribution	**(25)**	(12)
Adjustments in respect of prior years	**2**	(6)
Tax expense for the period	**36**	118

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

The Group's effective tax rate is 19.5% (12 months to 30 September 2023 (restated): 33.4%). This is lower than the standard rate of corporation tax due to the credit for the 18 months to 31 March 2025, arising from rate changes in the period relates to the impact of the reduction in the authorised surplus payments charge rate from 35% to 25% with effect from 6 April 2024, which applies to the Group's defined benefit pension scheme. This is offset by loss de-recognition as a result of changes to future forecast profits.

2.6 Taxation (continued)

The Group has recognised deferred tax in relation to the following items in the balance sheet, income statement, and statement of other comprehensive income:

Movement in deferred tax asset/(liability)

Group	Acquisition accounting adjustments	Cash flow hedge reserve	EIR asset	Gains on financial instruments at FVOCI	Tax losses carried forward	Capital allowances	Other temporary differences	Total deferred tax assets	Defined benefit pension scheme surplus	Total deferred tax liabilities
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 October 2022 (as reported)	(8)	(267)	-	(16)	417	111	19	256	(350)	(350)
Restatements[1]	-	-	125	-	(9)	-	-	116	-	-
At 1 October 2022 (restated)	(8)	(267)	125	(16)	408	111	19	372	(350)	(350)
Income statement credit/(charge)	2	1	(5)	-	(60)	(8)	(4)	(74)	(17)	(17)
Other comprehensive income credit	-	77	-	14	-	-	-	91	188	188
At 30 September 2023 (restated)[1]	(6)	(189)	120	(2)	348	103	15	389	(179)	(179)
Income statement credit/(charge)	**2**	**-**	**(19)**	**-**	**(87)**	**(18)**	**(1)**	**(123)**	**22**	**22**
Deferred taxes acquired in business combinations	**-**	**-**	**-**	**-**	**1**	**-**	**(1)**	**-**	**-**	**-**
Other comprehensive income credit	**-**	**125**	**-**	**11**	**-**	**-**	**1**	**137**	**68**	**68**
At 31 March 2025	**(4)**	**(64)**	**101**	**9**	**262**	**85**	**14**	**403**	**(89)**	**(89)**

Bank	Acquisition accounting adjustments	Cash flow hedge reserve	EIR asset	Gains on financial instruments at FVOCI	Tax losses carried forward	Capital allowances	Other temporary differences	Total deferred tax asset	Defined benefit pension scheme surplus	Total deferred tax liabilities
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 October 2022 (as reported)	(8)	(268)	-	(16)	417	106	19	250	(350)	(350)
Restatements[1]	-	-	125	-	(9)	-	-	116	-	-
At 1 October 2022 (restated)	(8)	(268)	125	(16)	408	106	19	366	(350)	(350)
Income statement credit/(charge)	2	1	(5)	-	(60)	(8)	(5)	(75)	(17)	(17)
Other comprehensive income credit	-	78	-	14	-	-	-	92	188	188
At 30 September 2023 (restated)[1]	(6)	(189)	120	(2)	348	98	14	383	(179)	(179)
Income statement credit/(charge)	**2**	**-**	**(19)**	**-**	**(86)**	**(18)**	**-**	**(121)**	**22**	**22**
Other comprehensive income credit	**-**	**125**	**-**	**11**	**-**	**-**	**-**	**136**	**68**	**68**
At 31 March 2025	**(4)**	**(64)**	**101**	**9**	**262**	**80**	**14**	**398**	**(89)**	**(89)**

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

The deferred tax assets and liabilities detailed above arise primarily in the Bank which has a right to offset current tax assets against current tax liabilities and is party to a Group Payment Arrangement for payments of tax to HMRC. Therefore, in accordance with IAS 12, deferred tax assets and deferred tax liabilities have also been offset in this period where they relate to payments of income tax to this tax authority.

The Group has unrecognised deferred tax assets of £108m (30 September 2023: £49m (restated)) on £401m gross trading losses (30 September 2023: £196m (restated)) and £31m gross unrealised capital losses valued at the mainstream rate of 25% representing tax losses whose use is not forecast within the foreseeable future. The unrealised capital losses arise due to the change in accounting policy for property assets to fair value.

Other temporary differences include deferred tax assets for the IFRS 9 transitional adjustment of £6m and employee incentives of £7m (30 September 2023: £9m and £5m respectively).

On 11 July 2023, the UK Government enacted legislation to implement the G20-OECD Inclusive Framework Pillar 2 rules in the UK, including Qualified Domestic Minimum Top-Up Tax rules, to ensure that large UK-headquartered enterprises pay a minimum tax rate of 15% on UK and overseas profits. The legislation is effective for accounting periods beginning on or after 31 December 2023. As the Group was acquired by Nationwide on 1 October 2024, further disclosures on the impact of the Pillar 2 rules on the Nationwide Group can be found in the Nationwide Annual Report and Accounts for the year ended 31 March 2025. As mandated by IAS 12, the exemption to recognise and disclose information about deferred tax assets and liabilities related to Pillar 2 income taxes has been applied by the Group.

3.1 Financial instruments

Accounting policy

Recognition and derecognition

Financial instruments are recognised when the Group becomes party to the contractual provisions of the instrument. Purchases and sales of financial assets classified within FVTPL or FVOCI are predominantly recognised on trade date.

The Group derecognises a financial asset when the contractual cash flows from the asset expire or it transfers the right to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Financial liabilities are derecognised when the Group has discharged its obligation to the contract, or the contract is cancelled or expires.

Note 3.1.4 contains information on the valuation techniques and methodologies applied to financial instruments and their classification within the fair value hierarchy.

Classification and measurement

The Group measures a financial asset or liability on initial recognition at its fair value, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability (with the exception of financial assets or liabilities at FVTPL, where transaction costs are recognised directly in the income statement as they are incurred).

Subsequent accounting for a financial asset is determined by the classification of the asset depending on the underlying business model and contractual cash flow characteristics. This results in classification within one of the following categories: (i) amortised cost (note 3.1.1); (ii) FVOCI (note 3.1.2); or (iii) FVTPL (note 3.1.3).

Repurchase agreements

Securities sold subject to sale and repurchase agreements (‘repo’) are retained in their respective balance sheet categories. The associated liabilities are included in amounts due to other banks and similar institutions based upon the counterparties to the transactions. The difference between the sale and repurchase price of repos is treated as interest and accrued over the life of the agreements using the effective interest method.

Offsetting

This can only occur, and the net amount be presented on the balance sheet, when the Group currently has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Presentation of risk, offsetting and maturity disclosures

Certain disclosures required under IFRS 7 ‘Financial instruments: disclosures’ and IAS 1 ‘Presentation of financial statements’ have been included within the audited sections of the Risk report. Where information is marked as audited, it is incorporated into these financial statements by this cross reference, and it is covered by the Independent auditor’s report.

3.1.1 Financial instruments at amortised cost

Accounting policy

A financial asset is measured at amortised cost when: (1) the asset is held within a business model whose objective is achieved by collecting contractual cash flows; and (2) the contractual terms give rise to cash flows on specified dates which are solely payments of principal and interest on the principal amount outstanding.

All financial liabilities are measured at amortised cost, except for financial liabilities at FVTPL. Such liabilities include derivative contracts, other than those which are financial guarantee contracts or designated and effective hedging instruments.

Financial assets classified at amortised cost are subject to expected credit loss (ECL) impairment requirements.

At each reporting date, the Group assesses financial assets measured at amortised cost, as well as loan commitments and financial guarantees not measured at FVTPL, for impairment. The impairment loss allowance is calculated using an ECL methodology and reflects: (i) an unbiased and probability weighted amount; (ii) the time value of money which discounts the impairment loss; and (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECL methodology is based upon the combination of PD, LGD and EAD estimates that consider a range of factors that impact on credit risk and consequently the level of impairment loss provisioning. The Group uses reasonable and supportable forecasts of future economic conditions in estimating the ECL allowance. The methodology and assumptions used in the ECL calculation are reviewed regularly and updated as necessary. ECLs are assessed either collectively or individually.

The Group's impairment policy for debt instruments at FVOCI is included in note 3.1.2. The impact of the ECL methodology on amounts due from other banks and similar institutions balances held at amortised cost is immaterial. ECLs relating to loan commitments and financial guarantees can be found in note 3.7.

SICR assessment and staging
The ECL is calculated as either 12-month (Stage 1) or lifetime depending on whether the financial asset has suffered a SICR since origination (Stage 2) or has otherwise become credit impaired (Stage 3) as at the reporting date. The Group uses a PD threshold curve (distinct for each portfolio) to assess for a SICR in addition to the 30 DPD and 90 DPD backstops for recognising Stage 2 and Stage 3 ECLs respectively.

Financial assets can move between stages when the relevant staging criteria are no longer satisfied subject to certain restrictions for forborne assets. If the level of impairment loss reduces in a subsequent year, the previously recognised impairment loss allowance is reversed and recognised in the income statement.

POCI financial assets are those which are credit impaired upon initial recognition (being the point at which the asset was either purchased or originated). Once a financial asset is classified as POCI, it remains as such until derecognition irrespective of its credit quality at each reporting date. POCI financial assets are disclosed separately from those financial assets in Stage 3. The Group regards the date of acquisition as the origination date for purchased portfolios.

Regardless of the calculation basis, the Group generates a modelled ECL allowance at the individual financial instrument level. The modelled ECL output can be supplemented by management adjustments (MAs) where appropriate.

Write-offs and recoveries
When there is no reasonable expectation of recovery for a loan, it is written off against the related provision. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the impairment charge in the income statement.

Critical accounting estimates and judgements
ECL methodology requires the Group to apply estimates and exercise judgement when calculating an impairment allowance for credit exposures.

Further information on the chosen scenarios, macroeconomic assumptions, and scenario weightings used in the ECL calculation, including the use of MAs together with sensitivity analysis, is contained in the credit risk section of the Risk report on pages 41 to 50.

3.1.1.1 Loans and advances to customers

Accounting policy

Loans and advances to customers arise when the Group provides money directly to a customer and includes mortgages, term lending, overdrafts, credit card lending, lease finance and invoice financing. They are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method and adjusted for ECLs. They are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

Leases entered into by the Group as lessor, where the Group transfers substantially all the risks and rewards of ownership to the lessee, are classified as finance leases. The leased asset is not held on the Group balance sheet; instead, a finance lease is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease. Interest income is recognised in interest receivable, allocated to accounting years to reflect a constant periodic rate of return.

	Group		Bank	
As at	**31 Mar 2025**	30 Sep 2023	**31 Mar 2025**	30 Sep 2023
	£m	£m Restated[(1)]	**£m**	£m Restated[(1)]
Gross loans and advances to customers	**71,807**	72,857	**71,207**	72,067
Impairment provisions on credit exposures[(2)]	**(735)**	(612)	**(733)**	(609)
	71,072	72,245	**70,474**	71,458

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

(2) ECLs on off-balance sheet exposures of £4m (30 September 2023: £5m) are presented as part of the provisions for liabilities and charges balance (note 3.7)

The Group and Bank have a portfolio of fair valued business loans of £47m (30 September 2023: £59m) which are classified separately as financial assets at FVTPL. Interest rate risk associated with these loans is managed using interest rate derivative contracts and the loans are recorded at fair value to avoid an accounting mismatch. Combined with the above, this is equivalent to total gross loans and advances to customers of £71,119m (30 September 2023 (restated): £71,692m) in respect of Group and £70,521m (30 September 2023 (restated): £70,908m) in respect of Bank.

The Group and Bank have transferred a proportion of mortgages to the securitisation and covered bond programmes (note 3.1.5). These mortgages have not been derecognised from gross loans and advances to customers and remain on the Group's balance sheet.

Lease finance

The Group leases a variety of assets to third parties under finance lease arrangements, including vehicles and general plant and machinery. The cost of assets acquired by the Group during the period for the purpose of letting under finance leases and hire purchase contracts amounted to £163m (12 months to 30 September 2023: £71m) and £766m (12 months to 30 September 2023: £557m) respectively.

Finance lease receivables are presented in the statement of financial position within loans and advances to customers. The maturity analysis of lease receivables, including the undiscounted lease payments to be received, is as follows:

Gross investment in finance lease and hire purchase receivables as at:	**31 Mar 2025**	30 Sep 2023
	£m	£m
Less than 1 year	**461**	373
1-2 years	**282**	223
2-3 years	**206**	158
3-4 years	**117**	95
4-5 years	**77**	59
More than 5 years	**26**	31
	1,169	939
Unearned finance income	**(103)**	(83)
Net investment in finance lease and hire purchase receivables	**1,066**	856

Finance income recognised on the net investment in the lease was £86m (12 months to 30 September 2023: £38m) and is included in interest income (note 2.1).

3.1.1.1 Loans and advances to customers (continued)

Impairment provisions on credit exposures

As at	Group		Bank	
	31 Mar 2025	30 Sep 2023	**31 Mar 2025**	30 Sep 2023
	£m	£m	**£m**	£m
Opening balance	**612**	454	**609**	451
ECL charge for the period(1)	**430**	307	**430**	307
Amounts written off	**(391)**	(187)	**(390)**	(187)
Recoveries of amounts written off in previous years	**84**	38	**84**	38
Closing balance	**735**	612	**733**	609

(1) The £429m charge for impairment losses on credit exposures shown in the income statement (12 months to 30 September 2023: £309m) also includes a £1m credit in respect of off-balance sheet ECLs (12 months to 30 September 2023: £2m charge) which are presented as part of the provisions for liabilities and charges balance (note 3.7).

Further details on the Group's ECL provision can be found in the credit risk section of the Risk report (pages 11 to 51).

3.1.1.2 Cash and balances with central banks

Accounting policy

Cash and balances with central banks are measured at amortised cost, using the effective interest method and are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership. These balances form part of the Group's treasury-related activities and are mostly short term in nature and repayable on demand or within a short timescale, generally three months.

The impact of the ECL impairment requirements (note 3.1.1) on the Group's cash and balances with central banks is immaterial.

As at	Group and Bank	
	31 Mar 2025	30 Sep 2023
	£m	£m
		Restated(1)
Cash assets	**937**	1,089
Balances with central banks (including EU payment systems)	**9,945**	10,193
	10,882	11,282
Less mandatory deposits with central banks and collateral balances(1)(2)	**(848)**	(1,086)
Included in cash and cash equivalents (note 5.4)	**10,034**	10,196

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Following the acquisition by Nationwide, cash and cash equivalents now also exclude collateral balances to align with the Nationwide definition, with the comparative period balance impacted by the removal of £811m of collateral balances. Refer to note 1.7 for further details.

(2) Mandatory deposits are not available for use in the Group's day-to-day business and are non-interest bearing.

3.1.1.3 Customer deposits

As at	Group and Bank	
	31 Mar 2025	30 Sep 2023
	£m	£m
Interest bearing demand deposits	**44,476**	39,292
Term deposits	**21,271**	22,775
Non-interest bearing demand deposits	**4,176**	4,542
	69,923	66,609
Accrued interest	**460**	218
	70,383	66,827

3.1.1.4 Debt securities in issue

Accounting policy

Debt securities comprise short and long-term debt issued by the Group including medium-term notes, subordinated debt, covered bonds and RMBS notes.

Debt securities are initially recognised at fair value, being the issue proceeds, net of transaction costs incurred. These instruments are subsequently measured at amortised cost using the effective interest method resulting in premiums, discounts and associated issuance costs being recognised in the income statement over the life of the instrument.

Where relevant, fair value hedge adjustments have been applied.

The breakdown of debt securities in issue is shown below:

31 March 2025

Group	**Securitisation**	**Covered bonds**	**Total**
	£m	**£m**	**£m**
Debt securities	**2,135**	**4,357**	**6,492**
Accrued interest	**10**	**55**	**65**
	2,145	**4,412**	**6,557**

30 September 2023

Group	Securitisation	Covered bonds	Total
	£m	£m	£m
Debt securities	1,729	4,392	6,121
Accrued interest	11	23	34
	1,740	4,415	6,155

31 March 2025

Bank	**Covered bonds**	**Total**
	£m	**£m**
Total debt securities	**4,383**	**4,383**
Accrued interest	**55**	**55**
	4,438	**4,438**

30 September 2023

Bank	Covered bonds	Total
	£m	£m
Debt securities	4,529	4,529
Accrued interest	23	23
	4,552	4,552

Key movements in the 18-month period are shown in the tables below(1). Full details of all notes in issue can be found at https://www.virginmoneyukplc.com/investor-relations/debt-investors/

Group

	31 Mar 2025				30 Sep 2023			
	Issuances		**Redemptions**		Issuances		Redemptions	
	Denomination	**£m**	**Denomination**	**£m**	Denomination	£m	Denomination	£m
Securitisation	**GBP**	**800**	**GBP**	**(394)**	GBP	900	USD, GBP	(1,012)
Covered bonds	**GBP**	**500**	**GBP**	**(600)**	EUR, GBP	926		-
		1,300		**(994)**		1,826		(1,012)

Bank

	31 Mar 2025				30 Sep 2023			
	Issuances		**Redemptions**		Issuances		Redemptions	
	Denomination	**£m**	**Denomination**	**£m**	Denomination	£m	Denomination	£m
Covered bonds	**GBP**	**500**	**GBP**	**(600)**	EUR, GBP	926		-

(1) Other movements relate to foreign exchange, hedging adjustments and the capitalisation and amortisation of issuance costs.

3.1.1.5 Due to other banks and similar institutions

As at	Group and Bank	
	31 Mar 2025	30 Sep 2023
	£m	£m
		Restated(1)
Secured loans	**910**	6,291
Securities sold under agreements to repurchase(1)	**10**	552
Transaction balances	**10**	130
Deposits	**4**	77
	934	7,050

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

(2) The underlying securities sold under agreements to repurchase have a carrying value of £13m (30 September 2023: £1,047m) and relate to internally held debt securities, backed by mortgage assets, issued from the Group's securitisation programmes (note 3.1.5).

Secured loans comprise amounts drawn under the TFSME scheme (including accrued interest).

3.1.2 Financial assets at fair value through other comprehensive income

Accounting policy

A financial asset is measured at FVOCI when: (i) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) the contractual terms give rise to cash flows on specified dates which are solely payments of principal and interest on the principal amount outstanding unless the financial asset is designated at FVTPL on initial recognition. An option for equity investments that are not held for trading can be taken to classify them at FVOCI where an irrevocable election is made at initial recognition. This is available for each separate investment, and the Group has not exercised this option for any equity investments.

Interest income and impairment gains and losses on FVOCI assets are measured in the same manner as for assets measured at amortised cost and recognised in the income statement, with all other gains or losses recognised in other comprehensive income as a separate component of equity in the period in which they arise. Gains and losses arising from changes in fair value are included as a separate component of equity until sale, when the cumulative gain or loss is transferred to the income statement. For all FVOCI assets, the gain or loss is calculated with reference to the gross carrying amount.

Debt instruments at FVOCI are subject to the same impairment criteria as amortised cost financial assets (note 3.1.1), with the ECL element recognised directly in the income statement. As the financial asset is FVOCI, the change in its value includes the ECL element, with the remaining fair value change recognised in other comprehensive income. Any reversal of the ECL is recorded in the income statement up to the value recognised previously.

A low credit risk option is available which allows entities not to assess whether there has been a significant increase in credit risk since initial recognition where the financial asset is deemed as being of low credit risk at the reporting date. The result of exercising the low credit risk exemption is that the financial assets are classed under Stage 1 with a 12-month ECL calculation applied. Following the acquisition by Nationwide, the Group no longer exercises the low credit risk option for debt instruments classified as FVOCI. This has not impacted the ECL provision, which remains immaterial for these financial assets.

Financial assets at FVOCI consists of £6,197m of listed securities (30 September 2023: £6,184m).

Note 3.1.4 contains further information on the valuation methodology applied to financial instruments at FVOCI at 31 March 2025 and their classification within the fair value hierarchy. Details of the credit quality of financial assets are provided in the Risk report.

3.1.3 Financial assets at fair value through profit or loss

Accounting policy

A financial asset is measured at FVTPL if it: (i) does not fall into one of the business models for amortised cost (note 3.1.1) or FVOCI (note 3.1.2); (ii) is specifically designated as FVTPL on initial recognition in order to eliminate or significantly reduce a measurement mismatch; or (iii) is classified as held for trading.

A financial instrument is classified as held for trading if it is acquired principally for the purpose of selling in the near term, forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship.

Associated gains and losses are recognised in the income statement as they arise (note 2.2).

Derivatives

The Group uses derivative financial instruments to manage exposure to interest rate, contractually specified inflation and foreign currency risk. Interest rate risk arises primarily due to the mismatch, or duration, between repricing dates of interest-bearing assets and liabilities, or basis risk from assets and liabilities repricing to different reference rates. Contractually specified inflation risk arises from financial instruments whose cash flows are linked to an inflation index. Currency risk arises when assets and liabilities are not denominated in the functional currency of the entity. Derivatives are recognised on the balance sheet at fair value on trade date and are measured at fair value throughout the life of the contract. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The notional amount of a derivative contract is not recorded on the balance sheet but is disclosed as part of this note.

Netting

Derivative assets and liabilities are offset against collateral received and paid respectively, and the net amount in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis. Amounts offset on the balance sheet represent the Group’s centrally cleared derivative financial instruments and collateral paid to/from central clearing houses, which meet the criteria for offsetting under IAS 32.

Hedge accounting

The Group elects to apply hedge accounting for the majority of its risk management activity that uses derivatives. This results in greater alignment in the timing of recognition of gains and losses on hedged items and hedging instruments and therefore reduces income statement volatility. The Group does not have a trading book, however derivatives that do not meet the hedging criteria, or for which hedge accounting is not applied, are classified as held for trading.

For the period from 1 October 2023 to 30 September 2024, the Group elected, as a policy choice permitted under IFRS 9, to continue to apply IAS 39 for hedge accounting. From 1 October 2024, the Group voluntarily adopted the hedge accounting provisions of IFRS 9 on a prospective basis but has continued to apply the scope exception which allows ongoing application of IAS 39 for fair value macro hedges. See note 1.6 for further details.

The method of recognising the fair value gain or loss on a derivative depends on whether it is designated as a hedging instrument and the nature of the item being hedged. Certain derivatives are designated as either hedges of highly probable future cash flows attributable to a recognised asset or liability, or a highly probable forecast transaction (a cash flow hedge); or hedges of the fair value of recognised assets or liabilities or firm commitments (a fair value hedge).

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. Specifically, the separate component of equity (note 4.1) is adjusted to the lesser of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the expected future cash flows on the hedged item from the inception of the hedge. Any remaining gain or loss on the hedging instrument is recognised in the income statement. The carrying value of the hedged item is not adjusted. Amounts accumulated in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Fair value hedge

Fair value hedge accounting results in the carrying value of the hedged asset or liability being adjusted to reflect changes in fair value attributable to the risk being hedged. This creates an offset to the fair value movements of the hedging instrument. Changes in the fair value of the hedged items and hedging instruments are recorded in the income statement, except for changes in the fair value of hedging instruments accounted for under IFRS 9 which are attributable to foreign currency basis spreads. Where foreign currency basis spreads are excluded from hedge designation, this element of the fair valuation of the hedging instrument is instead recognised directly within equity within the ‘other hedging reserve’.

3.1.3 Financial assets at fair value through profit or loss (continued)

Accounting policy

Where the hedged item is derecognised from the balance sheet, the adjustment to the carrying amount of the asset or liability is immediately transferred to the income statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the income statement over the remaining life of the asset or liability.

At inception each hedge relationship is formally documented, including a description of the hedged item and the hedging instrument, as well as the methods which will be used to assess the effectiveness of the hedge. Hedges accounted for under IFRS 9 are required to be effective on a prospective basis, in line with risk management strategy. Macro hedges which continue to be accounted for under IAS 39 are required to be highly effective on both a retrospective and a prospective basis.

For macro fair value hedges which continue to be accounted for under IAS 39, the Group may also decide to cease hedge accounting even though the hedge relationship continues to be highly effective by ceasing to designate the financial instrument as a hedge. For hedges accounted for under IFRS 9, the Group is unable to voluntarily de-designate hedging relationships unless there has been a change in risk management objectives.

Derivatives held for trading

Changes in value of held for trading derivatives are immediately recognised in the income statement (note 2.2).

3.1.3.1 Derivatives

The tables below analyse derivatives between those designated as hedging instruments and those classified as held for trading:

	Group		Bank	
As at	**31 Mar 2025**	30 Sep 2023	**31 Mar 2025**	30 Sep 2023
	£m	£m	**£m**	£m
Fair value of derivative financial assets				
Designated as hedging instruments	**27**	96	**5**	87
Designated as held for trading	**21**	39	**15**	39
	48	135	**20**	126
Fair value of derivative financial liabilities				
Designated as hedging instruments	**96**	204	**38**	77
Designated as held for trading	**36**	86	**36**	86
	132	290	**74**	163

Cash collateral totalling £98m (30 September 2023: £267m) has been pledged and £4m has been received (30 September 2023: £33m) in respect of derivatives with other banks. These amounts are included within due from and due to other banks and similar institutions respectively. Net collateral paid to clearing houses, which did not meet offsetting criteria, totalled £8m (30 September 2023: £116m received) and is included within other assets and other liabilities.

The derivative financial instruments held by the Group are further analysed below. The notional contract amount is the amount from which the cash flows are derived and does not represent the principal amounts at risk relating to these contracts.

3.1.3.1 Derivative financial instruments (continued)

As at	31 Mar 2025			30 Sep 2023		
Group	Notional contract amount £m	Fair value of assets £m	Fair value of liabilities £m	Notional contract amount £m	Fair value of assets £m	Fair value of liabilities £m
Derivatives designated as hedging instruments						
Cash flow hedges						
Interest rate swaps (gross)	**28,014**	**311**	**138**	51,185	1,295	545
Less: net settled interest rate swaps(1)	**(27,942)**	**(306)**	**(135)**	(49,888)	(1,222)	(531)
Interest rate swaps (net)(2)	**72**	**5**	**3**	1,297	73	14
Fair value hedges						
Interest rate swaps (gross)(3)	**28,366**	**702**	**720**	19,203	1,219	862
Less: net settled interest rate swaps(1)	**(27,666)**	**(692)**	**(720)**	(18,113)	(1,206)	(820)
Interest rate swaps (net)(2)	**700**	**10**	**-**	1,090	13	42
Cross currency swaps(2)	**2,477**	**12**	**93**	2,350	10	148
	3,177	**22**	**93**	3,440	23	190
Total derivatives designated as hedging instruments	**3,249**	**27**	**96**	4,737	96	204
Derivatives designated as held for trading						
Foreign exchange rate related contracts						
Spot and forward foreign exchange(2)	**510**	**3**	**4**	654	7	9
Options(2)	**-**	**-**	**-**	-	-	-
	510	**3**	**4**	654	7	9
Interest rate related contracts						
Interest rate swaps (gross)	**2,031**	**26**	**27**	1,910	47	50
Less: net settled interest rate swaps(1)	**(927)**	**(22)**	**(3)**	(753)	(43)	(1)
Interest rate swaps (net)(2)	**1,104**	**4**	**24**	1,157	4	49
Swaptions(2)	**10**	**-**	**1**	10	-	1
Options(2)	**1,164**	**5**	**5**	1,067	16	16
	2,278	**9**	**30**	2,234	20	66
Commodity related contracts	**76**	**3**	**2**	167	12	11
Equity related contracts	**-**	**6**	**-**	-	-	-
Total derivatives designated as held for trading	**2,864**	**21**	**36**	3,055	39	86

(1) Presented within other assets and other liabilities.

(2) Presented within derivative financial instruments.

(3) Includes inflation and interest rate risk related swaps detailed in the summary of hedging instruments in designated hedging relationships table on page 152.

3.1.3.1 Derivative financial instruments (continued)

As at Bank	31 Mar 2025 Notional contract amount £m	31 Mar 2025 Fair value of assets £m	31 Mar 2025 Fair value of liabilities £m	30 Sep 2023 Notional contract amount £m	30 Sep 2023 Fair value of assets £m	30 Sep 2023 Fair value of liabilities £m
Derivatives designated as hedging instruments						
Cash flow hedges						
Interest rate swaps (gross)	**28,014**	**311**	**138**	51,185	1,295	545
Less: net settled interest rate swaps(1)	**(27,942)**	**(306)**	**(135)**	(49,888)	(1,222)	(531)
Interest rate swaps (net)(2)	**72**	**5**	**3**	1,297	73	14
Fair value hedges						
Interest rate swaps (gross)(3)	**27,666**	**692**	**720**	18,503	1,218	821
Less: net settled interest rate swaps(1)	**(27,666)**	**(692)**	**(720)**	(18,113)	(1,206)	(820)
Interest rate swaps (net)(2)	**-**	**-**	**-**	390	12	1
Cross currency swaps(2)	**1,088**	**-**	**35**	961	2	62
Total derivatives designated as hedging instruments	**1,160**	**5**	**38**	2,648	87	77
Derivatives designated as held for trading						
Foreign exchange rate related contracts						
Spot and forward foreign exchange(2)	**510**	**3**	**4**	654	7	9
Options(2)	**-**	**-**	**-**	-	-	-
	510	**3**	**4**	654	7	9
Interest rate related contracts						
Interest rate swaps (gross)	**2,031**	**26**	**27**	1,910	47	50
Less: net settled interest rate swaps(1)	**(927)**	**(22)**	**(3)**	(753)	(43)	(1)
Interest rate swaps (net)(2)	**1,104**	**4**	**24**	1,157	4	49
Swaptions(2)	**10**	**-**	**1**	10	-	1
Options(2)	**1,164**	**5**	**5**	1,067	16	16
	2,278	**9**	**30**	2,234	20	66
Commodity related contracts	**76**	**3**	**2**	167	12	11
Total derivatives designated as held for trading	**2,864**	**15**	**36**	3,055	39	86

(1) Presented within other assets.

(2) Presented within derivative financial instruments.

(3) Includes inflation and interest rate risk related swaps detailed in the summary of hedging instruments in designated hedging relationships table on page 152.

Hedge accounting

The hedging strategy of the Group is divided into micro hedges, where the hedged item is a distinctly identifiable asset or liability, and portfolio hedges, where the hedged item is a homogeneous portfolio of assets or liabilities.

In some hedge accounting relationships, the Group designates risk components of hedged items as follows:

- Benchmark interest rate risk as a component of interest rate risk, such as the SONIA component.
- Exchange rate risk for foreign currency financial assets and financial liabilities.
- Inflation risk where it is a contractually specified component of a debt instrument.
- Components of cash flows of hedged items, for example cash flows linked to benchmark rates such as SONIA.

Other risks such as credit risk and liquidity risk are managed by the Group but are not included in the hedge accounting relationship. Changes in the designated risk component usually account for the largest portion of the overall change in fair value or cash flows of the hedged item.

Portfolio cash flow hedges

The Group applies macro cash flow hedge accounting to a portion of its floating rate financial assets and liabilities. The hedged cash flows are a group of forecast transactions that result in cash flow variability from resetting of interest rates, reinvestment of financial assets, or refinancing and rollovers of financial liabilities. This cash flow variability can arise on recognised assets or liabilities or highly probable forecast transactions. The hedged items are designated as the gross asset or liability positions allocated to time buckets based on projected repricing and interest profiles. The Group aims to maintain a position where the principal amount of the hedged items is greater than or equal to the notional amount of the corresponding interest rate swaps used as the hedging instruments. The hedge accounting relationship is reassessed on a monthly basis with the composition of hedging instruments and hedged items changing frequently in line with the underlying risk exposures.

3.1.3.1 Derivative financial instruments (continued)

Portfolio fair value hedges

The Group applies macro fair value hedging to a portion of its fixed rate mortgages. The Group determines hedged items by identifying portfolios of homogeneous loans based on their contractual maturity and other risk characteristics. Loans within the identified portfolios are allocated to repricing time buckets based on expected, rather than contractual, repricing dates. The hedging instruments are designated to those repricing time buckets. Hedge effectiveness is measured on a monthly basis, by comparing fair value movements of the designated proportion of the bucketed loans due to the hedged risk against the fair value movements of the derivatives.

The aggregated fair value changes in the hedged loans are recognised on the Group's balance sheet as an asset. At the end of every month, in order to minimise the ineffectiveness from early repayments and accommodate new exposures, the Group voluntarily de-designates the hedge relationships and redesignates them as new hedges. Fair value hedging of fixed rate deposits was discontinued in 2020, and the hedge adjustment recognised on the Group's balance sheet is amortised to profit and loss over the life of the hedged item.

Micro fair value hedges

The Group uses this hedging strategy on GBP, inflation or foreign currency denominated fixed rate assets held at FVOCI and GBP and foreign currency denominated fixed rate debt issuances by the Group. Where assets and liabilities are exposed to multiple risk components, for example interest rate and foreign currency risk, these components are simultaneously designated as hedged risks within the same hedge relationship.

Hedge ineffectiveness

Hedge ineffectiveness can arise from:

- mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences;
- differences in timing of cash flows of hedged items and hedging instruments;
- changes in expected timings and amounts of forecast future cash flows; and
- derivatives used as hedging instruments having a non-zero fair value at the time of designation.

Additionally, for portfolio fair value hedges of the Group's fixed rate mortgage portfolio, ineffectiveness also arises from the difference between forecast and actual repayments (i.e. prepayment risk).

The Group has no remaining hedge relationships exposed to LIBOR and as no uncertainty remains regarding interest rate benchmark reform, the Group no longer applies the reliefs provided by 'Interest Rate Benchmark Reform - Phase 1 and Phase 2 amendments' to hedge accounting.

3.1.3.1 Derivative financial instruments (continued)

Summary of hedging instruments in designated hedge relationships

In the table below, the Group sets out the accumulated adjustments arising from the corresponding continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the 18 month period:

Group As at	**31 Mar 2025**				30 Sep 2023			
		Carrying amount				Carrying amount		
	Notional contract amount £m	**Assets £m**	**Liabilities £m**	**Change in fair value of hedging instrument in the period used for ineffectiveness measurement[(2)] £m**	Notional Contract Amount £m	Assets £m	Liabilities £m	Change in fair value of hedging Instrument in the period used for Ineffectiveness measurement[(2)] £m
CASH FLOW HEDGES								
Interest rate risk								
Interest rate swaps[(1)]	**28,014**	**311**	**138**	**(387)**	51,185	1,295	545	(318)
Total derivatives designated as cash flow hedges	**28,014**	**311**	**138**	**(387)**	51,185	1,295	545	(318)
FAIR VALUE HEDGES								
Interest rate risk								
Interest rate swaps[(1)]	**26,886**	**526**	**132**	**(250)**	17,683	983	257	(368)
Inflation and interest rate risk								
Inflation linked interest rate swaps[(1)]	**1,480**	**176**	**588**	**(41)**	1,520	236	606	43
Foreign exchange and interest rate risk								
Cross currency swaps	**2,477**	**12**	**93**	**42**	2,350	10	148	(58)
Total derivatives designated as fair value hedges	**30,843**	**714**	**813**	**(249)**	21,553	1,229	1,011	(383)

Bank As at	**31 Mar 2025**				30 Sep 2023			
		Carrying amount				Carrying amount		
	Notional contract amount £m	**Assets £m**	**Liabilities £m**	**Change in fair value of hedging Instrument in the period used for Ineffectiveness measurement[(2)] £m**	Notional contract amount £m	Assets £m	Liabilities £m	Change in fair value of hedging Instrument in the period used for Ineffectiveness measurement[(2)] £m
CASH FLOW HEDGES								
Interest rate risk								
Interest rate swaps[(1)]	**28,014**	**311**	**138**	**(389)**	51,185	1,295	545	(318)
Total derivatives designated as cash flow hedges	**28,014**	**311**	**138**	**(389)**	51,185	1,295	545	(318)
FAIR VALUE HEDGES								
Interest rate risk								
Interest rate swaps[(1)]	**26,186**	**516**	**132**	**(284)**	16,983	983	215	(391)
Inflation and interest rate risk								
Inflation linked interest rate swaps[(1)]	**1,480**	**176**	**588**	**(41)**	1,520	236	606	43
Foreign exchange and interest rate risk								
Cross currency swaps	**1,088**	**-**	**35**	**20**	961	2	62	(20)
Total derivatives designated as fair value hedges	**28,754**	**692**	**755**	**(305)**	19,464	1,221	883	(368)

(1) As shown in the total derivatives contracts table on page 149, for centrally cleared derivatives, where the IAS 32 ‘Financial instruments: presentation’ netting criteria is met, the derivative balances are offset within other assets. For all other derivatives, the derivative balances are presented within derivative financial instruments.

(2) Changes in fair value of cash flow hedging instruments are recognised in other comprehensive income. Changes in fair value of fair value hedging instruments are recognised in the income statement in non-interest income.

3.1.3.1 Derivative financial instruments (continued)

Summary of hedged items in designated hedge relationships

In the table below, the Group sets out the accumulated adjustments arising from the corresponding continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the 18 month period.

Group As at	**31 Mar 2025** Change in fair value of hedged item in the period used for ineffectiveness measurement £m	**Cash flow hedge reserve** Continuing hedges £m	**Cash flow hedge reserve** Discontinued hedges £m	30 Sep 2023 Change in fair value of hedged item in the period used for ineffectiveness measurement £m	Cash flow hedge reserve Continuing hedges £m	Cash flow hedge reserve Discontinued hedges £m
CASH FLOW HEDGES						
Interest rate risk						
Gross floating rate assets and gross floating rate liabilities(1)	**367**	**144**	**89**	268	625	59
Total	**367**	**144**	**89**	268	625	59

Group	**31 Mar 2025** Carrying amount of hedged items Assets £m	**31 Mar 2025** Carrying amount of hedged items Liabilities £m	**31 Mar 2025** Accumulated hedge adjustment on the hedged item £m	**31 Mar 2025** Change in fair value of hedged items in the period used for ineffectiveness measurement £m	30 Sep 2023 Carrying amount of hedged items Assets £m	30 Sep 2023 Carrying amount of hedged items Liabilities £m	30 Sep 2023 Accumulated hedge adjustment on the hedged item £m	30 Sep 2023 Change in fair value of hedged items in the period used for ineffectiveness measurement £m
FAIR VALUE HEDGES								
Interest rate risk								
Fixed rate mortgages(3)	**20,404**	**-**	**(116)**	**302**	10,864	-	(492)	426
Fixed rate FVOCI debt instruments(4)	**3,411**	**-**	**(464)**	**57**	2,692	-	(568)	92
Fixed rate issuances(2)	**-**	**(3,007)**	**64**	**(177)**	-	(2,810)	239	(120)
Inflation and interest rate risk								
Fixed rate FVOCI debt instruments(4)	**1,158**	**-**	**(86)**	**44**	1,116	-	(92)	(43)
Foreign exchange and interest rate risk								
Fixed rate currency FVOCI debt instruments(4)	**-**	**-**	**-**	**2**	64	-	(2)	1
Fixed rate currency issuances(2)	**-**	**(2,411)**	**85**	**(58)**	-	(2,156)	140	56
Total	**24,973**	**(5,418)**	**(517)**	**170**	14,736	(4,966)	(775)	412

(1) Highly probable future cash flows arising from loans and advances to customers, due to customers and debt securities in issue.

(2) Hedged item is recorded in debt securities in issue and related party transactions.

(3) Hedged item and the cumulative fair value changes are recorded in loans and advances to customers.

(4) Hedged item is recorded in financial assets at FVOCI.

3.1.3.1 Derivative financial instruments (continued)

Summary of hedged items in designated hedge relationships (continued)

Bank **As at**	**31 Mar 2025** **Change in fair value of hedged item in the period used for ineffectiveness measurement £m**	**31 Mar 2025** **Cash flow hedge reserve** **Continuing hedges £m**	**31 Mar 2025** **Cash flow hedge reserve** **Discontinued hedges £m**	30 Sep 2023 Change in fair value of hedged item in the period used for ineffectiveness measurement £m	30 Sep 2023 Cash flow hedge reserve Continuing hedges £m	30 Sep 2023 Cash flow hedge reserve Discontinued hedges £m
CASH FLOW HEDGES						
Interest rate risk						
Gross floating rate assets and gross floating rate liabilities(1)	**368**	**144**	**89**	269	624	61
Total	**368**	**144**	**89**	269	624	61

Bank	**31 Mar 2025** **Carrying amount of hedged items** **Assets £m**	**31 Mar 2025** **Carrying amount of hedged items** **Liabilities £m**	**31 Mar 2025** **Accumulated hedge adjustment on the hedged item £m**	**31 Mar 2025** **Change in fair value of hedged items in the period used for ineffectiveness measurement £m**	30 Sep 2023 Carrying amount of hedged items Assets £m	30 Sep 2023 Carrying amount of hedged items Liabilities £m	30 Sep 2023 Accumulated hedge adjustment on the hedged item £m	30 Sep 2023 Change in fair value of hedged items in the period used for ineffectiveness measurement £m
FAIR VALUE HEDGES								
Interest rate risk								
Fixed rate mortgages(3)	**20,404**	**-**	**(116)**	**303**	10,864	-	(492)	426
Fixed rate FVOCI debt instruments(4)	**3,411**	**-**	**(464)**	**57**	2,692	-	(568)	92
Fixed rate issuances(2)	**-**	**(2,298)**	**47**	**(143)**	-	(2,151)	188	(96)
Inflation and interest rate risk								
Fixed rate FVOCI debt instruments(4)	**1,158**	**-**	**(86)**	**44**	1,116	-	(92)	(43)
Foreign exchange and interest rate risk								
Fixed rate currency FVOCI debt instruments(4)	**-**	**-**	**-**	**2**	64	-	(2)	1
Fixed rate currency issuances(2)	**-**	**(1,067)**	**76**	**(28)**	-	(856)	54	18
Total	**24,973**	**(3,365)**	**(543)**	**235**	14,736	(3,007)	(912)	398

(1) Highly probable future cash flows arising from loans and advances to customers, due to customers and debt securities in issue.

(2) Hedged item is recorded in debt securities in issue and related party transactions.

(3) Hedged item and the cumulative fair value changes are recorded in loans and advances to customers.

(4) Hedged item is recorded in financial assets at FVOCI.

3.1.3.1 Derivative financial instruments (continued)

Group As at	31 Mar 2025 Hedge ineffectiveness recognised in income statement[1] £m	31 Mar 2025 Effective portion recognised in other comprehensive income £m	31 Mar 2025 Reclassified into income statement as: Net interest income £m	31 Mar 2025 Reclassified into income statement as: Non-interest income £m	30 Sep 2023 Hedge ineffectiveness recognised in income statement[1] £m	30 Sep 2023 Effective portion recognised in other comprehensive income £m	30 Sep 2023 Reclassified into income statement as: Net interest income £m	30 Sep 2023 Reclassified into income statement as: Non-interest income £m
CASH FLOW HEDGES								
Interest rate risk								
Gross floating rate assets and gross floating rate liabilities	**(20)**	**(367)**	**(1)**	**85**	(50)	(268)	10	2
Total (losses)/gains on cash flow hedges	**(20)**	**(367)**	**(1)**	**85**	(50)	(268)	10	2

Group	Hedge ineffectiveness recognised in income: 31 Mar 2025 £m	Hedge ineffectiveness recognised in income: 30 Sep 2023 £m
FAIR VALUE HEDGES		
Interest rate risk		
Fixed rate mortgages	**(63)**	30
Fixed rate FVOCI debt instruments	**-**	3
Fixed rate issuances	**(5)**	(3)
Inflation and interest rate risk		
Fixed rate FVOCI debt instruments	**3**	-
Foreign exchange and interest rate risk		
Fixed rate currency issuances	**(14)**	(1)
Total (gains)/losses on fair value hedges[1]	**(79)**	29

(1) Recognised in gains less losses on financial assets at fair value.

3.1.3.1 Derivative financial instruments (continued)

Bank

As at	31 Mar 2025				30 Sep 2023			
	Hedge ineffectiveness recognised in income statement(1) £m	Effective portion recognised in other comprehensive income £m	Reclassified into Income statement as: Net interest income £m	Reclassified into Income statement as: Non-interest income £m	Hedge ineffectiveness recognised in income statement(1) £m	Effective portion recognised in other comprehensive income £m	Reclassified into Income statement as: Net interest income £m	Reclassified into Income statement as: Non-interest income £m
CASH FLOW HEDGES								
Interest rate risk								
Gross floating rate assets and gross floating rate liabilities	**(21)**	**(368)**	**(1)**	**87**	(50)	(269)	10	6
Total (losses)/gains on cash flow hedges	**(21)**	**(368)**	**(1)**	**87**	(50)	(269)	10	6

Bank

	Hedge ineffectiveness recognised in income	
	31 Mar 2025 £m	30 Sep 2023 £m
FAIR VALUE HEDGES		
Interest rate risk		
Fixed rate mortgages	**(61)**	31
Fixed rate FVOCI debt instruments	**-**	3
Fixed rate issuances	**(6)**	(4)
Inflation and interest rate risk		
Fixed rate FVOCI debt instruments	**3**	-
Foreign exchange and interest rate risk		
Fixed rate currency FVOCI debt instruments		-
Fixed rate currency issuances	**(6)**	(1)
Total losses on fair value hedges(1)	**(70)**	29

(1) Recognised in gains less losses on financial assets at fair value.

3.1.4 Fair value of financial instruments

Accounting Policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

When available, the Group measures the fair value of a financial instrument using quoted prices in an active market for that instrument. Where no such active market exists for the particular asset or liability, the Group uses a valuation technique to arrive at the fair value, including the use of transaction prices obtained in recent arm's length transactions where possible, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. In doing so, fair value is estimated using a valuation technique that makes maximum possible use of market inputs and that places minimal possible reliance upon entity-specific inputs.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, which represents the fair value of the consideration paid or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profits or losses on the transaction date.

In certain limited circumstances, the Group applies the fair value measurement option to financial assets including loans and advances where the inherent market risks (principally interest rate and option risk) are individually hedged using appropriate interest rate derivatives. The loan is designated as being carried at FVTPL to offset the movements in the fair value of the derivative within the income statement and therefore avoid an accounting mismatch. When a loan is held at fair value, a statistical-based calculation is used to estimate credit losses attributable to adverse movements in credit risk on the assets held. This adjustment to the credit quality of the asset is then applied to the carrying amount of the loan to arrive at fair value and recognised in the income statement.

Analysis of the fair value disclosures uses a hierarchy that reflects the significance of inputs used in measuring fair value. The level in the fair value hierarchy within which a fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value measurement hierarchy is as follows:

- Level 1 - quoted prices (unadjusted) in active markets for an identical financial asset or liability.
- Level 2 - inputs other than quoted prices within Level 1 that are observable for the financial asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 - inputs for the financial asset or liability that are not based on observable market data (unobservable inputs).

For the purpose of reporting movements between levels of the fair value hierarchy, transfers are recognised at the beginning of the reporting year in which they occur.

3.1.4 Fair value of financial instruments (continued)

(a) Fair value of financial instruments recognised at amortised cost

The tables show a comparison of the carrying amounts of financial assets and liabilities measured at amortised cost, as reported on the balance sheet, and their fair values, where these are not approximately equal.

There are various limitations inherent in this fair value disclosure, particularly where prices are derived from unobservable inputs, due to some financial instruments not being traded in an active market. The methodologies and assumptions used in the fair value estimates are therefore described in the notes to the tables. The difference between carrying value and fair value is relevant in a trading environment but is not relevant to assets such as loans and advances.

Group

	31 Mar 2025		30 Sep 2023	
			Restated(1)	Restated(1)
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets	**£m**	**£m**	£m	£m
Loans and advances to customers(2)	**71,072**	**71,970**	72,245	71,316
Financial liabilities				
Customer deposits(3)	**70,383**	**70,297**	66,827	66,625
Debt securities in issue(4)	**6,557**	**6,597**	6,155	6,191
Due to other banks and similar institutions(3)	**934**	**934**	7,050	7,070
Due to related entities(3)	**4,304**	**4,385**	3,605	3,699

Bank

	31 Mar 2025		30 Sep 2023	
			Restated(1)	Restated(1)
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets	**£m**	**£m**	£m	£m
Loans and advances to customers(2)	**70,474**	**71,365**	71,458	70,521
Financial liabilities				
Customer deposits(3)	**70,383**	**70,297**	66,827	66,625
Debt securities in issue(4)	**4,438**	**4,445**	4,552	4,442
Due to other banks and similar institutions(3)	**934**	**934**	7,050	7,070
Due to related entities(3)	**6,342**	**6,423**	5,208	5,302

(1) The prior year carrying values have been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details. The fair values have also been updated in line with the carrying value adjustments.
(2) Categorised as Level 3 in the fair value hierarchy with the exception of £995m (30 September 2023 (restated): £1,058m) of business overdrafts which are categorised as Level 2.
(3) Categorised as Level 2 in the fair value hierarchy.
(4) Categorised as Level 2 in the fair value hierarchy, with the exception of £4,445m of covered bonds (30 September 2023 (restated): £4,442m) which are categorised as Level 1. The prior year has been restated following alignment of accounting policy with Nationwide where previously covered bonds were categorised as Level 2.

The Group and Bank's fair values disclosed for financial instruments at amortised cost are based on the following methodologies and assumptions:

(a) *Loans and advances to customers* - determined by firstly segregating them into portfolios which have similar characteristics. Contractual cash flows are then adjusted for ECLs and expectations of customer behaviour based on observed historic data. The cash flows are then discounted at a weighted average cost of capital (appropriate to the portfolio) to arrive at an estimate of their fair value.

(b) *Customer deposits* - determined using a replacement cost method which assumes alternative funding is raised in the most advantageous market. The contractual cash flows have been discounted using a funding curve with credit spreads reflecting the tenor of each deposit.

(c) *Debt securities in issue* - taken directly from quoted market prices where available or determined from a discounted cash flow model using current market rates for instruments of similar terms and maturity.

(d) *Due to other banks and similar institutions* – determined from a discounted cash flow model using current market rates for instruments of similar terms and maturity.

(e) *Due to related entities* - derived from quoted market prices of the related debt security in issue by Virgin Money UK PLC after accounting for differences in credit spread. All other amounts due from related entities are redeemable at call and therefore carrying value approximates fair value.

3.1.4 Fair value of financial instruments (continued)

(b) Fair value of financial instruments recognised at fair value

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, using the fair value hierarchy described above.

Group as at	31 Mar 2025				30 Sep 2023			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Financial assets								
Held at FVOCI	**6,197**	**-**	**-**	**6,197**	6,184	-	-	6,184
Loans and advances to customers	**-**	**47**	**-**	**47**	-	59	-	59
Derivatives	**-**	**42**	**6**	**48**	-	135	-	135
Other	**-**	**-**	**1**	**1**	-	-	2	2
Total financial assets at fair value	**6,197**	**89**	**7**	**6,293**	6,184	194	2	6,380
Financial liabilities								
Derivatives	**-**	**132**	**-**	**132**	-	290	-	290
Total financial liabilities at fair value	**-**	**132**	**-**	**132**	-	290	-	290

Bank as at	31 Mar 2025				30 Sep 2023			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Financial assets								
Held at FVOCI	**6,197**	**-**	**-**	**6,197**	6,184	-	-	6,184
Loans and advances to customers	**-**	**47**	**-**	**47**	-	59	-	59
Derivatives	**-**	**20**	**-**	**20**	-	126	-	126
Other	**-**	**-**	**1**	**1**	-	-	1	1
Total financial assets at fair value	**6,197**	**67**	**1**	**6,265**	6,184	185	1	6,370
Financial liabilities								
Derivatives	**-**	**74**	**-**	**74**	-	163	-	163
Total financial liabilities at fair value	**-**	**74**	**-**	**74**	-	163	-	163

There were no transfers between Level 1 and 2 in the current or prior year for either the Group or the Bank.

The Group and Bank's valuations for financial instruments that are measured subsequent to initial recognition at fair value are based on the following methodologies and assumptions:

(a) *Held at FVOCI* – based on quoted closing market prices.

(b) *Loans and advances to customers* – derived from data or valuation techniques based upon observable market data and non-observable inputs as appropriate to the nature and type of the underlying instrument.

(c) *Derivative financial assets and liabilities* – includes foreign exchange contracts, interest rate swaps, interest rate and currency option contracts, and currency swaps, and are obtained from discounted cash flow models or option pricing models as appropriate. The level 3 derivative represents a share warrant over unlisted equity and is valued based upon the expected surrender proceeds.

(d) *Other* – represents unlisted debt and equity investments for which the Group's share of the net asset value or the transaction price respectively is considered the best representation of the exit price and is the Group's best estimate of fair value.

Sensitivity of Level 3 fair value measurements to reasonably possible alternative assumptions

The Group and Bank has limited exposure to Level 3 fair value measurements. If all risks inherent in the valuations were to crystallise in their entirety, total assets would reduce by £1m for Group and £1m for Bank with the loss being recognised directly in the income statement.

3.1.5 Securitisation and covered bond programmes

Accounting policy

The Group sponsors the formation of structured entities, primarily for the purpose of facilitation of asset securitisation and covered bond transactions, the full details of which can be found in note 6.2 to the Bank financial statements. The Group has no shareholding in these entities, but is exposed, or has rights, to variable returns and has the ability to affect those returns. The entities are consolidated in the Group's financial statements in accordance with note 1.4.

Securitisation

The Group has securitised a portion of its retail mortgage loan portfolio under master trust securitisation programmes. The securitised mortgage loans have been assigned at principal value to bankruptcy remote structured entities. The securitised debt holders have no recourse to the Group other than the principal and interest (including fees) generated from the securitised mortgage loan portfolio.

The externally held securitised notes in issue are included within debt securities in issue (note 3.1.1.4). There are a number of notes held internally by the Group which are used as collateral for repurchases and similar transactions or for credit enhancement purposes.

Covered bond

A subset of the Group's retail mortgage loan portfolio has been ring-fenced and assigned to a bankruptcy remote limited liability partnership, Eagle Place Covered Bonds LLP, to provide a guarantee for the obligations payable on the covered bonds issued by the Group.

The covered bond partnership is consolidated with the mortgage loans retained on the Group balance sheet and the covered bonds issued included within debt securities in issue (note 3.1.1.4). The covered bond holders have dual recourse: firstly, to the bond issuer on an unsecured basis; and secondly, to the LLP under the Covered Bond Guarantee secured against the mortgage loans.

Under both the securitisation and covered bond programmes, the mortgage loans do not qualify for derecognition because the Group remains exposed to the majority of the risks and rewards of the mortgage loan portfolio, principally the associated credit risk. The Group continues to service the mortgage loans in return for an administration fee and is also entitled to any residual income after all payment obligations due under the terms of the programmes and senior programme expenses have been met. A deemed loan liability is recognised in the programme sponsor for the proceeds of the funding transaction.

Significant restrictions

Where the Group uses its financial assets to raise finance through securitisation and the sale of securities subject to repurchase agreements, the assets become encumbered and are not available for transfer around the Group.

3.1.5 Securitisation and covered bond programmes (continued)

The assets and liabilities in relation to securitisation and covered bonds in issue at the period end are as follows (excluding accrued interest):

Group	31 Mar 2025		30 Sep 2023	
	Loans and advances securitised	**Notes in issue**	Loans and advances securitised	Notes in issue
	£m	**£m**	£m	£m
Securitisation programmes				
Lanark	**4,615**	**2,967**	3,743	2,967
Lannraig	**1,757**	**1,090**	1,620	1,090
	6,372	**4,057**	5,363	4,057
Less held by the Group		**(1,922)**		(2,328)
		2,135		1,729
Covered bond programmes				
Clydesdale Bank PLC (formerly Virgin Money PLC)	**8,925**	**4,357**	7,575	4,392

Bank	31 Mar 2025		30 Sep 2023	
	Loans and advances securitised	**Notes in issue**	Loans and advances securitised	Notes in issue
	£m	**£m**	£m	£m
Covered bond programmes				
Clydesdale Bank PLC (formerly Virgin Money PLC)	**8,925**	**4,383**	7,575	4,529

The carrying amounts of covered bonds differ between Group and Bank due to fair value hedging adjustments which form part of the Group but not the Bank. Further information on the liabilities relating to the Group's securitisation and covered bond programmes can be found in note 3.1.1.4.

The Bank securitises mortgages which includes those originated by Yorkshire Bank Home Loans Limited (YBHL), a subsidiary of the Bank. A legal sale agreement between the Bank and YBHL has been put in place to ensure that the titles of such mortgages are transferred to the Bank prior to the completion of any securitisation transaction and these mortgages are included in the securitised asset balances disclosed in the table above and are recognised on the Bank balance sheet.

The fair values of financial assets and associated liabilities relating to the securitisation programmes were £6,459m and £2,152m respectively (30 September 2023: £5,311m and £1,749m) where the counterparty to the liabilities has recourse only to the financial assets.

There were no events during the period that resulted in any Group or Bank transferred financial assets being derecognised.

The Group and Bank have contractual and non-contractual arrangements which may require them to provide financial support as follows:

Securitisation programmes
The Group and Bank provide credit support to the structured entities via reserve funds, which are partly funded through subordinated debt arrangements and by holding junior notes. Exposures are shown in the table below:

	Group and Bank	
As at	**31 Mar 2025**	30 Sep 2023
	£m	£m
Beneficial interest held	**2,398**	1,137
Subordinated loans	**6**	75
Junior notes held	**638**	853
	3,042	2,065

3.1.5 Securitisation and covered bond programmes (continued)

Looking forward through future reporting years there are a number of date-based options on the notes issued by the structured entities which could be actioned by them as issuer. These could require the Bank, as sponsor, to provide additional liquidity support.

Covered bond programme
The nominal level of over-collateralisation was £4,065m (30 September 2023: £2,670m) in the Clydesdale Bank PLC (formerly Virgin Money PLC) programme. From time to time the obligations of the Group to provide over-collateralisation may increase due to the formal requirements of the programme.

Under all programmes, the Group has an obligation to repurchase mortgage exposures if certain mortgage loans no longer meet the programme criteria.

3.2 Intangible assets and goodwill

Group	Capitalised software	Goodwill	Customer Relationship	Core deposit intangible	Total
	£m	£m	£m	£m	£m
Cost					
At 1 October 2022	1,060	11	-	6	1,077
Additions	11	-	-	-	11
Write-off	(45)	-	-	-	(45)
Disposal	(714)	-	-	-	(714)
At 30 September 2023	312	11	-	6	329
Additions	**6**	**20**	**4**	**-**	**30**
At 31 March 2025	**318**	**31**	**4**	**6**	**359**
Accumulated amortisation and impairment					
At 1 October 2022	804	-	-	6	810
Charge for the year	60	-	-	-	60
Disposal	(714)	-	-	-	(714)
At 30 September 2023	150	-	-	6	156
Charge for the period	**76**	**-**	**-**	**-**	**76**
At 31 March 2025	**226**	**-**	**-**	**6**	**232**
Net book value					
At 31 March 2025	**92**	**31**	**4**	**-**	**127**
At 30 September 2023	162	11	-	-	173

3.2 Intangible assets and goodwill (continued)

Bank	Capitalised software	Goodwill	Core deposit intangible	Total
	£m	£m	£m	£m
Cost				
At 1 October 2022	1,139	11	6	1,156
Additions	11	-	-	11
Write-off	(45)	-	-	(45)
Disposals	(714)	-	-	(714)
At 30 September 2023	391	11	6	408
Additions	**6**	**-**	**-**	**6**
At 31 March 2025	**397**	**11**	**6**	**414**
Accumulated amortisation and impairment				
At 1 October 2022	883	-	6	889
Charge for the year	60	-	-	60
Impairment	(714)	-	-	(714)
At 30 September 2023	229	-	6	235
Charge for the period	**76**	**-**	**-**	**76**
At 31 March 2025	**305**	**-**	**6**	**311**
Net book value				
At 31 March 2025	**92**	**11**	**-**	**103**
At 30 September 2023	162	11	-	173

All software additions form part of internally generated software projects.

On 2 April 2024 the Group acquired the remaining 50 per cent of the ordinary share capital of Virgin Money Unit Trust Managers Limited (UTM), resulting in an increase to Goodwill of £20m and the acquisition of intangible assets relating to Customer relationships of £4m. The goodwill arising from the acquisition primarily represents the potential for future new customer acquisition and related asset under management growth following the adoption of the modern investment platform (note 5.6).

The UTM business is considered to be a separate cash generating unit (CGU) and goodwill is fully allocated to that CGU. Goodwill and customer relationship intangibles recognised in the period have been tested for impairment at the period end. The recoverable amount for the CGU as determined on a fair value less cost of disposal (FVLCD) basis was higher than the carrying value and therefore no impairment charge has been recognised for the current period. FVLCD is calculated from in an income based discounted cashflow using a five-year period with cashflows beyond that period extrapolated with a terminal growth rate applied. The fair value measurement is categorised as level 3.

The following assumptions are used in the FVLCD calculation:

- Discount rate: 12.7%
- Projected terminal growth rate: 2%

Forecast cashflow projections include assumptions on growth in assets under management and associated margins derived from a combination of past experience and market information on comparable businesses which are commercially sensitive. Changes in the discount rate, projected terminal growth rate and asset under management growth assumptions will impact the Group’s assessment of FVLCD, however reasonably possible negative changes in multiple of these variables would be required simultaneously for the recoverable amount estimated to be reduced to equal the carrying amount.

3.3 Retirement benefit obligations

Accounting policy

Defined benefit pension scheme

A liability or asset is recognised on the balance sheet in respect of the defined benefit scheme and is measured as the difference between the present value of the defined benefit obligation less the fair value of the defined benefit scheme assets at the reporting date. The present value of the defined benefit obligation for the scheme is discounted by high-quality corporate bond rates that have maturity dates approximating to the terms of the defined benefit obligation. Surpluses are only recognised to the extent that they are recoverable through reduced contributions in the future or through refunds from the scheme. In assessing whether a surplus is recoverable, the Group considers its current right to obtain a refund or a reduction in future contributions and does not anticipate any future acts by other parties that could change the amount of the surplus that may ultimately be recovered.

Pension expense attributable to the Group's defined benefit scheme comprises current service cost, past service cost resulting from a scheme amendment or curtailment, net interest on the net defined benefit obligation/asset, gains or losses on settlement and administrative costs incurred. Where actuarial remeasurements arise, the Group recognises such amounts directly in equity through the statement of comprehensive income in the period in which they occur. Actuarial remeasurements arise from experience adjustments (the effects of differences between previous actuarial assumptions and what has actually occurred) and changes in actuarial assumptions.

The Group's principal trading subsidiary, Clydesdale Bank PLC, is the sponsoring employer of the Yorkshire and Clydesdale Bank Pension Scheme, a defined benefit pension scheme, which was closed to future benefit accrual for the majority of current employees on 1 August 2017.

The following table summarises the present value of the defined benefit obligation and fair value of plan assets for the Scheme as at:

Group and Bank	31 Mar 2025 £m	30 Sep 2023 £m
Active members' defined benefit obligation	**(4)**	(4)
Deferred members' defined benefit obligation	**(1,004)**	(988)
Pensioner and dependant members' defined benefit obligations	**(1,228)**	(1,292)
Total defined benefit obligation	**(2,236)**	(2,284)
Fair value of Scheme assets	**2,593**	2,796
Net defined benefit pension asset	**357**	512
Post-retirement medical benefits obligations(1)	**(1)**	(2)

(1) Post-retirement medical benefits obligations are included within other liabilities (note 3.5).

The Group's pension arrangements

The current version of the Scheme was established under trust on 30 September 2009 with the assets held in a Trustee administered fund. The Trustee is responsible for the operation and governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator, sets out the framework for funding defined benefit occupational pension plans in the UK.

The Group has implemented several reforms to the Scheme to manage the obligation. It closed the Scheme to new members in 2004 and since April 2006 has provided benefits accruing on a career average revalued earnings basis. On 1 August 2017, the Scheme was closed to future benefit accrual for the majority of current employees, with both affected and new employees' future pension benefits being provided through the Group's existing defined contribution scheme, 'My Retirement'. The income statement charge for this is included within pension costs in note 2.5.

The Group also provides post-retirement healthcare under a defined benefit scheme for some pensioners and their dependant relatives for which provision has been made on a basis consistent with the methodology applied to the defined benefit pension scheme. This is a closed scheme and the provision will be utilised over the life of the remaining scheme members. The obligation in respect of this scheme was £1m at 31 March 2025 (30 September 2023: £2m) and is included within other liabilities in note 3.5.

3.3 Retirement benefit obligations (continued)

Scheme valuations

There are a number of means of measuring liabilities in the defined benefit schemes, with the ultimate aim of the Trustee being that the Scheme is 100% funded on an agreed self-sufficiency basis (which is where the Scheme is essentially self-funded and does not need to call on the Group for any additional funding). The two bases used by the Group to value its obligations are: (i) an IAS 19 accounting basis; and (ii) a Trustee's Technical Provision basis.

(i) IAS 19 accounting basis

The valuations of the Scheme assets and obligations are calculated on an accounting basis in accordance with the applicable accounting standard IAS 19 which provides the basis for the accounting framework and methodology for entries in the income statement, balance sheet and capital reporting. The principal purpose of this valuation is to allow comparison of pension obligations between companies. The obligation under an accounting valuation can be higher or lower than those under a Trustee's Technical Provision valuation.

The rate used to discount the obligation on an IAS 19 basis is a key driver of any potential volatility and is based on yields on AA rated high-quality corporate bonds, regardless of how the Trustee of the Scheme invests the assets. The accounting valuation under IAS 19 can therefore move adversely because of low rates and narrowing credit spreads which are not fully matched by the Scheme assets. Inflation is another key source of volatility and arises as a result of member benefits having an element of index linking, which causes the obligation to increase in line with rises in long-term inflation assumptions. In practice however, over the long term, the relationship between interest and inflation rates tends to be negatively correlated resulting in a degree of risk offset.

(ii) Trustee's Technical Provision basis

This valuation basis reflects how much money the Trustee considers is required now in order to provide for the promised benefits as they come up for payment in the future. The Trustee is responsible for ensuring that the calculation is conducted prudently on an actuarial basis, considering factors including the Scheme's investment strategy and the relative financial strength of the sponsoring employer.

A key aspect of this valuation is the investment strategy the Trustee proposes to follow as part of the policy for meeting the Scheme's obligations. Because there are no guarantees about investment returns over long periods, legislation requires the Trustee to consider carefully how much of their expected future investment returns it would be prudent for them to account for in advance.

On 6 April 2023, the Scheme entered into a longevity swap transaction with Pacific Life Re International Limited and Zurich Assurance Ltd to manage longevity risk in relation to c.£1.6bn of pensioner liabilities. The arrangement provides long term protection to the Scheme against costs resulting from pensioners or their dependants living longer than currently expected, enhancing security for Scheme members and reducing risk for the Group. The fair value of the hedge instrument at 31 March 2025 is a liability of £24m (30 September 2023: £Nil).

The latest formal triennial valuation for the Scheme was undertaken as at 30 September 2022 and reported a surplus of £256m (previously a surplus of £144m based on Scheme data and market conditions as at 30 September 2019) and a technical provision funding level of 109% (previously 103%). As the 2022 valuation outcome was a funding surplus, a deficit recovery plan is not required and the Group is not required to make any additional contributions to the Scheme other than the ongoing funding of the Scheme's administrative expenses.

The next triennial valuation will be conducted in the year ending 30 September 2026 based on Scheme data and market conditions as at 30 September 2025.

Scheme assets are not subject to the same valuation differences as Scheme obligations and are consistently valued at current market value.

In June 2023, His Majesty's High Court of Justice issued a ruling in respect of Virgin Media Limited versus NTL Pension Trustees II Limited (and others) challenging the validity of rule amendments made to pension schemes contracted out on a Reference Scheme Test basis between 6 April 1997 and 5 April 2016. On 25 July 2024, the Court of Appeal upheld the original decision. The Group, independently of the Trustee, has assessed the possible impact on the scheme by reviewing a sample of one material amendment from the relevant period. Uncertainties remain over the Group's position in respect of this, but the review did not indicate any specific concerns and therefore no adjustment was made to defined benefit obligations.

3.3 Retirement benefit obligations (continued)

IAS 19 position

The Scheme movements in the period are as follows:

Group and Bank	18 months to 31 March 2025				12 months to 30 September 2023			
	Present value of obligation	Fair value of plan assets	Total	Cumulative impact in other comprehensive income	Present value of obligation	Fair value of plan assets	Total	Cumulative impact in other comprehensive income
	£m	£m	£m	£m	£m	£m	£m	£m
Balance sheet surplus at 1 October	**(2,284)**	**2,796**	**512**	**(670)**	(2,216)	3,216	1,000	(126)
(Charges)/credits								
Interest (expense)/income	**(186)**	**230**	**44**		(117)	172	55	
Administrative costs	**-**	**(7)**	**(7)**		-	(5)	(5)	
Total (charge)/credit recognised in the consolidated income statement	**(186)**	**223**	**37**		(117)	167	50	
Remeasurements								
Return on Scheme assets less than discount rate	**-**	**(253)**	**(253)**	**(253)**	-	(470)	(470)	(470)
Actuarial:								
Loss - experience adjustments	**(11)**	**-**	**(11)**	**(11)**	(151)	-	(151)	(151)
Gain/(loss) - demographic assumptions	**1**	**-**	**1**	**1**	(27)	-	(27)	(27)
Gain - financial assumptions	**57**	**-**	**57**	**57**	104	-	104	104
Remeasurement gains/(losses) recognised in other comprehensive income	**47**	**(253)**	**(206)**	**(206)**	(74)	(470)	(544)	(544)
Contributions and payments								
Employer contributions	**-**	**14**	**14**		-	6	6	
Disbursements	**187**	**(187)**	**-**		123	(123)	-	
	187	**(173)**	**14**		123	(117)	6	
Balance sheet surplus at 31 March/30 September	**(2,236)**	**2,593**	**357**	**(876)**	(2,284)	2,796	512	(670)

The expected contributions and benefit payments for the year ending 31 March 2026 are £6m (12 months to 30 September 2024: £6m) and £123m (12 months to 30 September 2024: £115m) respectively.

The uncommitted facility of £75m granted by the Group in 2023 to replace the previous contingent security arrangement remains in place. As at 31 March 2025 the amount drawn under the facility was £Nil (30 September 2023: £Nil).

3.3 Retirement benefit obligations (continued)

Scheme assets
In order to meet the obligations of the Scheme, the Trustee invests in a diverse portfolio of assets, with the level and volatility of asset returns being a key factor in the overall investment strategy. The investment portfolio is subject also to a range of risks typical of the types of assets held, such as: equity risk; credit risk on bonds; currency risk; interest rate and inflation risk; and exposure to the property market. The Trustee's investment strategy (including physical assets and derivatives) seeks to reduce the Scheme's exposure to these risks. In managing interest rate and inflation risks, the investment strategy seeks to hold portfolios of matching assets (including derivatives) that enable the Scheme's assets to better match movements in the value of liabilities due to changes in interest rates and inflation.

As at 31 March 2025, the interest rate and inflation rate hedge ratios were 90% and 90% respectively (30 September 2023: 90% and 90%) of the obligation when measured on a solvency basis (30 September 2023: self-sufficiency basis). This strategy reflects the Scheme's obligation profile and the Trustee's and the Group's attitude to risk. The Trustee monitors the investment objectives and asset allocation policy on a regular basis.

The Trustee's investment strategy involves two main categories of investments:
- Matching assets – a range of investments that provide a match to changes in obligation values.
- Return seeking assets – a range of investments designed to provide specific, planned and consistent returns.

The major categories of plan assets for the Scheme, stated at fair value, are as follows:

	31 March 2025				30 September 2023			
	Quoted £m	**Unquoted £m**	**Total £m**	**%**	Quoted £m	Unquoted £m	Total £m	%
Bonds								
Government[1]	**1,366**	**-**	**1,366**		1,382	-	1,382	
Corporate and other[2]	**1,065**	**-**	**1,065**		1,008	-	1,008	
	2,431	**-**	**2,431**	**94%**	2,390	-	2,390	85%
Other								
Private equity investments[3]	**-**	**307**	**307**		-	352	352	
Infrastructure[4]	**-**	**220**	**220**		-	238	238	
Cash	**-**	**118**	**118**		-	122	122	
Derivatives[5]	**-**	**23**	**23**			30	30	
Repurchase agreements	**-**	**(511)**	**(511)**		-	(383)	(383)	
Property	**-**	**29**	**29**		-	47	47	
Longevity swaps	**-**	**(24)**	**(24)**		-	-	-	
	-	**162**	**162**	**6%**	-	406	406	15%
Total Scheme assets	**2,431**	**162**	**2,593**	**100%**	2,390	406	2,796	100%

(1) Government includes both fixed and index-linked government bonds which were presented separately in the prior year.
(2) Corporate and other includes global sovereign which was presented separately in the prior year.
(3) Alternative credit investments are now described as private equity investments which aligns to the Nationwide line item description.
(4) Renewables are now described as infrastructure which aligns to the Nationwide line item description.
(5) Derivative financial instruments are used to modify the profile of the assets of the Scheme to better match the Scheme's liabilities. Derivative holdings may lead to increased or decreased exposures to the physical asset categories disclosed above.

The nature of the Scheme assets held has remained broadly consistent period on period.

At 31 March 2025, the Scheme had employer-related investments within the meaning of Section 40 (2) of the Pensions Act 1995 totalling £2m (30 September 2023: £1m).

3.3 Retirement benefit obligations (continued)

Actuarial assumptions

The following assumptions were used in arriving at the IAS 19 defined benefit obligation:

As at	31 Mar 2025	30 Sep 2023
	% p.a.	% p.a.
Financial assumptions		
Discount rate	**5.70**	5.65
Inflation (RPI)	**3.05**	3.30
Inflation (CPI)	**2.40**	2.70
Career average revalued earnings revaluations:		
Pension increases (capped at 5% per annum)	**2.95**	3.15
Rate of increase for pensions in deferment	**2.40**	2.66

	31 Mar 2025	30 Sep 2023
	Years	Years
Demographic assumptions		
Post retirement mortality:		
Current pensioners at 60 - male	**27.2**	27.2
Current pensioners at 60 - female	**29.5**	29.4
Future pensioners at 60 – male(1)	**28.8**	28.3
Future pensioners at 60 - female(1)	**31.0**	30.4

(1) The post retirement mortality assumptions for future pensioners at age 60 are based on a male and female member currently aged 40 (30 September 2023: 45).

Critical accounting estimates and judgements

The value of the Group's defined benefit pension scheme requires management to make several assumptions. The key areas of estimation uncertainty in these assumptions are:

- *Discount rate:* this is set with reference to market yields at the end of the reporting period on high-quality corporate bonds in the currency and with a term consistent with the Scheme's obligations. The average duration of the Scheme's obligations is approximately 13 years. The market for bonds with a similar duration is illiquid and, as a result, significant management judgement is required to determine an appropriate yield curve on which to base the discount rate;
- *Inflation*: this is set with reference to market expectations of the RPI measure of inflation for a term consistent with the Scheme's obligations, based on data published by the BoE. Other measures of inflation (such as CPI, or inflation measures subject to an annual cap) are derived from this assumption; and
- *Mortality*: the cost of the benefits payable by the Scheme will also depend upon the life expectancy of the members. The assumptions for mortality rates are based on standard mortality tables (as adjusted to reflect the characteristics of Scheme members) which allow for future improvements in life expectancies.

The table below sets out the sensitivity and impact on the balance sheet surplus position of the Scheme, the defined benefit obligation and pension cost to changes in the key actuarial assumptions:

Assumption change	Increase in defined benefit obligation £m
1.0% decrease in discount rate	298
0.1% increase in inflation assumption	17
1 year increase in life expectancy	56

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, changes in some of the assumptions may be correlated.

3.4 Other assets

	Group		Bank	
As at	**31 Mar 2025**	30 Sep 2023	**31 Mar 2025**	30 Sep 2023
	£m	£m	**£m**	£m
		Restated(1)		Restated(1)
Finance sub-leases	**2**	2	**2**	2
Investment in controlled entities (note 6.2)	**-**	-	**65**	32
Investment in associates (note 6.2)	**-**	10	**-**	18
Other receivables	**69**	52	**60**	52
Other	**10**	6	**10**	8
	81	70	**137**	112

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

Other receivables include financial assets which are measured at amortised cost.

3.5 Other liabilities

	Group		Bank	
As at	**31 Mar 2025**	30 Sep 2023	**31 Mar 2025**	30 Sep 2023
	£m	£m	**£m**	£m
		Restated(1)		Restated(1)
Notes in circulation	**1,429**	1,675	**1,429**	1,675
Other	**237**	284	**234**	284
	1,666	1,959	**1,663**	1,959

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

Other liabilities include financial liabilities which are measured at amortised cost.

3.6 Lessee accounting

a) Amounts recognised in the income statement

The income statement includes the following amounts related to leases:	Group and Bank	
	18 months to 31 Mar 2025	12 months to 30 Sep 2023
	£m	£m
		Restated(1)
Interest expense and similar charges		
Interest expense	**(7)**	(4)
Other operating income		
Income from operating sub-leases where the Group is a lessor	**1**	1
Loss on revaluation of leased properties held at fair value	**(2)**	(5)
Operating and administrative expenses		
Depreciation and impairment of right-of-use assets	**(24)**	(26)
Expense relating to short-term leases	**(1)**	(2)
Expense relating to leases of low-value assets that are not short-term leases	**(1)**	(1)
Amounts recognised in the income statement	**(34)**	(37)

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

Total leasing cash outflow in the period was £41m for Group and Bank (12 months to 30 September 2023: £27m).

b) Amounts recognised on the balance sheet

Right-of-use assets

	Group and Bank	
	18 months to 31 Mar 2025	12 months to 30 Sep 2023
	£m	£m
		Restated(1)
As at 1 October	**153**	113
Additions	**2**	76
Remeasurements	**-**	(9)
Disposals	**-**	(1)
Depreciation and impairment	**(23)**	(26)
As at 31 March/30 September	**132**	153
Of which:		
Property, plant and equipment	**102**	115
Investment property	**30**	38

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details. Following the alignment, £5m of depreciation and impairment has been reclassified to remeasurements.

An impairment charge of £6m has been recognised in the period (12 months to 30 September 2023: £10m) within operating and administrative expenses following the annual impairment review of right-of-use assets.

3.6 Lessee accounting (continued)

Sub-leases

Future undiscounted minimum payments receivable in respect of sub-leased assets at the period ending were as follows:

	Group and Bank	
As at	**31 Mar 2025**	30 Sep 2023
	£m	£m
Operating leases	**-**	3
Finance leases	**2**	2
	2	5

Lease liabilities	Group and Bank	
As at	**31 Mar 2025**	30 Sep 2023
	£m	£m
Lease liabilities(1)	**160**	180

(1) Lease liabilities are presented within other liabilities (note 3.5) on the balance sheet.

Future undiscounted minimum payments under lease liabilities at the period end were as follows:

	Group and Bank	
As at	**31 Mar 2025**	30 Sep 2023
Amounts falling due	**£m**	£m
Within 1 year	**15**	22
Between 1 and 5 years	**57**	63
Over 5 years	**129**	142
	201	227

c) Lease commitments not recognised on the balance sheet

In addition to the lease liabilities recognised on the balance sheet, the Group also has lease commitments relating to leases which have not yet commenced at the balance sheet date. Future undiscounted minimum payments on leases which are yet to commence were as follows:

	Group and Bank	
As at	**31 Mar 2025**	30 Sep 2023
Amounts falling due	**£m**	£m
Within 1 year	**-**	-
Between 1 and 5 years	**-**	1
Over 5 years	**-**	5
	-	6

d) Leased investment property

Following the Nationwide acquisition, the valuation basis has changed from depreciated cost less impairment to fair value. Following an independent valuation of investment property during the period, a £2m remeasurement charge was recognised within other operating income (12 months to 30 September 2023: £5m).

3.7 Provisions for liabilities and charges

Group	Employee related costs provision £m	Customer related provision £m	Property provision £m	Off-balance sheet ECL provisions(1) £m	Total £m
As at 1 October 2022	7	13	27	3	50
Charge to the income statement	7	-	24	2	33
Utilised	(6)	(3)	(5)	-	(14)
As at 30 September 2023	8	10	46	5	69
Charge/(credit) to the income statement	**15**	**3**	**2**	**(1)**	**19**
Utilised	**(15)**	**(4)**	**(30)**	**-**	**(49)**
As at 31 March 2025	**8**	**9**	**18**	**4**	**39**

(1) The Group's ECL accounting policy can be found in note 3.1.1.

Bank	Employee related costs provision £m	Customer related provision £m	Property provision £m	Off-balance sheet ECL provisions(1) £m	Total £m
As at 1 October 2022	7	13	27	3	50
Charge to the income statement	7	-	24	2	33
Utilised	(6)	(3)	(5)	-	(14)
As at 30 September 2023	8	10	46	5	69
Charge/(credit) to the income statement	**15**	**2**	**2**	**(1)**	**18**
Utilised	**(15)**	**(4)**	**(30)**	**-**	**(49)**
As at 31 March 2025	**8**	**8**	**18**	**4**	**38**

(1) The Group's ECL accounting policy can be found in note 3.1.1.

Employee related costs provision

This includes provision for staff redundancies and for NIC on equity based compensation. During the period, provisions of £15m (12 months to 30 September 2023: £7m) were raised relating to staff redundancy costs.

Customer related provision

This relates to customer matters, legal proceedings, and claims arising in the ordinary course of the Group's business. A number of these matters are now reaching a conclusion and the risk that the final amount required to settle the Group's potential liabilities in these matters being materially more than the remaining provision is now considered to be low. Following a review of the final amounts required an additional £2m was raised in Bank and £3m in the Group during the period (12 months to 30 September 2023: £Nil).

Property provision

This includes costs for stores and office closures. During the period, provisions of £2m (30 September 2023: £24m) were raised.

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.

Notes to the consolidated financial statements (continued)
Section 4: Capital

4.1 Equity

4.1.1 Share capital and share premium

As at	**31 Mar 2025**	30 Sep 2023
	£m	£m
Share capital	**1,280**	1,243
Share premium	**763**	1,549
Share capital and share premium	**2,043**	2,792

Group and Bank	**31 Mar 2025 Number of shares**	30 Sep 2023 Number of shares	**31 Mar 2025 £m**	30 Sep 2023 £m
Ordinary shares of £0.10 each – authorised, allotted, called up and fully paid				
Opening ordinary share capital	**12,431,538,208**	12,431,538,208	**1,243**	1,243
Issued to immediate parent	**366,972,478**	-	**37**	-
Closing ordinary share capital	**12,798,510,686**	12,431,538,208	**1,280**	1,243

The holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at meetings of the shareholders of the Bank. All shares in issue at 31 March 2025 rank equally with regard to the Bank's residual assets.

Ordinary share issuance

On 1 October 2024 the Bank issued 298m ordinary shares to Virgin Money for cash consideration of £650m (allocated as share capital of £30m and share premium of £620m). Subsequently on 27 March 2025, the Bank issued 69m ordinary shares to Virgin Money for cash consideration of £150m (allocated as share capital of £7m and share premium of £143m).

On 5 December 2024 the Bank completed a share premium reduction which resulted in £1,549m being transferred from share premium to retained earnings.

Dividends

The following dividends were declared in the current and prior periods:

- A final dividend in respect of the year ended 30 September 2022 of 0.83p per ordinary share in the Bank, amounting to £103m, was paid in March 2023.
- An interim dividend of £50m in respect of the year ended 30 September 2023 was paid in November 2022.
- Further interim dividends amounting to £45m and £50m were paid in June 2023 and August 2023 respectively.
- A final dividend in respect of the year ended 30 September 2023 of 0.21p per ordinary share in the Bank, amounting to £26m, was paid in March 2024.
- An interim dividend in respect of the period ended 31 March 2025 of £151m was paid in November 2023.

Share premium represents the aggregate of all amounts that have ever been paid above par value to the Bank when it has issued ordinary shares.

A description of the other equity categories included within the statements of changes in equity, and significant movements during the period, is provided below.

4.1 Equity (continued)

4.1.2 Other equity instruments

Other equity instruments comprises AT1 capital which consists of the following Perpetual Contingent Convertible Notes which were issued to Virgin Money UK PLC:

Group and Bank

	Issuance date	Next reset date	Reset rate	31 Mar 2025 £m	30 Sep 2023 £m
9.25% AT1	13 March 2019	n/a	Benchmark gilts + 8.307%	**-**	250
8.25% AT1	17 June 2022	8 December 2027	Benchmark gilts + 6.357%	**350**	350
11.00% AT1	8 December 2023	8 June 2029	Benchmark gilts + 6.993%	**350**	-
				700	600
Issuance costs				**(7)**	(6)
				693	594

On 6 December 2023, perpetual securities (fixed 9.25% up to the first reset date) issued on 13 March 2019 totalling £105m were redeemed. The remaining £142m were redeemed on the optional redemption date of 8 June 2024.

The issuances are treated as equity instruments in accordance with IAS 32 'Financial instruments: presentation' with the proceeds included in equity, net of transaction costs, which is the difference between the nominal and carrying values. AT1 distributions of £100m were paid in the period (30 September 2023: £54m).

4.1.3 Other reserves

FVOCI reserve

The FVOCI reserve records the unrealised gains and losses arising from changes in the fair value of financial assets at FVOCI. The movements in this reserve are detailed in the consolidated statement of comprehensive income.

Cash flow hedge reserve

The cash flow hedge reserve represents the effective portion of cumulative post-tax gains and losses on derivatives designated as cash flow hedging instruments that will be recycled to the income statement when the hedged items affect profit or loss.

	Group		Bank	
As at	**31 Mar 2025 £m**	30 Sep 2023 £m	**31 Mar 2025 £m**	30 Sep 2023 £m
At 1 October	**496**	699	**497**	703
Amounts recognised in other comprehensive income:				
Cash flow hedge – interest rate risk				
Effective portion of changes in fair value of interest rate swaps	**(367)**	(268)	**(368)**	(269)
Amounts transferred to the income statement	**(84)**	(12)	**(85)**	(15)
Taxation	**125**	77	**126**	78
At 31 March/30 September	**170**	496	**170**	497

Other hedging reserve

A new other hedging reserve was created as a result of adopting IFRS 9 'Financial Instruments' – Hedge Accounting, effective from 1 October 2024 as detailed in note 1.6. Under IFRS 9, the Group has chosen to exclude currency basis spreads from hedge designation and instead report the change in fair value of these spreads directly within this reserve. The value of this reserve at 31 March 2025 was a cumulative loss of £3m in Group and £1m in Bank.

4.2 Pillar 3 disclosures

UK Capital Requirements Regulation

Pillar 3 disclosure requirements are set out within the Disclosure (CRR) part of the PRA rulebook. The disclosures required under the PRA framework are substantially equivalent to those required by Part Eight of the EU CRR. The consolidated disclosures of Virgin Money UK PLC, for the 18-month period to 31 March 2025, will be issued concurrently with the Annual Report and Accounts and can be found at www.virginmoneyukplc.com/investor-relations/results-and-reporting/annual-reports/

Notes to the consolidated financial statements (continued)
Section 5: Other notes

5.1 Contingent liabilities and commitments

Accounting policy

Financial guarantees
The Group provides guarantees in the normal course of business on behalf of its customers. Guarantees written are conditional commitments issued by the Group to guarantee the performance of a customer to a third party and are primarily issued to support direct financial obligations such as commercial bills or other debt instruments issued by a counterparty. The rating of the Group as a guarantee provider enhances the marketability of the paper issued by the counterparty in these circumstances.

The ECL requirements as described in note 3.1.1 apply to loan commitments and financial guarantee contracts, with the ECL allowance held as part of the provisions for liabilities and charges balance (note 3.7).

The table below sets out the amounts of financial guarantees and commitments which are not recorded on the balance sheet. Financial guarantees and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The amounts do not represent the amounts at risk at the balance sheet date but the amounts that would be at risk should the contracts be fully drawn upon and the customer default. Since a significant portion of guarantees and commitments is expected to expire without being drawn upon, the total of the contract amounts is not representative of future liquidity requirements.

	Group		Bank	
As at	**31 Mar 2025**	30 Sep 2023	**31 Mar 2025**	30 Sep 2023
	£m	£m	**£m**	£m
Financial guarantees				
Guarantees:				
Due in less than 3 months	**12**	12	**12**	12
Due between 3 months and 1 year	**33**	18	**33**	18
Due between 1 year and 3 years	**15**	8	**15**	8
Due between 3 years and 5 years	**2**	1	**2**	1
Due after 5 years	**38**	40	**38**	40
	100	79	**100**	79
Other credit commitments				
Undrawn formal standby facilities, credit lines and other commitments to lend at call	**19,003**	17,921	**18,980**	17,892

Capital commitments

The Group had future capital expenditure which had been contracted for, but not provided for, at 31 March 2025 of £1.4m (30 September 2023: £0.1m).

Other contingent liabilities

Conduct risk related matters and legal claims

There continues to be uncertainty with judgement required in determining the quantum of conduct risk related liabilities, with note 3.7 reflecting the Group's current position where a provision can be reliably estimated. Until all matters are resolved the final amount required to settle the Group's potential liabilities for conduct related matters remains uncertain.

The Group will continue to reassess the adequacy of provisions for these matters and the assumptions underlying the calculations at each reporting date based upon experience and other relevant factors at that time.

The Group, along with its former parent company, National Australia Bank Limited, was a defendant in nine separate claims (comprising 904 individual claimants) co-ordinated by the claims management company, RGL Management Limited, in connection with (i) the payment of break costs and (ii) the composition of fixed interest rates, both, in respect of historic tailored business loans ('RGL Litigation'). On 19 March 2024 the High Court of England and Wales delivered its judgment in the first and fourth claims dismissing all claims made against Clydesdale Bank PLC and National Australia Bank Limited. The Claimants appealed parts of the Judgement. The parties have settled the RGL Litigation and a contingent liability no longer exists.

The Group is named in and is defending a number of other legal claims arising in the ordinary course of business. No material adverse impact on the financial position of the Group is expected to arise from the ultimate resolution of these legal actions.

5.2 Equity based compensation

During the period, all equity settled awards conditionally vested as a result of the change in control of the Group (see note 1.1). The PRA Remuneration Code deferral requirements will continue to be applied but all vesting terms of the awards no longer apply.

For more senior colleagues, where awards are being deferred, approximately 50% of the awards were converted into a phantom award linked to the value of the Nationwide Building Society CCDS, to be paid in cash at the end of the deferral periods. There was no incremental fair value granted as a result of this modification. The other circa. 50% of awards remain over Group's shares, which will be issued to colleagues at the end of the deferral periods but then immediately sold to Nationwide, in line with Group's Articles which were amended as part of the acquisition.

As a result of the above, there has been accelerated recognition of the share based payment expense during the period to reflect that the awards have conditionally vested.

For the 18 month period to 31 March 2025, the equity settled share based payment expense is £11m (12 months to 30 September 2023: £5m) and the cash settled share based payment expense is £10m (12 months to 30 September 2023: £Nil).

Equity settled awards during the period

The table below shows the equity settled awards during the period. Further detail of the Deferred Equity Plan (DEP) and the Long Term Incentive Plan (LTIP), can be found in note 5.2 of the 2023 Annual Report and Accounts.

Awards/rights made during the period:

Plan	Number outstanding at 1 October 2023	Number awarded	Number forfeited	Number released	Number vested at change of control(1)(2)	**Number outstanding at 31 March 2025**	**Average fair value at grant date pence**
DEP							
2018 Bonus	102,391	-	-	(34,129)	(68,262)	**-**	192.35p
2019 Bonus	60,772	-	-	(18,384)	(42,388)	**-**	174.50p
2019 Commencement	2,851	-	-	(2,851)	-	**-**	174.50p
2020 Commencement	3,692	-	-	(3,692)	-	**-**	135.40p
2021 Commencement	43,432	-	-	(31,519)	(11,913)	**-**	142.70p
2022 Bonus	179,490	-	-	(9,388)	(170,102)	**-**	176.75p
2023 Commencement	457,267	-	-	(46,043)	(411,224)	**-**	158.95p
2023 Bonus	-	982,806	-	(948,976)	(33,830)	**-**	148.90p
2024 Commencement	-	206,118	-	(63,229)	(142,889)	**-**	148.90p
LTIP							
2017 LTIP	143,711	-	(26,425)	(35,926)	(81,360)	-	313.20p
2018 LTIP	1,380,220	-	(616,209)	-	(764,011)	-	190.47p
2019 LTIP	1,524,843	-	(23,730)	(475,472)	(1,025,641)	-	174.50p
2020 LTIP	8,084,761	-	(4,817,469)	(1,026,844)	(2,240,448)	-	135.40p
2021 LTIP	5,956,257	-	(4,294,145)	-	(1,662,112)	-	172.65p
2022 LTIP	6,900,152	-	(4,206,355)	-	(2,693,797)	-	176.75p
2023 LTIP	-	10,725,150	(7,597,223)	-	(3,127,927)	-	148.90p

(1) The awards conditionally vested as a result of the change in control of the Group however some of the awards are still subject to the applicable PRA Remuneration Code deferral requirements.

(2) For senior colleagues where awards are being deferred, when the awards conditionally vested on the Court Sanction date, approximately 50% of the awards were converted into a phantom award linked to the value of the Nationwide Building Society CCDS, to be paid in cash at the end of the deferral periods.

Determination of grant date fair values

Where awards were subject to only non-market performance conditions the grant date fair value of the awards has been taken as the middle market share price value on the day immediately preceding the grant.

Where awards were subject to market performance conditions (2022 LTIP and 2023 LTIP), these are incorporated into the calculation of grant date fair value using Monte Carlo simulation pricing models.

5.2 Equity based compensation (continued)

Cash settled share based payments during the period
A number of new cash settled share based payment awards were issued to colleagues during the period.

The table below shows the cash settled awards during the period:

Plan	Date of award	Method of settlement	Vesting Conditions
Transaction Retention Award (TRA) plan	December 2024	Cash payment linked to value of Nationwide CCDS	No vesting conditions apply however awards is subject to deferral requirements
Annual Performance Pay Deferral (APPD) plan	December 2024	Cash payment linked to value of Nationwide CCDS	No vesting conditions apply however awards is subject to deferral requirements
Long Term Incentive Replacement Awards (LITRA)	December 2024	Cash payment linked to value of Nationwide CCDS	Continuing employment or leaving in certain limited circumstances
Long Term Performance Pay (LTPP) plan	December 2024	Cash payment linked to value of Nationwide CCDS	Continuing employment or leaving in certain limited circumstances and achievement of performance conditions

The carrying value of the share based payment liability in respect of the cash settled share based payment awards at 31 March 2025 is £Nil (30 September 2023: £Nil) for awards which have vesting conditions and £6m (30 September 2023: £Nil) for awards where no vesting conditions apply however they are still subject to deferral requirements.

5.3 Related party transactions

As at	Group		Bank	
Amounts due from related entities	**31 Mar 2025 £m**	30 Sep 2023 £m	**31 Mar 2025 £m**	30 Sep 2023 £m
Loans and advances	**-**	-	**580**	883
Other receivables	**3**	-	**87**	81
Total amounts due from related entities	**3**	-	**667**	964
Interest income on the above amounts was as follows:				
Interest income	**-**	-	**40**	33

Amounts due to related entities	Group		Bank	
As at	**31 Mar 2025 £m**	30 Sep 2023 £m	**31 Mar 2025 £m**	30 Sep 2023 £m
Deposits	**47**	40	**428**	301
Other payables	**138**	5	**1,795**	1,347
Medium-term notes	**3,365**	2,608	**3,365**	2,608
Subordinated debt	**754**	952	**754**	952
Total amounts due to related entities	**4,304**	3,605	**6,342**	5,208
Interest expense on the above amounts was as follows (note 2.1):				
Interest expense to related entities	**249**	143	**528**	279

These are all classified at amortised cost and, for IFRS 9 purposes, held under Stage 1. The impact of the ECL requirements under IFRS 9 on these financial assets is immaterial.

Medium-term notes comprise dated, unsecured loans and are issued to Virgin Money UK PLC. These securities will, in the event of the winding-up of the issuer, be subordinated to the claims of the depositors and all other creditors of the issuer, other than creditors whose claims rank junior to the claims of the medium-term note liabilities, including those of subordinated debt holders. The amounts received is employed in the general business of the Group.

Subordinated debt comprises dated, unsecured loan capital and is issued to Virgin Money UK PLC. These debts will, in the event of the winding-up of the issuer, be subordinated to the claims of the depositors and all other creditors of the issuer, other than creditors whose claims rank junior to the claims of the holders of the subordinated liabilities. The amounts received is employed in the general business of the Group.

Other transactions with related entities	Group		Bank	
As at	**31 Mar 2025 £m**	30 Sep 2023 £m	**31 Mar 2025 £m**	30 Sep 2023 £m
Other income				
Non-interest income received	**6**	4	**36**	43
Other expenses				
Other expenses	**306**	21	**306**	21
Equity				
Ordinary dividends paid	**177**	248	**177**	248
AT1 distributions	**100**	54	**100**	54
Total dividends to related entities	**277**	302	**277**	302

5.3 Related party transactions (continued)

In addition to the above, the Group also undertakes activity with the following entities which are considered to be related party transactions:

Yorkshire and Clydesdale Bank Pension Scheme

The Group provides banking services to the Scheme, with customer deposits of £12m (30 September 2023: £7m). Pension contributions of £13m were made to the Scheme in the period (12 months to 30 September 2023: £7m).

The Group granted a £75m uncommitted liquidity facility to the Scheme as an additional contingency against future short-term liquidity challenges resulting from unexpected market turbulence. There is also a £7m BACS facility held for the Scheme in relation to payments to the Scheme's members (30 September 2023: £7m). As at 31 March 2025, the amount drawn under both facilities was £Nil (30 September 2023: £Nil).

JVs

As at 31 March 2025 the Group's value of investments in JVs is £Nil (30 September 2023: £10m). The total share of losses recognised in the period was £Nil (12 months to 30 September 2023: £Nil).

On 2 April 2024 the Group acquired the remaining c50% ordinary share capital of UTM, a JV with abrdn, for £20m. UTM is now a wholly owned subsidiary. Prior to the acquisition date, the Group classed UTM as a JV accounted for under the equity method. Transactions prior to the acquisition date are shown in note 5.6.

The only JV the Group is now a party to is Salary Finance and provides the JV with a revolving credit facility funding line, of which the current gross lending balance was £211m (30 September 2023: £290m) and the undrawn facility was £39m (30 September 2023: £60m). Following a strategic review of Salary Finance, the JV will no longer be a core part of the go-forward strategy of the Group. A combination of the JV's historic trading losses and the decision to not extend any additional lending to the JV beyond end 2025 meant that the lending met the conditions to be classed as Stage 3 (30 September 2023: Stage 2) under IFRS 9. An ECL allowance of £45m (30 September 2023: £22m) is held with an impairment charge of £23m recognised in the period (12 months to 30 September 2023: £3m). The lending continues to be held as part of the Group's Consumer lending portfolio and consists of personal lending to Salary Finance customers. The Group received £22m of interest income in the period (12 months to 30 September 2023: £16m) and holds deposits of £12m (30 September 2023: £10m). During the period the facility limit was reduced to £250m (30 September 2023: £350m) in line with the reduction in lending.

Other related party transactions with Virgin Group companies which were considered to be related party transactions prior to the Nationwide acquisition(1)

The Group had the following related party transactions with other Virgin Group companies:

- The Group incurs credit card commissions and air mile charges from Virgin Atlantic Airways Limited (VAA) in respect of an agreement between the two parties with expenses incurred of £19m (12 months to 30 September 2023: £17m).
- The Group incurs charges and receives commissions concerning the cashback incentive scheme with Virgin Red Limited in relation to the credit card, PCA and investment portfolio with expenses of £1.5m (12 months to 30 September 2023: £0.5m) and income of £1m (12 months to 30 September 2023: £0.4m) were recognised.
- The Group has an arrangement with Virgin Start Up Limited to host a series of events, podcasts and videos and other digital content with expenses of £0.3m (12 months to 30 September 2023: £0.4m) incurred.
- The Group provides lending facilities to other Virgin Group companies resulting in interest income of £1m (12 months to 30 September 2023: £0.2m).

(1) All companies are incorporated in England and Wales.

Charities

The Group provides banking services to The Virgin Money Foundation ('the Foundation') which has resulted in customer deposits of £1m (30 September 2023: £1m). The Group has made donations of £2m in the period (12 months to 30 September 2023: £1m) to the Foundation to enable it to pursue its charitable objectives. The Group has also provided a number of support services to the Foundation on a pro bono basis, including use of facilities and employee time. The estimated gift in kind for support services provided during the period was £0.7m (12 months to 30 September 2023: £0.5m).

5.3 Related party transactions (continued)

Compensation of key management personnel (KMP)

KMP comprises Directors of the Bank and members of the Executive Committee.

As at	**18 months to 31 Mar 2025**	12 months to 30 Sep 2023
	£m	£m
Salaries and short-term benefits	**20**	9
Equity based compensation[(1)]	**11**	3
Termination benefits	**1**	-
	32	12

(1) The expense recognised in the period is in accordance with IFRS 2 'Equity based compensations', both equity settled and cash settled, including associated employers' NIC. As set out in note 5.2, the share based payment expense was accelerated during the period to reflect that awards have conditionally vested.

Directors' emoluments

Total emoluments of all Directors for the period were £8m (12 months to 30 September 2023: £5m).

Total emoluments disclosed do not include the value of shares or share rights awarded under long term incentive schemes in accordance with Schedule 5 paragraph 1(3)(a) of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

None of the Directors were members of the Group's defined contribution or defined benefit pension schemes during the period (12 months to 30 September 2023: none).

None of the Directors hold share options and none were exercised during the period (12 months to 30 September 2023: none).

Disclosures in respect of the highest paid Director

As at	**18 months to 31 Mar 2025**	12 months to 30 Sep 2023
	£m	£m
Aggregate remuneration[(1)]	**4**	2

(1) Aggregate remuneration includes amounts paid for the period to 31 March 2025 and amounts received under the LTIPs in relation to the 2017, 2018, 2019 and 2020 LTIP awards.

The highest paid Director does not hold any share options.

Transactions with KMP

KMP, their close family members and any entities controlled or significantly influenced by the KMP have undertaken the following transactions with the Group in the normal course of business. The transactions were made on the same terms and conditions as applicable to other Group employees, or on normal commercial terms.

Transactions with KMP

As at	**31 Mar 2025**	30 Sep 2023
	£m	£m
Loans and advances	**1**	1
Deposits	**-**	1

No provisions have been recognised in respect of loans provided to KMP (30 September 2023: £Nil). There were no debts written off or forgiven during the period (12 months to 30 September 2023: £Nil). Included in the above is one (30 September 2023: five) loan totalling £0.5m (30 September 2023: £0.6m) made to Directors. In addition to the above, there are guarantees of £Nil (30 September 2023: £Nil) made to Directors and their related parties.

5.4 Notes to the statement of cash flows

As at	Group 18 months to 31 Mar 2025 £m	Group 12 months to 30 Sep 2023 £m Restated[1]	Bank 18 months to 31 Mar 2025 £m	Bank 12 months to 30 Sep 2023 £m Restated[1]
Adjustments included in profit before tax				
Depreciation, amortisation and impairment (note 2.5)	**124**	105	**124**	105
(Gains)/losses from derivatives and hedge accounting	**9**	17	**4**	14
Net increase on impairment losses on credit exposures (note 3.1.1.1)	**124**	158	**124**	158
Net (decrease)/increase on provisions for liabilities and charges	**(31)**	20	**(31)**	19
Equity based compensation (note 5.2)	**21**	5	**21**	6
Intercompany costs recharged from/(to) parent entity	**188**	12	**218**	(5)
Amortisation and (gains)/losses on investment securities (including IFRS 3)	**21**	65	**21**	65
Net credit on retirement benefit obligations	**(39)**	(49)	**(39)**	(49)
Impairment of investment in subsidiaries	**-**	-	**6**	2
Other non-cash movements	**(49)**	18	**(354)**	(269)
	368	351	**94**	46
Changes in operating assets and liabilities				
Balances with supervisory central banks	**238**	(142)	**238**	(142)
Net derivative financial instruments	**(723)**	(567)	**(725)**	(563)
Due from other banks and similar institutions	**181**	(1)	**180**	(1)
Loans and advances to customers	**1,041**	(206)	**853**	(325)
Defined benefit pension assets	**(13)**	(7)	**(13)**	(7)
Other assets	**(66)**	(5)	**(56)**	(5)
Due to other banks and similar institutions	**(6,116)**	(1,625)	**(6,116)**	(1,625)
Customer deposits	**3,556**	1,394	**3,556**	1,394
Debt securities	**339**	823	**(114)**	924
Other liabilities	**(175)**	(228)	**(185)**	(226)
	(1,738)	(564)	**(2,382)**	(576)

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with less than three months' maturity from the date of acquisition. This includes cash and liquid assets and amounts due from other banks and similar institutions (to the extent less than 90 days).

	31 Mar 2025 £m	30 Sep 2023 £m Restated[1]	31 Mar 2025 £m	30 Sep 2023 £m Restated[1]
Cash and balances with central banks (less mandatory deposits and collateral)	**10,034**	10,196	**10,034**	10,196
Due from other banks and similar institutions (less than three months) excluding collateral	**262**	393	**18**	27
	10,296	10,589	**10,052**	10,223

(1) The prior year has been restated following the alignment of the Group's accounting policies and presentation basis with Nationwide. Refer to note 1.7 for further details.

5.5 Segment information

The Executive Committee is responsible for allocating resources and assessing the performance of the business and is therefore identified as the chief operating decision maker.

The Group has determined that it has one reportable segment as the Executive Committee reviews performance and makes decisions based on the Group as whole. No segmental analysis is required on geographical lines as substantially all of the Group's activities are in the United Kingdom. As a result, no segmental disclosure is provided.

5.6 Virgin Money Unit Trust Managers Limited acquisition

On 2 April 2024 the Group acquired the remaining c50% of the ordinary share capital of UTM for cash consideration of £20m. UTM provides investment management services to retail customers including general investment accounts, stocks and shares ISAs and a pension product.

Prior to obtaining control, UTM was a JV with abrdn, with the Group holding a 50% plus one share equity interest which it accounted for under the equity method. With UTM having successfully completed its technology platform migration and launched the Virgin Money Investments digital platform, taking full ownership will enable the Group to focus on our expertise in branding and distribution, while abrdn will continue to provide investment advisory services.

The goodwill of £20m arising from the acquisition primarily represents the potential for future new customer acquisition and related asset under management growth following the adoption of the modern investment platform. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following tables summarise the consideration paid for UTM and the amounts of the identifiable assets acquired and liabilities assumed recognised at the acquisition date.

	£m
Consideration	
Cash consideration transferred	**20**
Fair value of the Group's equity interest in UTM held before the business combination	**20**
Consideration attributed to settlement of pre-existing relationships(1)	**(7)**
Total consideration	**33**

	£m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Financial assets(2)	**16**
Other assets	**2**
Identifiable intangible assets	**4**
Total assets	**22**
Financial liabilities	**-**
Other liabilities	**9**
Total liabilities	**9**
Net assets	**13**

	£m
Fair value of net assets acquired	**13**
Goodwill arising on acquisition	**20**
Total consideration	**33**

(1) Pre-existing banking, debtor and creditor relationships between UTM and the Group were deemed to be settled at carrying value on acquisition with no resulting gains or losses. These amounts are now eliminated on consolidation and therefore excluded from recognised assets acquired and liabilities assumed with the deemed settlement value being deducted from total consideration.
(2) Comprises cash and cash equivalents.

An £11m day 1 accounting gain was recognised on the pre-acquisition interest held in UTM following the acquisition of the remaining c.50% of ordinary share capital and subsequent fair value remeasurement.

Goodwill and customer relationship intangibles recognised in the period have been tested for impairment at the period end with no impairment charge recognised (note 3.2).

Revenue included in the Group's consolidated statement of comprehensive income since 2 April 2024 contributed by UTM is £23m (recognised within other operating income). UTM also contributed losses of £1m over the same period. Had UTM been consolidated from 1 October 2023 the consolidated income statement would have included total revenue of £35m and losses of £3m.

5.6 Virgin Money Unit Trust Managers Limited acquisition (continued)

In the period prior to the acquisition the Group received £5m of recharge income (12 months to 30 September 2023: £9m) from UTM in accordance with a service level agreement in respect of resourcing, infrastructure and marketing. The Group provided UTM with a 30 day notice account with customer deposits of £10m at the time of acquisition (30 September 2023: £17m) which resulted in interest of £0.3m being paid (12 months to 30 September 2023: £0.5m).

5.7 Post-balance sheet events

There have been no significant events between 31 March 2025 and the date of approval of the Annual Report and Accounts which would require a change to or additional disclosure in the financial statements.

Section 6: Notes to the Bank financial statements

6.1 Bank income statement

No individual income statement is presented for the Bank, as permitted by Section 408 of the Companies Act 2006.

6.2 Bank investments in controlled entities

Accounting policy

The Bank's investments in controlled entities are valued at cost or valuation less any provision for impairment. Such investments are reviewed annually for potential evidence of impairment, or more frequently when there are indications that impairment may have occurred. Losses relating to impairment in the value of shares in controlled entities are recognised in the income statement.

	Bank	
	31 Mar 2025	30 Sep 2023
	£m	£m
At period end	**65**	50

The table below represents the wholly-owned subsidiary undertakings of the Group and Bank as at 31 March 2025. All entities have a 31 March accounting reference date.

Wholly-owned subsidiary undertakings	Nature of business	Class of share held	Proportion held	Country of incorporation	Registered office
Direct holdings					
CGF No. 9 Limited	Leasing	Ordinary	100%	Scotland	177 Bothwell Street, Glasgow, G2 7ER
Clydesdale Bank Asset Finance Limited	Leasing	Ordinary	100%	Scotland	177 Bothwell Street, Glasgow, G2 7ER
CYB Intermediaries Limited	Insurance intermediary	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
St Vincent (Equities) Limited	Investment company	Ordinary	100%	Scotland	177 Bothwell Street, Glasgow, G2 7ER
Virgin Money Holdings (UK) Limited	Intermediate holding company	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
Virgin Money Unit Trust Managers Limited	Financial intermediary	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
Yorkshire Bank Home Loans Limited	Mortgage finance	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
C.B. Nominees Limited	Dormant	Limited by guarantee	100%	Scotland	177 Bothwell Street, Glasgow, G2 7ER
CYB SSP Trustee Limited	Dormant	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
Yorkshire Bank Limited	Dormant	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL

Wholly-owned subsidiary undertakings	Nature of business	Class of share held	Proportion held	Country of incorporation	Registered office
Indirect holdings					
Virgin Money Limited	Non-trading company	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
Virgin Money Personal Financial Service Limited	Insurance intermediary	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
Virgin Money Giving Limited	Dormant	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
Virgin Money Nominees Limited	Dormant	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
Virgin Money Trustee Limited	Dormant	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL

6.2 Bank investments in controlled entities (continued)

Interest in charitable foundations
The Group has an interest in The Virgin Money Foundation, a charitable foundation registered in England as a company limited by guarantee. The Bank acts as guarantor for £1 and is also a donor.

Impairment of investment in UTM
The Bank's investment in UTM was tested for impairment at the period end. The recoverable amount as determined on a FVLCD basis was higher than the carrying value of the investment and therefore no impairment charge has been recognised for the current period. This recoverable amount has been determined on a basis consistent with that used for the CGU level assessment for the UTM goodwill and customer relationship intangibles as disclosed in note 3.2.

Impairment of investment in Virgin Money Holdings (UK) Limited
An impairment test on the carrying value of the Bank's investment in Virgin Money Holdings (UK) Limited has been undertaken during the 18 month period, resulting in an impairment charge of £2m as at 31 March 2025 (12 months to 30 September 2023: £2m). For the purposes of the impairment test, the carrying value of the Bank's investment is compared to the net asset value (as a proxy for fair value) of the companies in the Virgin Money Holdings (UK) Group. The recoverable amount of Virgin Money Holdings (UK) Limited is £24m as at 31 March 2025 (30 September 2023: £22m).

Impairment of investment in Clydesdale Bank Asset Finance Limited
As part of the winding up activities of Clydesdale Bank Asset Finance Limited, prior to it becoming dormant, a dividend was paid to the Bank reducing the net assets of the subsidiary. This resulted in an impairment charge of £6m during the period.

The Bank also has an interest in a number of structured entities. All entities have a 31 March accounting reference date:

Other controlled entities as at 31 March 2025	Nature of business	Country of incorporation	Registered office
Eagle Place Covered Bonds LLP	Acquisition of mortgage loans	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
Gosforth Funding 2017-1 PLC (in liquidation)	Issuer of securitised notes	England	10 Fleet Place, London, EC4M 7RB
Gosforth Holdings 2017-1 Limited (in liquidation)	Holding company	England	10 Fleet Place, London, EC4M 7RB
Lanark Funding Limited	Funding company	England	Suite 2, Seventh Floor, 50 Broadway, London, SW1H 0DB
Lanark Holdings Limited	Holding company	England	Suite 2, Seventh Floor, 50 Broadway, London, SW1H 0DB
Lanark Master Issuer PLC	Issuer of securitised notes	England	Suite 2, Seventh Floor, 50 Broadway, London, SW1H 0DB
Lanark Trustees Limited	Mortgages trustee	England	Suite 2, Seventh Floor, 50 Broadway, London, SW1H 0DB
Lannraig Funding Limited	Funding company	England	1 Bartholomew Lane, London, EC2N 2AX
Lannraig Holdings Limited	Holding company	England	1 Bartholomew Lane, London, EC2N 2AX
Lannraig Master Issuer PLC	Issuer of securitised notes	England	1 Bartholomew Lane, London, EC2N 2AX
Lannraig Trustees Limited	Mortgages trustee	Jersey	44 Esplanade, St Helier, Jersey, JE4 9WG Channel Islands

Details of the Group's interests in consolidated structured entities associated with securitisation and covered bond arrangements are set out in note 3.1.5.

The Group also has a participating interest in the following undertakings as either an associate (A) or a joint venture (JV):

Name of undertaking	Status	% of share class held by immediate parent company (or by the Group where this varies)	Registered office address and principal place of business	Financial year end
Eagle Place Covered Bonds Finance Limited[(1)]	A	20%	1 Bartholomew Lane, London, EC2N 2AX	31 December
Salary Finance Loans Limited	JV	50%	Scale Space, 58 Wood Lane, London, W12 7RZ	31 December

(1) Eagle Place Covered Bonds Finance Limited is a dormant company within the Group's covered bond programme.

Investments in JVs are recognised in the consolidated financial statements within other assets and are accounted for using the equity method. Further detail on the JV arrangement is provided in note 5.3.

Measuring financial performance - glossary
Financial performance measures

As highlighted in the Strategic report and the Risk report, the Group utilises a range of asset quality and regulatory ratios to assess the Group's performance. Descriptions of the ratios are set out below:

Asset quality:

Term	Definition
Impairment charge to average customer loans **(cost of risk)**	Impairment losses on credit exposures plus credit risk adjustment on fair value loans to average customer loans (defined as loans and advances to customers, other financial assets at fair value and due from customers on acceptances).
Loans in Stage 2	Stage 2 loans as a percentage of total gross loans and advances.
Loans in Stage 3	Stage 3 loans as a percentage of total gross loans and advances.
Total book coverage	Total impairment provision on credit exposures as a percentage of total gross loans and advances.
Stage 2 coverage	Stage 2 impairment provisions as a percentage of Stage 2 gross loans and advances.
Stage 3 coverage	Stage 3 impairment provisions as a percentage of Stage 3 gross loans and advances.

Regulatory ratios:

Term	Definition
Common Equity Tier 1 **(CET1)** ratio	CET1 capital divided by RWAs at a given date.
Tier 1 ratio	Tier 1 capital as a percentage of RWAs.
Total capital ratio	Total capital resources divided by RWAs at a given date.
UK leverage ratio	The Group's leverage ratio on a modified basis, excluding qualifying central bank claims from the exposure measure in accordance with the policy statement issued by the PRA in October 2017.
Liquidity coverage ratio **(LCR)**	Measures the surplus (or deficit) of the Bank's high-quality liquid assets relative to weighted net stressed cash outflows over a 30 day period. It assesses whether the Bank has sufficient liquid assets to withstand a short-term liquidity stress based on cash outflow assumptions provided by regulators.
Minimum requirement for own funds and eligible liabilities **(MREL)** ratio	Total capital resources less ineligible AT1 and Tier 2 instruments at the period end plus senior unsecured securities issued with greater than one year to maturity at the period end divided by RWAs at the period end.
Net stable funding ratio **(NSFR)**	The total amount of available stable funding divided by the total amount of required stable funding, expressed as a percentage. The Group monitors the NSFR based on its own interpretations of current guidance available for CRD V NSFR reporting. Therefore, the reported NSFR may change over time with regulatory developments. Due to possible differences in interpretation of the rules, the Group's ratio may not be directly comparable with those of other financial institutions.

Main Glossary

Term	Definition
Additional Tier 1 **(AT1)**	Securities that are considered AT1 capital in the context of CRD V.
arrears	A customer is in arrears (or in a state of delinquency) when they fail to adhere to their contractual payment obligations resulting in an outstanding loan that is unpaid or overdue. When a customer is in arrears, the total outstanding loans on which payments are overdue are said to be delinquent.
Bank	Clydesdale Bank PLC.
Basel II	The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in June 2004.
Basel III	Reforms issued by the BCBS in December 2017 with subsequent revision.
Basel 3.1	An updated version of the Basel III reforms of the regulatory framework issued by the BCBS in December 2017. These are being implemented in the UK by the PRA from 1 January 2027.
basis points **(bps)**	One hundredth of a percent (0.01%); meaning that 100 bps is equal to 1%. This term is commonly used in describing interest rate movements.
Board	Refers to the Virgin Money UK PLC Board or the Clydesdale Bank PLC Board as appropriate.
Business lending	Lending to non-retail customers, including overdrafts, asset and lease financing, term lending, bill acceptances, foreign currency loans, international and trade finance, securitisation and specialised finance.
carrying value (also referred to as carrying amount)	The value of an asset or a liability in the balance sheet based on either amortised cost or fair value principles.
Code	The 2018 UK Corporate Governance Code
collateral	The assets of a borrower that are used as security against a loan facility.
Common Equity Tier 1 capital **(CET1)**	The highest quality form of regulatory capital that comprises total shareholders' equity and related non-controlling interests, less goodwill and intangible assets and certain other regulatory adjustments.
Company	Clydesdale Bank PLC.
counterparty	The other party that participates in a financial transaction, with every transaction requiring a counterparty in order for the transaction to complete.
coverage ratio	Impairment allowance as at the period end shown as a percentage of gross loans and advances as at the 18 month period end.
covered bonds	A corporate bond with primary recourse to the institution and secondary recourse to a pool of assets that act as security for the bonds on issuer default. Covered bonds remain on the issuer's balance sheet and are a source of term funding for the Group.
CRD IV	Capital Requirements Directive (EU) 2013/36 revised by Directive (EU) 2019/878, as implemented in the UK by PRA Policy Statement 22/21 and incorporated into the PRA Rulebook from 1 January 2022.
CRD V	The supervisory framework which covers prudential rules for banks, building societies and investment firms in the UK.
Credit impaired financial asset	A financial asset that is in default or has an individually assessed provision. This is also referred to as a 'Stage 3' impairment loss and subject to a lifetime ECL calculation. The Group considers 90 DPD as a backstop in determining whether a financial asset is credit impaired.
Credit risk mitigation	Techniques to reduce the potential loss in the event that a customer (borrower or counterparty) becomes unable to meet its obligations. This may include the taking of financial or physical security, the assignment of receivables or the use of credit derivatives, guarantees, credit insurance, set-off or netting.
CRR	Capital Requirements Regulation (EU) 575/2013, revised by Regulation (EU) 2019/876, as implemented in the UK by PRA Policy Statement 22/21 and incorporated into the PRA Rulebook from 1 January 2022.
customer deposits	Money deposited by individuals and corporate entities that are not credit institutions, and can be either interest bearing, non-interest bearing or term deposits.
days past due (DPD)	The number of days a facility has borrowing in excess of an agreed or expired limit or, where facilities are subject to a regular repayment schedule, contractual payments are not fully up to date.
default	A customer is in default when either they are more than 90 DPD on a credit obligation to the Group, or are considered unlikely to pay their credit obligations in full without recourse to actions such as realisation of security (if held).
delinquency	See 'arrears'

Main Glossary (continued)

Demerger	The demerger of the Group from NAB which took effect on 8 February 2016 pursuant to which all of the issued share capital of CYB Investments Limited was transferred to Virgin Money UK PLC (formerly CYBG PLC) by NAB in consideration for the issue and transfer of Virgin Money UK PLC (formerly CYBG PLC) shares to NAB in part for the benefit of NAB (which NAB subsequently sold pursuant to the Company's IPO) and in part for the benefit of NAB shareholders under a scheme of arrangement under part 5.1 of the Australian Corporations Act.
derivative	A financial instrument that is a contract or agreement whose value is related to the value of an underlying instrument, reference rate or index.
effective interest rate **(EIR)**	The rate used to calculate interest income or expense under the effective interest method.
encumbered assets	Assets that have been pledged as security, collateral or legally 'ring-fenced' in some other way which prevents those assets being transferred, pledged, sold or otherwise disposed.
exposure	A claim, contingent claim or position which carries a risk of financial loss.
exposure at default **(EAD)**	The estimate of the amount that the customer will owe at the time of default.
fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions.
forbearance	The term generally applied to the facilities provided or changes to facilities provided to assist borrowers who are experiencing, or are about to experience, a period of financial stress.
full time equivalent **(FTE)**	The standardised method of measurement that represents the number of hours worked by all Virgin Money employees, both full time and part time (excluding contractors or long-term absences).
Group	Clydesdale Bank PLC and its controlled entities.
hedge ineffectiveness	Represents the extent to which the income statement is impacted by changes in fair value or cash flows of hedging instruments not being fully offset by changes in fair value or cash flows of hedged items.
IFRS 9	The financial instrument accounting standard which was adopted by the Group with effect from 1 October 2018.
IFRS 9 transitional adjustments-dynamic	That part of the transitional adjustments on regulatory capital arising from the increase in impairment provisions (on non-credit impaired exposures) from the date of initial adoption of IFRS 9 to the reporting date.
IFRS 9 transitional adjustments-static	That part of the transitional adjustments on regulatory capital arising from the increase in impairment provisions on initial adoption of IFRS 9 from those calculated under IAS 39.
impairment allowances	An ECL provision held on the balance sheet for financial assets calculated in accordance with IFRS 9. The impairment allowance is calculated as either a 12-month or a lifetime ECL.
impairment losses	The ECLs calculated in accordance with IFRS 9 and recognised in the income statement with the carrying value of the financial asset reduced by creating an impairment allowance. Impairment losses are calculated as either a 12-month or lifetime ECL.
Internal Capital Adequacy Assessment Process **(ICAAP)**	The Group's assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints.
Internal Liquidity Adequacy Assessment Process **(ILAAP)**	The Group's assessment and management of balance sheet risks relating to funding and liquidity.
Internal Ratings-Based approach **(IRB)**	A method of calculating credit risk capital requirements using internal, rather than supervisory, estimates of risk parameters.
investment grade	The highest possible range of credit ratings, from 'AAA' to 'BBB', as measured by external credit rating agencies.
Level 1 fair value measurements	Financial instruments whose fair value is derived from unadjusted quoted prices for identical instruments in active markets.
Level 2 fair value measurements	Financial instruments whose fair value is derived from quoted prices for similar instruments in active markets and financial instruments valued using models where all significant inputs are observable.
Level 3 fair value measurements	Financial instruments whose fair value is derived from valuation techniques where one or more significant inputs are unobservable.
Lifetime ECL	The ECL calculation performed on financial assets where a SICR since origination has been identified. This can be either a 'Stage 2' or 'Stage 3' impairment loss depending on whether the financial asset is credit impaired.
loan to value ratio (LTV)	A ratio that expresses the amount of a loan as a percentage of the value of the property on which it is secured.
loss-absorbing capacity (LAC) requirement	The required level of MREL resources that the Group is required to hold to meet its MREL requirement and applicable capital buffers set by the BoE.

Main Glossary (continued)

loss given default (LGD)	The estimate of the loss that the Group will suffer if the customer defaults (incorporating the effect of any collateral held).
Low-carbon economy	An economy based on energy sources that produce low levels of greenhouse gas emissions.
medium-term notes	Debt instruments issued by corporates, including financial institutions, across a range of maturities.
Minimum Requirement for Own Funds and Eligible Liabilities **(MREL)**	A minimum requirement for institutions to maintain equity and eligible debt liabilities, to help ensure that if an institution fails the resolution authority can use these financial resources to absorb losses and recapitalise the continuing business.
Nationwide	Nationwide Building Society, a building society authorised by the PRA and regulated by the FCA and the PRA under registration number 106078.
Nationwide group	Nationwide and its subsidiary undertakings.
net interest income **(NII)**	The amount of interest received or receivable on assets, net of interest paid or payable on liabilities.
Net zero	Negating the amount of greenhouse gases produced by human activity.
Personal lending	Lending to individuals rather than institutions excluding mortgage lending which is reported separately.
probability of default **(PD)**	The probability that a customer will default over either the next 12 months or lifetime of the account.
regulatory capital	The capital which the Group holds, determined in accordance with rules established by the PRA.
residential mortgage-backed securities **(RMBS)**	Securities that represent interests in groups or pools of underlying mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and principal).
risk appetite	The level and types of risk the Group is willing to assume within the boundaries of its risk capacity to achieve its strategic objectives.
risk-weighted assets **(RWA)**	On and off balance sheet assets of the Group are allocated a risk weighting based on the amount of capital required to support the asset.
sale and repurchase agreement **(repo)**	A short-term funding agreement that allows a borrower to create a collateralised loan by selling a financial asset to a lender. As part of the agreement, the borrower commits to repurchase the security at a date in the future repaying the proceeds of the loan. For the counterparty (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or a reverse repo.
Scheme	The Group's defined benefit pension scheme, the Yorkshire and Clydesdale Bank Pension Scheme.
secured lending	Lending in which the borrower pledges some asset (for example property) as collateral for the lending.
securitisation	The practice of pooling similar types of contractual debt and packaging the cash flows from the financial asset into securities that can be sold to institutional investors in debt capital markets. It provides the Group with a source of secured funding that can achieve a reduction in funding costs by offering typically 'AAA' rated securities secured by the underlying financial asset.
significant increase in credit risk **(SICR)**	The assessment performed on financial assets at the reporting date to determine whether a 12-month or lifetime ECL calculation is required. Qualitative and quantitative triggers are assessed in determining whether there has been a SICR since origination. The Group considers 30 DPD as a backstop in determining whether a SICR since origination has occurred.
specific impairment provision	A specific provision relates to a specific loan, and represents the estimated shortfall between the carrying value of the asset and the estimated future cash flows, including the estimated realisable value of securities after meeting securities realisation costs.
standardised approach	In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.
stress testing	The term used to describe techniques where plausible events are considered as vulnerabilities to ascertain how this will impact the own funds or liquidity which a bank holds.
structured entity	An entity created to accomplish a narrow well-defined objective (for example securitisation of financial assets). An SE may take the form of a corporation, trust, partnership or unincorporated entity. SEs are often created with legal arrangements that impose strict limits on the activities of the SE. May also be referred to as an SPV.
subordinated debt	Liabilities which rank after the claims of other creditors of the issuer in the event of insolvency or liquidation.
Term Funding Scheme (TFS)	A scheme launched in 2016 by the BoE to allow banks and building societies to borrow from the BoE at rates close to base rate. This is designed to increase lending to businesses by lowering interest rates and increasing access to credit.

Main Glossary (continued)

Tier 1 capital	A measure of the Group's financial strength. Tier 1 capital comprises the sum of Common Equity Tier 1 capital and Additional Tier 1 instruments.
Tier 2 capital	Supplementary capital that meets the Tier 2 requirements set out in the Capital Requirements Regulation, it comprises subordinated debt and other securities and eligible impairment allowances after regulatory deductions.
Trademark licence agreement (TMLA)	Trademark licence agreement between the Company and Virgin Enterprises which governs the use of the 'Virgin Money' brand.
unsecured lending	Lending in which the borrower pledges no assets as collateral for the lending (such as credit cards and current account overdrafts).
value at risk (VaR)	A measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (for example rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

Abbreviations

AFD	Approaching financial difficulty
AGM	Annual General Meeting
ALCO	Assets and Liability Committee
ASX	Australian Securities Exchange
AT1	Additional Tier 1
BCBS	Basel Committee on Banking Supervision
BoE	Bank of England
bps	Basis points
BTL	Buy-to-let
CCF	Credit conversion factor
CDI	CHESS Depositary Interest
CET1	Common Equity Tier 1 Capital
CPI	Consumer Price Index
CRD	Capital Requirements Directive
CRE	Commercial Real Estate
CRR	Capital Requirements Regulation
CSRBB	Credit spread risk in the banking book
CYBI	CYB Investments Limited
DEP	Deferred Equity Plan
DPD	Days past due
EAD	Exposure at default
EBT	Employee benefit trust
ECL	Expected credit loss
EIR	Effective interest rate
ERMF	Enterprise Risk Management Framework
ESG	Environmental, Social and Governance
EY	Ernst & Young LLP
FCA	Financial Conduct Authority
FIRB	Foundation internal ratings based
FTE	Full time equivalent
FRC	Financial Reporting Council
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GDIA	Group Director Internal Audit
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standard
ILAAP	Internal Liquidity Adequacy Assessment Process
IPO	Initial Public Offering
IRB	Internal ratings-based
IRRBB	Interest rate risk in the banking book
ISA	International Standards on Auditing
ISDA	International Swaps and Derivatives Association
JV	Joint venture
KMP	Key management personnel
KPI	Key Performance Indicator
LAC	Loss-absorbing capacity
LCR	Liquidity coverage ratio
LGD	Loss given default
LIBOR	London Interbank Offered Rate
LSE	London Stock Exchange
MA	Management adjustment
MES	Multiple economic scenarios
MRM	Model risk management
PD	Probability of Default
POCI	Purchased or originated credit impaired
PRA	Prudential Regulation Authority
RAS	Risk Appetite Statement
RMBS	Residential mortgage-backed securities
RPI	Retail Price Index
RWA	Risk-weighted asset
SICR	Significant increase in credit risk
SME	Small or medium-sized enterprise
SMF	Sterling Monetary Framework
SONIA	Sterling Overnight Index Average
TFS	Term Funding Scheme
TFSME	Term Funding Scheme with additional incentives for SMEs
TMLA	Trademark licence agreement
UTM	Virgin Money Unit Trust Managers Limited
VaR	Value at risk
VMI	Virgin Money Investments (legal entity name 'Virgin
VIU	Value-in-use

Other information

Country by Country Reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 came into effect on 1 January 2014 and place certain reporting obligations on financial institutions that are within the scope of the European Union's CRD IV. The purpose of the Regulations is to provide clarity on the source of the Group's income and the locations of its operations.

The vast majority of entities that are consolidated within the Group’s financial statements are UK registered entities. The activities of the Group are described in the Strategic report.

	18 months to 31 Mar 2025
	UK
Average FTE employees (number)	**7,305**
Total operating income (£m)	**2,741**
Profit before tax (£m)	**186**
Corporation tax paid (£m)	**38**
Public subsidies received (£m)	**-**

The only other non-UK registered entity of the Group is a Trustee company that is part of the Group’s securitisation vehicles (Lanark and Lannraig). Lannraig Trustees Limited is registered in Jersey. This entity plays a part in the overall securitisation process by having the beneficial interest in certain mortgage assets assigned to it. This entity has no assets or liabilities recognised in its financial statements with the securitisation activity taking place in other UK registered entities of the structures. This entity does not undertake any external economic activity and has no employees. The results of this entity as well as those of the entire Lanark and Lannraig securitisation structures are consolidated in the financial statements of the Group.

Website www.virginmoneyukplc.com/investor-relations/results-and-reporting/annual-reports/.

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